

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
FT. LAUDERDALE DIVISION

MLFTL, INC.	}	CASE NUMBER: 16-15475-JKO
	}	
	}	CHAPTER 11
DEBTOR	}	
	}	

FIRST AMENDED DISCLOSURE STATEMENT

MLFTL, Inc., a Florida Corporation, operating as “Mattress Land”, (hereinafter referred to as the "Debtor"), pursuant to 11 U.S.C. 1125 (f) and Bankruptcy Rule 3016 (c) hereby provides its First Amended Disclosure Statement (the “Disclosure”) to all known creditors in order to disclose that information deemed by the Debtor to be material, important, adequate, and necessary for its creditors to arrive at a reasonably informed decision so that each creditor can exercise their right to vote for acceptance, rejection, or abstention from voting on the Debtor’s Plan of Reorganization, (hereinafter referred to as the "Plan").

I. INTRODUCTION

NO REPRESENTATIONS CONCERNING THE DEBTOR ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS STATEMENT. FUTURE VALUES OF ASSETS, IF ANY, ARE SUBJECT TO CHANGING MARKET CONDITIONS AND MAY NOT BE PREDICTED WITH COMPLETE ACCURACY, EVEN WHERE QUALIFIED APPRAISALS MAY BE AVAILABLE.

ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN WHICH ARE OTHER THAN AS CONTAINED HEREIN SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION TO ACCEPT OR REJECT THE PLAN.

EXCEPT WHERE OTHERWISE INDICATED, THE FINANCIAL INFORMATION CONTAINED IN THE DISCLOSURE AND ITS ATTACHED PLAN OF REORGANIZATION HAS BEEN COMPILED BY THE DEBTOR AND HAS NOT BEEN SUBJECT TO CERTIFIED AUDIT.

THE PLAN IS A LEGALLY BINDING DOCUMENT AND SHOULD BE READ IN ITS ENTIRETY. YOU MAY WISH TO CONSULT WITH A LAWYER IN ORDER TO FULLY UNDERSTAND THE PLAN AND DISCLOSURES CONTAINED HEREIN.

THE DEBTOR BELIEVES THIS STATEMENT COMPLIES WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE, AND REQUESTS THAT YOU CAREFULLY REVIEW THE DISCLOSURES CONTAINED HEREIN AND URGES THAT YOU ACCEPT THE PLAN BY PROMPTLY RETURNING YOUR COMPLETED BALLOT.

II. VOTING

A. Who May Vote. As a creditor of the Debtor, your vote on the Plan is most important. In order for the Plan to be accepted and thereafter confirmed by the Bankruptcy Court without resort to the "Cramdown" provisions of the Code, votes representing (1) at least two-thirds in amount and (2) more than one-half in number of Claims allowed for voting purposes of each impaired class that are voted must be cast for the acceptance of the Plan. Creditors are entitled to vote on confirmation of the Plan unless (i) the class is unimpaired (presumed to accept) or is to receive no distribution (presumed to reject); (ii) an objection has been filed to that creditor's claim; or (iii) the claim is unclassified (required by law to be paid in full). A creditor whose claim has been objected to and who wishes to vote must move to have its claim allowed for voting purposes by filing a motion for such relief in time for that motion to be heard at or before the confirmation meeting.

B. How to Vote. After carefully reviewing the Plan and Disclosure, including all attachments thereto, please indicate your vote on the enclosed ballot and return them in the envelopes provided to the Clerk of the Bankruptcy Court. PLEASE VOTE EVERY BALLOT

YOU RECEIVE. Completed ballots for holders of all Classes should be returned in the envelope provided herewith and MUST BE RECEIVED BY THE END OF BUSINESS on the ____ day of _____ 2016. If you have claims or interests in more than one class under the Plan, you will receive multiple ballots. IF A BALLOT IS DAMAGED OR LOST, OR IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES, CALL 1-561-368-7474.

C. Effect of Vote. The Plan will be confirmed only if it is accepted by each impaired class, or if it is accepted by at least one impaired class (exclusive of insiders) and the Court determines it is fair and equitable to all dissenting classes. A class of creditors accepts the Plan if it is accepted by a majority in number and two-thirds in dollar amount of creditors who cast ballots. A class of interests accepts the Plan if it is accepted by two-thirds in dollar amount of interest holders who cast ballots.

D. Cramdown. In the event any impaired Class of creditors with claims against any of the Debtor's Estate fails to accept the Plan in accordance with §1129(a) of the Bankruptcy Code, the Debtor may request the Court to "Cramdown" the creditors. Such a request could occur if the Plan is not accepted by at least two-thirds (2/3) in amount, and by more than one-half (1/2) in number of the Allowed Claims of each Class that have voted to accept or reject the Plan. In such event the aggregate vote does not carry to accept the Plan, an alternative exists where the Debtor may request the Bankruptcy Court to dismiss or convert this case to a case under Chap.7, Title 11.

There are several other factors joining the request for a Cramdown. The Debtor would be required to add new value to the Estate. The amount and source of this value is unconfirmed; however, the Debtor has made inquiries on a "best efforts" basis to raise sufficient capital to fund the Plan in the event of a Cramdown.

While no commitments for funding are confirmed, the Debtor will continue its efforts to add value to the Estate should a Cramdown occur. In this regard, analysis of the Disclosure Statement and the Plan indicates a more favorable outcome for all the creditors when the Plan is accepted rather than rejected. See Article IX of the Plan.

III. FINANCIAL INFORMATION SUMMARY.

During the seven (7) months since the April 15, 2016 petition date, the Debtor has generated cumulative operating revenue of approximately \$815,000. This has developed a working inventory surplus of approximately \$90,000 and revolving cash surplus of \$15,000 to \$25,000 on a cash basis; excluding professional expenses and filing fees incurred in the bankruptcy case. It is anticipated that certain tax liabilities for the current year will erode this amount correspondingly.

For a broad overview of the Debtor's financial undertakings, reference is directed to the Debtor's Plan of Reorganization (the "Plan"). The Plan contains basic financial information offering performance data to assess the feasibility of the Plan. The Court has tentatively determined that this Disclosure Statement provides adequate information to creditors. You may be entitled to vote on the Plan, or object to confirmation of the Plan or final approval of the Disclosure Statement (see above Part II).

The Debtor's Monthly Operating Reports (DIP Reports) are available for inspection and review at the Clerk of the Bankruptcy Court's office at 299 E Broward Blvd # 310, Fort Lauderdale, FL 33301 299 E Broward Blvd # 310, Fort Lauderdale, FL 33301 (954) 769-5700. These reports set forth all the Debtor's receipts and disbursements as of the April 15, 2016 Petition Date forward.

The Debtor intends to make the payments required under the Plan from post-petition operating income and cash available on the "effective date". The effective date shall be when the order of confirmation becomes final and non-appealable which is ten (10) days after the confirmation order is entered by the Court.

IV. HISTORY OF THE DEBTOR

A. Family and Career.

MLFTL, Inc. (Debtor), operating as Mattress Land, is managed by Steven Iona and by

MLTFL's president, Joseph Iona whose primary accountability is the company's logistics and product distribution.

The Iona brothers were born in Long Island, New York. Joseph is 54 years old and Steve is 51. Steve Iona's skills in the retail and wholesale mattress category began in 1981. The family had moved to Florida, and as a Sophomore in high school, at 15 years old, Steve began working at a nationally recognized mattress store as a part time utility, janitorial, and maintenance man. Each day as Steve completed these daily tasks throughout the store, he would read the labels on the mattresses and watch the salesman as they closed sales with customers. While still in his Sophomore year, when a salesman was late for work, Steve stepped in to speak to a few customers, and the natural salesman, who by observing and paying attention, sold several beds. This early success led to Steve to go to school full time and working as a full time mattress man, and 35 years later, he still is working as a success in this category today. Joseph joined the business along the way, and because the mattress business is strongly supported by logistics, Joseph operates those aspects of the business.

Over the past 35 years, Steve has owned more than 50 stores, trained over 1,000 salesman and managers, and has participated directly in generating approximately \$270 million in mattress and accessories sales; while working with suppliers and resellers having billions of dollars in annual sales. The Iona's current operations are expanding upon the platform of long-term agility and performance in the bedding and accessories category.

The feasibility of the Debtor's Plan, and management's ability to remain competitive and operational for 35 years under diverse market and economic cycles, indicates the likelihood of long-term success in this merchandising category without another incident of protection under Chapter 11 Bankruptcy.

In summary, the Debtor's arrival for protection under Chapter 11 has as its foundation the past reviewed above, and it because of this past, that MLFTL's future has the talent, professionalism, and capability to cause its Oakland Park store to reach; through post-petition recapitalization and modernization, to \$5 million in annual sales in the relative new-term.

B. Case Overview.

The Debtor's decision to file for protection under Chapter 11 has at its core, a tenant confronted with eviction due to a landlord notice of overdue rent (approximately 2 months that is a portion of the Landlord's claim of \$68,719.53). Debtor leased the premises on December 10, 2010 and has faithfully and consistently paid rent during the term of the lease (equaling more than \$1.3 million). Debtor initially leased a small portion of the building to open its mattress store. While the Debtor originally leased the store on an "as is, where is" basis, certain and specific assurances and promises were made by the Landlord to appropriately maintain and upgrade the premises (including various compliance matters relating to the American Disabilities Act (ADA) and maximum commercial signage).

As the lease progressed, Debtor (Tenant) proceeded to lease the entire 1st and 2nd floor of the building to increase its commercial presence and product lines in an effort to expand sales and value as a Tenant in a premium retail location. Much of the additional space was in various degrees of need of repair, and periodically, as Tenant requested repairs or upgrades as set forth the Lease and its Amendment(s), Landlord would "put off" the request by explaining that doing the entire job at once was a better plan than doing the job piecemeal. Inevitably, the requested work was deferred and even to the current date, has not started. Recently, as a result of water intrusion into the building (and other "beyond the life of materials and in-place workmanship), Tenant has experienced operations interruptions and related expenses and costs as consequences of the deterioration and disrepair of the exterior of Leased Premises.

Even against the background presented above, the Debtor's operations continue to expand and prosper within the Leased premises. For example, the Debtor has paid, on time, its post-petition rent (in excess of \$190,000) and the Landlord has continued to resist the Tenant's requests for repairs and compliance with the Lease – while at the same time advocating the departure of the Debtor in favor of having interested buyers to purchase the building.

The Debtor is strongly considering an adversary proceeding referencing material breach of the Lease by Landlord Oakland Square, LLC. To an assertive degree, such breach is considered a leading cause Debtor's choice to file for Chapter 11 on April 15, 2016. In such

event the requests for remedies are declined, and current negotiations with the Landlord breakdown regarding solutions to the violations within the Landlord's performances under the Lease occur, such adversary would be appropriately prepared. The Debtor believes the Court, when considering the facts and the limitations the Debtor is experiencing because of the overall condition of the building, the Landlord may then choose to act upon the Debtor's requests and complaints regarding the repair and upgrading of the Leased premises consistent with the Lease mandates and business prudence.

This Chapter 11 case intends to preserve the Debtor's opportunities in this industry, and lead to successful expansion financing post-confirmation. This combination of opportunity and financing assures a successful outcome of the Debtor's Plan and commitment to fund 100% of the indebtedness underpinning this Chapter 11 case.

V. PURPOSE OF PETITION AND DEBTOR'S OBJECTIVES

Chapter 11 offers the operating arena to first organize the issues causing financial breakdowns and shortfalls leading to the need to seek protection under Chapter 11; and to "freeze" or stay the issues for a closer look at financial solutions. Chapter 11, in its shortest summary offers the gaining of the time to organize, manage, and control an outcome that is economically and beneficially superior for the Debtor and the creditors with compared with Chapter 7 liquidation. This best summarizes the term "reorganization" rather than "liquidation".

A. Motive to File Petition. As introduced above, the Debtor's primary motive for seeking protection under an individual Chapter 11 case focused on resolving the disputes and inconsistencies experienced with the Debtor's Leased Premises and the Landlord's compliance and deliveries associated with the Debtor's Leased Premises.

B. Feasibility of Plan of Reorganization. The Debtor's Plan accomplishes the above objectives with reason and feasibility having demonstrated, post-petition, to remain current with its lease payments and tax obligations. Further, the Debtor is stabilizing and increasing its revenue on a monthly basis, and after installing a new accounting system, is enabled to control and manage its costs of operations more effectively. Analysis of the Debtor's current and future

income stream confirms there is sufficient cash flow to successfully fund operating costs and the proposed Plan payments; including new obligations consistent with its projected operating budget. The Debtor's Plan of Reorganization confirms feasibility by summarizing the manner and disposition of these conclusions.

C. Forgiveness of Debt. Although it is anticipated that the Debtor will not realize any canceled debt because of this Chapter 11, under the tax law, canceled debt is considered income to the debtor and is included as part of the debtor's income. This law says that "income from discharge of indebtedness" is included in a person's gross income for the current tax year. The tax laws also spell out specific circumstances when a person will not have to pay tax on canceled debts by providing three exclusions, (1) debt canceled in a bankruptcy proceeding, (2) debt canceled when the person is insolvent, and (3) debt that qualifies under the Mortgage Forgiveness Debt Relief Act. Each of these exclusions have specific criteria and reporting procedures and none of these apply in this case as the Debtor, with the exception of the liabilities disclosed that are to be fully paid and retired in this case, is solvent.

D. Objections to Confirmation. Under Bankruptcy Code § 1129(b)(1), a creditor's plan objection will be upheld if the plan: (1) discriminates unfairly; or (2) is not fair and equitable with respect to each non-accepting class of claims or interests that is impaired under the plan. In this context, "impaired" means that the plan alters the rights of a class of creditors compared to the contractual rights prior to bankruptcy. For a dissenting class of impaired unsecured creditors, a plan is "fair and equitable" only if the allowed value of the claim is to be paid in full, or if the holder of any claim or interest that is junior to the dissenting creditors will not receive or retain any property under the plan on account of such junior claim or interest [§1129(b)(2)(B)(ii)]. This condition is generally referred to as the absolute priority rule. In this case, 100% of the Debtor's obligations are (1) payable, (2) able to be performed, and (3) offered in a fair and equitable manner within a reasonable and prudent timeframe under the Plan.

VI. DISPUTED CLAIMS AND OBJECTIONS TO CLAIMS

A. Provisions for Treatment of Disputed Claims. The Debtor has completed the administration of claims that have been filed with the Bankruptcy Court. There are no disputed

claims or claims resulting from any post-petition activities.

B. Provision for Rejection Claims. There are no rejections of contracts or other rejections relating to any claims.

C. Anticipation of Objection to Claims. Debtor does not anticipate objecting to the amounts due and owing to any creditor other than Oakland Square, LLC. (the Landlord) as discussed throughout this Disclosure. When an objection is filed to a particular claim, the creditor is required to prove the existence of the claim's validity. The Oakland Square, LLC's Proof of Claim #3, is considered Contingent, Unliquidated, and Disputed, and therefore objected. The basis for this objection is the dispute between the Oakland Square, LLC (Landlord) and the Debtor (Tenant) as to (1) what is maintenance of the premises, (2) what are structural repairs, and (3) what repairs are required beyond the [length of life] of certain installations; including the roof of the premises. Further, certain non-specific performances [with emphasis on signage and ADA bathroom agreed to be installed by Landlord] that are impeding Debtor's business operations.

D. After an Objection is Filed. When an objection be filed, the creditor is required to submit a written response, and after receiving a response, the Court will conduct an evidentiary hearing to establish the validity of the claim. An evidentiary hearing is scheduled before the Court on January 31, 2016 regarding the matters referenced above at VI. C. Anticipation of Objection to Claims.

VII. OBJECTIONS TO DEBTOR'S DISCLOSURE STATEMENT AND PLAN

Certain objections are filed by Oakland Square LLC and the U.S. Trustee in this case. To, note, Oakland Park, LLC's objections are more accurately directed as objections to confirmation, not objections to Debtor's Disclosure Statement and Plan. However, the following offers adjacent summary responses to objections of Oakland Square, and where applicable, the U.S. Trustee:

A. Distributions to Creditors and Liquidation Analysis. Debtor offers, in this

Disclosure, (a) a clear estimation of the distribution to the various classes of creditors and an estimate of all administrative expenses and (b) a liquidation analysis enabling each creditor to determine whether the distribution under the plan is in its best interest or whether it should object to the plan.

B. Pre-Petition Revenue History. As introduced and reviewed in Section IV. HISTORY OF THE DEBTOR above, there are certain additions and clarifications in this Disclosure that were not present the prior Disclosure. The Debtors past revenue and expense history includes, during the past five (5) years, prior to the commencement of this Chapter 11 case, gross revenues of approximately \$7,000,000 [average \$1.4 million annually] with expenses of approximately \$5,800,000, with gross income before taxes of approximately \$1,200,000. The Debtor's operations are generating consistent with the trend currently. Debtor's margins are slightly less than prior years and are improving as the Debtor's market presence strengthens and its merchandising mix improves. The Debtor's operations are projected to increase at an increasing rate in the near-term rising from approximately \$1,400,000 annually to \$2,400,000 in calendar year 2017. In conclusion, the above trends, supported by increasing revenues, margin improvements, and re-merchandising, strongly indicate the mid-term and long-term growth and profitability available to the Debtor. These indicators provide reliable information about the steps Debtor has taken, and will continue to take, to avoid seeking bankruptcy relief again in the future.

C. Cure of Non-Monetary Lease Defaults and Attorney's Fees. The Landlord, Oakland Square asserts that the Debtor failed to disclose the amount necessary to cure the non-monetary lease defaults under its non-residential lease. Certain elements of this assertion are subject to dispute and are intended to be resolved in evidentiary hearing set on January 31, 2016 before the Court. Debtor is in-progress with obtaining specific building permits to resolve certain fire-code violations, and these are to be resolved in the extreme near-term once permits are obtained. In addition, Landlord asserts payment of the post-petition attorney's fees incurred in this dispute is a necessary component of its cure of its non-residential lease with Oakland Square. Again, this is a parcel to be resolved at the above January 31, 2016 evidentiary hearing, and Debtor has the ability and resources to comply with the conclusions gained at such hearing; including payment of opposing counsel's legal fees if awarded per Court Order.

D. Liquidation Analysis. The Debtor puts forth its summary liquidation analysis as having the following [3] components. Affirming the Plans yields the payments as proposed in the Plan as [1] Debtor's Plan payments to its creditors are equal to 100% of the approved claimed amounts, [2] Debtor's Plan payments are scheduled in a feasible and prudent manner to insure 100% of its Administrative payments are Paid on the effective date of the Plan, and [3] Debtor's priority tax obligations, and other tax obligations, offer significant percentages of tax liabilities (as payments) over approximately 48 months post-confirmation time payments Debtor's gross margin increases and merchandising improvements offer sufficient yields above costs to assure substantial consummation of its Plan (100%), along with anticipated and unanticipated contingencies. In the alternative, if the Debtor's business and inventory were liquidated, approximately \$70,000 to \$80,000 would be realized; therefore, the liquidation proceeds would be insufficient [fall far short] to pay the administrative expenses, U.S. Trustee fees, 100% of the creditor's approved claims, tax payments, and other costs and expenses related to this case. In summary, the Debtor's Plan offers substantially more economic proceeds for resolution of this case [through continued operations], and is more equitable for all parties involved than liquidation. Liquidation leaves the general unsecured creditors with \$.00 (zero dollars) – and all the other Plan payment components in single digit dividends rather than payment in full.

d. Post-Confirmation Management. The Debtor intends to continue to operate its business post-petition with its current management team, Mr. Joseph Iona and Mr. Steven Iona.

In addition to the responses above; where several objections were offered by both Oakland Square and the U.S. Trustee, the following provides adjacent summary responses to such additional objections of U.S. Trustee:

e. Claims Payment Amounts and Terms of Unsecured Claims. This Disclosure provides for the treatment of the unsecured claims at 100% of the approved claims to be paid monthly as scheduled at VI. Summary of Claims and Settlement (Plan) Treatment below.

f. Feasibility of Plan and Payments at Confirmation. Feasibility is discussed

throughout the disclosure from several perspectives. In summary, the Debtor projects \$250,000, to be paid at confirmation and an additional (approximately \$225,000 in plan payments; including priority tax, and funding of administrative expenses to effectuate the Plan. Approximately \$68,000 is to be paid to unsecured claimants as of the effective date, and thereafter, all remaining amounts [to equal 100% of the approved amounts in a term not to exceed approximately 48 months [four years] after the effective date of the Plan. As shown, the Debtor, with its growth in sales and increased margins, Debtor will be able to make all Plan payments.

VI. SUMMARY OF CLAIMS AND SETTLEMENT (PLAN) TREATMENT

There are only four (4) creditors in this case, and regardless of the Creditor Class, amounts claimed or disputed are subject to final verification of amounts due and owing as at the filing date of the Chapter 11 petition on April 15th 2016. Further, payments due under the proposed settlement installments must be Approved Claims, and such claims are to be adjusted, where applicable, to reflect receipt of adequate protection payments paid by Debtor to a creditor. The creditors having Approved Claims, whether priority tax, secured or unsecured, unimpaired, or impaired, may not take any collection action against Debtor, so long as Debtor is not in Material Default in performing its obligations under the Plan. Material Default is defined in Article XIII of Debtor's Plan of Reorganization.

A. Unimpaired Claims. There are no unimpaired claims because the specific legal rights of all the creditors are changed by the Plan.

B. Creditor Classes. The following schedule lists the creditor classes in this case:

Class 1 – Tax Obligations

Although the characteristics of the Debtor's tax obligation are different, all are to be paid in full (100%) consistent with the applicable laws regarding time (Plan) payments of Tax Liabilities.

Class	Creditor	No. in Class	Category	Proof of Claim #	Amount	Disposition
Priority Tax	Internal Revenue Service	Priority	Plan Payments	1 Priority Tax	28,789.49	Payments for 5 years from Filing Date (approximately 48 payments of \$599.78 per month)
Unsecured Tax	Internal Revenue Service	1	Plan Payments	1 Priority Tax	2,172.68	Payments for 5 years from Filing Date (approximately 48 payments of \$45.26 per month)
Secured Tax	Florida Department of Revenue	1	Plan Payments	Priority Tax	14,467.55	Payments for 5 years from Filing Date (approximately 48 payments of \$301.41 per month)
Priority Tax	Florida Department of Revenue	2	Plan Payments	Priority Tax	6,914.58	Payments for 5 years from Filing Date (approximately 48 payments of \$144.05 per month)

Class 2 – Secured

There is Secured Claimant and this Claim is Contingent, Unliquidated, and Disputed.

Class	Creditor	No. in Class	Category	Proof of Claim #	Amount	Disposition
1 Secured	Oakland Square, LLC.	1	Plan Payments	3	1.00	Contingent, Unliquidated, Disputed
Pre-petition amount is recognized to paid as proposed over one (1) year from the effective date of the Plan.						

C. Class 3- Unsecured

There are two (2) unsecured Claimants. The treatment of each unsecured creditor is to be paid in full over 1 year beginning 30 days after Debtor's Plan and Disclosure statement is approved by the Creditors and the Court.

D. Impaired Classes. All Classes are impaired in the Plan. A class of claims is impaired under the Plan when the Plan alters the legal, equitable, and contractual rights to which this claim is entitled.

E. Acceptance by Class of Creditors. A class of claims will have accepted the Plan, (1) if the Plan is accepted by at least two-thirds (2/3) in amount, and (2) by more than one-half (1/2) in number of the Allowed Claims of such Class that have voted to accept or reject the Plan.

F. Material Default. Impaired Classes may not take any collection action against Debtor so long as Debtor is not in Material Default in performing its obligations under the Plan. Material Default is defined in Article XIII of the Plan.

G. Administrative and other Priority Claims. Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within twenty (20) days before the date of the bankruptcy petition. As Administrative Expenses are incurred, amounts requested must to be submitted with a fee application, and all fees for professional compensation payable from Debtor's funds are subject to Court approval. See Article IV of the Plan.

The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a claimant agrees to a different treatment. In this regard the following fee estimates are provided; Lewis & Thomas, L.L.P., \$35,000 in total; less a retainer of \$1,283,00 paid prior to filing the petition and \$9,000 paid post-petition (with \$24,717.00 remaining to be approved) and Frederick Morgenstern, Financial Analyst, \$15,500 that did not receive a pre-petition retainer but filed \$3,000.00 (with \$12,400.00 remaining to be approved) paid in this case. Summary follows:

Type	Estimated Amount to be Incurred	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$11,000.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	\$9,000.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later
Professional Fees, as approved by the Court.	\$40,000.00	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of Plan
Court Clerk's fees	\$2,000.00	Paid in full on the effective date of the Plan
Other administrative expenses	\$5,000.00	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	\$35,000.00	Paid in full on the effective date of the Plan
Total	\$102,000.00	

H. United States Trustee Fees. The Debtor shall pay the U.S. Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6) on the Effective Date, and simultaneously provide to the U.S. Trustee, and file with the Court, monthly operating reports indicating Cash disbursements for all relevant periods; notwithstanding anything contained in the Plan to the contrary, the Debtor shall further pay the U.S. Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6) for post-confirmation periods within the time periods set forth in 28 U.S.C. §1930(a)(6) until the earlier of the closing of this case by the issuance of a Final Decree by the Bankruptcy Court, or upon entry of an order of this Bankruptcy Court dismissing the case, or converting this case to another chapter under the United States Bankruptcy Code, and the Debtor shall provide to the U.S. Trustee, and concurrently file with the Court, upon the payment of each post-confirmation payment, quarterly post-confirmation reports indicating income and disbursements for the relevant periods.

I. Executory Contracts and Leases. The Debtor hereby affirms its Lease from Oakland Square, LLC. and intends to continue its operations within the Leased premises under the terms of the Lease. Debtor plans to cure its pre-petition arrearages over 12 months (post-

confirmation) as its “prompt cure” of the Landlord’s approved, due and owing, pre-petition claim amount.

J. Lawsuits Reserved. There is an adversary action contemplated by the Debtor against the Landlord, Oakland Square, LLC; however, a negotiated resolution is preferred.

K. Voidable transfers. The Debtor are not aware of any voidable transfers.

L. Non-Bankruptcy Litigation. There is an eviction proceeding in the Florida Courts referencing the Leased premises with Oakland Square, LLC. No others are known or threatened.

M. Impairment Controversies. If a controversy arises as to whether any Claim, or any class of Claims, is Impaired under the Plan, the Bankruptcy Court shall determine such controversy.

VII. GENERAL TAX CONSEQUENCES

There are various anticipated tax consequences that may arise from the Debtor’s Reorganization.

A summary description of certain United States (“U.S.”) federal income tax consequences of the Plan is provided and discussed below. This description is for informational purposes only and, due to lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various U.S. federal income tax consequences of the Plan. Only the potential material U.S. federal income tax consequences of the Plan to the Debtor, and to a typical holder of Claims and Interests, who are entitled to vote or to accept or reject the Plan are described below.

No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan, and no tax opinion is being given in this Disclosure Statement. No rulings or determination of the Internal Revenue Service (the “IRS”) or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made regarding the

particular tax consequences of the confirmation and consummation of the Plan to the Debtor or to any holder of Claims or Interests. No assurance can be given that the IRS would not assert, or that a Court would not sustain, a different position from any discussed herein.

The discussion of the U.S. federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations promulgated and proposed thereunder, judicial authorities, and administrative rulings and pronouncements of the IRS and other applicable authorities, all as in effect on the date of this Disclosure Statement. Legislative, judicial, or administrative changes or interpretations enacted or promulgated in the future could alter or modify the analyses and conclusions set forth below. It cannot be predicted at this time whether any tax legislation will be enacted or, if enacted, whether any tax law changes contained therein would affect the tax consequences to the holders of Claims and Interests (the "Claimants"). Any such changes or interpretations may be retroactive and could significantly affect the U.S. federal income tax consequences discussed below.

THIS DISCUSSION DOES NOT ADDRESS FOREIGN, STATE OR LOCAL TAX CONSEQUENCES OF THE PLAN, NOR DOES IT PURPORT TO ADDRESS THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO SPECIAL CLASSES OF TAXPAYERS (SUCH AS FOREIGN ENTITIES, NONRESIDENT ALIEN INDIVIDUALS, PASS-THROUGH ENTITIES SUCH AS PARTNERSHIPS AND HOLDERS THROUGH SUCH PASS-THROUGH ENTITIES, "S" CORPORATIONS, MUTUAL FUNDS, INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, SMALL BUSINESS INVESTMENT COMPANIES, REGULATED INVESTMENT COMPANIES, CERTAIN SECURITIES TRADERS, BROKER-DEALERS AND TAX-EXEMPT ORGANIZATIONS).

FURTHERMORE, ESTATE AND GIFT TAX ISSUES ARE NOT ADDRESSED AND TAX CONSEQUENCES RELATING TO THE ALTERNATIVE MINIMUM TAX ARE GENERALLY NOT DISCUSSED.

NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT A

TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

A. U.S. Federal Income Tax Consequences to the Debtor.

(1) Cancellation of Indebtedness Income.

Generally, the discharge of a debt obligation owed by a debtor for an amount less than the “adjusted issue price” (in most cases, the amount the debtor received on incurring the obligation, with certain adjustments) gives rise to cancellation of indebtedness (cancellation of debt “COD”) income to the debtor, subject to certain rules and exceptions. However, when the discharge of indebtedness occurs pursuant to a plan approved by the Bankruptcy Court in a case under Title 11 of the Bankruptcy Code (e.g., a Chapter 11 case), there is a special rule under the Tax Code that specifically excludes from a Debtor’s income the amount of such discharged indebtedness (the so-called “bankruptcy exception”). Instead, certain of the Debtor’s tax attributes otherwise available generally must be reduced by the amount of the COD income that is excluded from the Debtor’s income. Such reduction of tax attributes generally occurs in the following order: (i) net operating losses and net operating loss carryovers (collectively, “NOLs”), (ii) general business credits, (iii) minimum tax credits, (iv) capital loss carryovers, (v) the tax basis of Debtor’s property (both depreciable and non-depreciable), (vi) passive activity loss and credit carryovers, and (v) foreign tax credit carryovers (although there is a special rule in the Tax Code which allows the debtor to elect to first reduce the tax basis of depreciable property before having to reduce NOLs and other attributes).

Under current Income Tax Regulations, the availability of the “bankruptcy exception” in the context of an affiliated group is made on a “separate entity” basis and not on an “affiliated group” basis. In this case, because it is an individual Chapter 11 case, the affiliated group discussion does not apply.

However, for reference purposes, with regard to tax attribute reduction in the context of an affiliated group, recently adopted Income Tax Regulations (section 1.1502-28) suggest a “hybrid” method of attribute reduction. Under the current Tax Regulations only

member, corporations can file on a consolidated tax basis. Under these regulations, the tax attributes of the separate corporate member having excluded COD income is first reduced, followed by a reduction of the tax attributes of the subsidiary members (to the extent of any stock basis reduction). Then, to the extent a corporate member's excluded COD income exceeds that corporate member's separate entity tax attributes, the consolidated tax attributes allocated to the other corporate members are proportionately reduced. Some of the debtors are single-member limited liability companies ("SMLLC") which are treated as disregarded entities for federal income tax purposes member. It is unclear whether the bankruptcy exception would apply to the debtors that are SMLLC's or in the alternative whether the COD income be treated as having been realized to the single member.

(2) Gain or Loss on Sale of Debtor's Assets.

In general, a sale of a property results in a gain or a loss of the portion of the presumed equity in an amount equal to the difference between the amount realized (the amount of cash and the fair market value of any other property received; plus liabilities of the debtor's assumed by the Buyer, if any) and the debtor's tax basis in the assets sold. Such gain or loss, if any, may be a benefit (or eliminated) to the extent that a debtor has sufficient NOL's or other tax reduction solutions; including possible qualification under the "insolvency exclusion". The IRS explains the insolvency exclusion in Publication 908: "You are insolvent when, and to the extent, your liabilities exceed the fair market value of your assets. Determine your liabilities and the fair market value of your assets immediately before the cancellation of your debt to determine whether or not you are insolvent and the amount by which you are insolvent."

B. U. S. Federal Income Tax Consequences to an Investor Typical of the Holders of Claims and Interests.

The U.S. federal income tax consequences of the implementation of the Plan to the Claimants, typical of the holders of Claims and Interests who are entitled to vote to confirm or reject the Plan, will depend on a number of factors, including (i) whether the Claim constitutes a "security" for U.S. federal income tax purposes, (ii) the nature and origin of the Claim, (iii) the manner in which the holder acquired the Claim, (iv) the length of time the Claim

has been held, whether the Claim was acquired at a discount, (vi) whether the holder has taken a bad debt deduction or loss with respect to the Claim (or any portion thereof) in the current year or in any prior year, (vii) whether the holder has previously included in its taxable income accrued but unpaid interest with respect to the Claim; (viii) the holder's method of tax accounting, (ix) whether the Claim is an installment obligation for U.S. federal income tax purposes, and (x) the timing of any distributions under the Plan.

(1) Gain or Loss Recognition on the Satisfaction of Claims and Character of Gain or Loss.

Claimants will generally not recognize gain, but may recognize loss, with respect to the amount in which the Claimants receive on their Claims (generally, the amount of cash and the fair market value of any other property received in satisfaction of the Debtor's obligations) that either exceeds, on one hand, or is less than, on the other hand, the Claimant's basis in the Claim. Thus, it is possible that certain Claimants may recognize a gain or loss as a result of distributions under the Plan.

In general, gain or loss is recognized by any such Claimant is either capital or ordinary in character. The character is dependent upon the underlying nature of the Claim and whether such Claim, in the hands of the Claimant, constitutes a capital asset. To the extent that a debt instrument is acquired after its original issuance for less than the issue price of such instrument, it will have market discount. A holder of a Claim with market discount must treat any gain recognized on the satisfaction of such Claim as ordinary income to the extent that it does not exceed the market discount that has already been accrued with respect to such Claim. There may also be state, local, or foreign tax considerations applicable to particular holders of Claims, none of which are discussed herein. Claimants should consult their own tax advisors for information that may be relevant to their particular situations and circumstances and the particular tax consequences to them of the transactions contemplated by the Plan.

(2) Holders of Disputed Claims.

Although not free from doubt, holders of Disputed Claims should not recognize

any gain or loss on the date that the assets are transferred to the Disputed Claims Reserve; if such occurs or is applicable, but should only be required to report their gain or loss on the cash or other property that is distributed out to the Claimant from the Claims Reserves free from any further restrictions. Holders of Disputed Claims are urged to consult their own tax advisors regarding the taxation of their Disputed Claims and the timing and amount of income or loss recognized relating to the Disputed Claims Reserve.

(3) Information Reporting and Backup Withholding.

Certain payments, including payments in respect of accrued interest or market discount, are generally subject to information reporting by the payor to the IRS. Moreover, such reportable payments may be subject to backup withholding. Under the Tax Code's backup withholding rules, a U.S. Claimant may be subject to backup withholding at the applicable rate with respect to certain distributions or payments pursuant to the Plan, unless the Claimant: (i) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (ii) provides a correct U.S. taxpayer identification number and certifies under penalty of perjury that the holder is a U.S. person, the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Payments made to Foreign Claimants may also be subject to withholding, which may be reduced under an applicable Treaty. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's U. S. federal income tax liability, and a Claimant may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

(4) Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U. S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND

MAY VARY DEPENDING ON A CLAIMHOLDER'S PARTICULAR CIRCUMSTANCES.

ACCORDINGLY, CLAIMHOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE U. S. FEDERAL, STATE, LOCAL, AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING REQUIREMENTS.

(5) Circular 230 Disclaimer

THE IRS REQUIRES WRITTEN ADVICE REGARDING ONE OR MORE U.S. FEDERAL TAX ISSUES TO MEET CERTAIN STANDARDS. THOSE STANDARDS INVOLVE A DETAILED AND CAREFUL ANALYSIS OF THE FACTS AND APPLICABLE LAW WHICH WE EXPECT WOULD BE TIME CONSUMING AND COSTLY. WE HAVE NOT MADE AND HAVE NOT BEEN ASKED TO MAKE THAT TYPE OF ANALYSIS IN CONNECTION WITH ANY ADVICE GIVEN IN THE FOREGOING DISCUSSION.

AS A RESULT, WE ARE REQUIRED TO ADVISE YOU THAT ANY U.S. FEDERAL TAX ADVICE RENDERED IN THE FOREGOING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED AND CANNOT BE USED FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED BY THE IRS.

C. **EFFECT OF CONFIRMATION**

Pursuant to 1141(d) the Debtor will be discharged of all claims and liabilities arising prior to the filing of the Petition, whether or not a proof of claim is filed, the claim is allowed or the holder of a claim has accepted the Plan if the Debtor does not liquidate. Confirmation of the Plan satisfies all claims or causes of action arising out of any claim settled and satisfied under the terms of the Plan. Confirmation of the Plan vests title to all assets in the reorganized Debtor. Section 1141(d) (5) provides that unless the Court orders otherwise for cause; after notice to all creditors and interested parties, confirmation does not discharge any debt provided for under the Plan unless the Debtor completes all payments under the Plan.

(1) Reservation of Rights Under Sections 1141(d)(5) and 350(a). The Debtor reserves the right, after confirmation, to seek the closing of this bankruptcy proceeding prior to the entry of an Order of Discharge, upon the payment of (1) the initial payment under the Plan, (2) payment of all outstanding quarterly United States Trustees Fees, and (3) the filing of any outstanding federal income tax returns.

Such a request may be granted only upon notice and hearing, with notice to all creditors and interested parties. If such request is granted, then upon the satisfaction of all payments required to be paid inside the Plan to the approved creditors, the Debtor may file a motion to reopen this bankruptcy proceeding, pursuant to 11 U.S.C. § 350(b), and the Court may then grant the Debtor a discharge, pursuant to 11 U.S.C. § 1141(d)(5). This paragraph only preserves the Debtor's right to seek the relief described above and does not conclusively grant such relief. Creditors' and interested parties' rights to object to such relief shall similarly be preserved until such time as it is requested by the Debtor after confirmation.

VIII. BEST INTEREST OF CREDITORS AND FEASIBILITY STANDARD

The Bankruptcy Code requires that the Plan (1) be accepted by requisite votes of impaired classes of creditors, (2) that the Plan be proposed in good faith, be feasible, and (3) that confirmation of the Plan be in the best interest of all holders of claims and interests. To confirm the Plan, the Bankruptcy Court must find that all these requirements are met; including, that "adequate information" as defined in the Code, was provided in the Plan of Reorganization and Disclosure Statement to otherwise approved the Plan in its entirety. Accordingly, even if the creditors of the Debtor accept the Plan by the requisite votes, the Bankruptcy Court must make independent findings respecting (1) the Plan feasibility, (2) that adequate information was provided, and (3) whether the Plan is in the best interest of creditors, before the Court may confirm the Plan. The "best interests" test requires that the Bankruptcy Court find that the Plan provides to each member of each impaired class of claims and interests a recovery which has a present value at least equal to the present value of the distribution which each such person would receive from the Debtor if the Debtor liquidated its assets under Chapter 7 of the Bankruptcy Code.

The Debtor feels that the Plan as proposed is in the best interests of the Creditors as it provides an efficient, effective, and orderly settlement and satisfaction of the approved claims and offers strong support for Debtor's objections to claims.

IX. CONFIRMATION WITHOUT ACCEPTANCE BY ALL IMPAIRED CLASSES

As a condition to confirmation, the Bankruptcy Code requires that each impaired class of claims or interests accepts the Plan. The Bankruptcy Code, however, contains provisions for confirmation of a Plan even if all impaired classes do not accept the Plan, as long as at least one impaired class of claims has accepted it. These "Cramdown" provisions for confirmation of the Plan, despite the non-acceptance of one or more impaired classes of claims or interests, are set forth in 11 U.S.C. 1129(b) which requires the Bankruptcy Court to find that the Plan treatment of a non-accepting impaired class is fair and equitable.

X. LIQUIDATION ANALYSIS AND ALTERNATIVES TO CONFIRMATION; INCLUDING RISK SENSITIVITES AND ANALYSIS.

In the event the accompanying Plan, as such may be further modified or amended, is not accepted by the holders of Approved Claims and Allowed Interests in the impaired classes or otherwise confirmed by the Court under the Cramdown provisions of Section 1129(b) of the Bankruptcy Code, the Debtor believes that the Debtor's case would be dismissed or converted to a case under Chapter 7. In such event, a Trustee would be appointed, and the Debtor's assets would be liquidated for distribution to creditors. Since the Debtor has limited assets beyond its stock in trade, which are subject to creditor levy, creditors would realize less than the proposed 100% proposed by the Debtor's Plan of Reorganization in a liquidation.

In a liquidation, the unsecured creditor would not be entitled to any of the equity from the sale of the real property or personal property as a forced sale may erode the projected equity value of the Estate assets and personal property. Accordingly, in a Chapter 7 Bankruptcy, the unsecured creditor would likely receive far less, if any, distribution.

While this case hinges on only a few elements, there remains a degree of risk that the Debtor will not generate sufficient revenue and income or other economic solutions to fund an alternative Plan; namely one that would be amended or modified with provisions for 100% payment at confirmation. Various risk factors support this statement.

The Debtor's current operation is mildly profitable and could not sustain full payment at confirmation. However, the plan payments offered over the timeframe proposed in Debtor's Plan, is consistent with current and future market conditions, competition, and certain other economic factors in the retail and wholesale mattress and accessories category. When weighing the above risk factors, among others, against the alternative; where the Debtor would be forced to fund 100% of its Plan at confirmation, would likely subject the Debtor to liquidation. Should this occur, the Claimants would receive substantially less than the 100% over time as proposed, and with this in view, the creditors are recommended to affirm the Plan. The various analyses, alternatives, risk assessments, and observations relevant to this paragraph XII, are assembled in Debtor's Financial Information for Disclosure Statement and Plan and upon request from the Debtor's attorneys.

X1. CONCLUSION AND RECOMMENDATIONS

The Debtor puts forth its First Amended Disclosure Statement and proposes its Plan of Reorganization and recommends the Plan's confirmation. All creditors will receive payment of their claims to the greatest extent allowable under the Bankruptcy Code, and the expense of administering an Estate under Chapter 7 will be avoided. The Debtor affirm their belief that administration of this Estate as provided herein will ultimately guarantee each creditor the maximum payment available on its claims.

DEBTOR

MLFTL, Inc.



Joseph Iona

Date: November 30, 2016

I HEREBY CERTIFY that I am admitted to the Bar of the United States District Court for the Southern District of Florida and I am in compliance with the additional qualifications to practice in this Court set forth in Local Rule 2090-1(A).

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Date: November 30, 2016