UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION

In re:
THERMAGEM LLC
Tax ID # 27-3278669

Case No.: 17-18531-AJC

Chapter 11

Debtor
_____/

THERMAGEM, LLC'S DISCLOSURE STATEMENT

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I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of Thermagem, LLC (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the Debtor's Plan of Reorganization (the "Plan") filed by the Debtor. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

The proposed distributions under the Plan are discussed at pages 6 through 12 of this Disclosure Statement. General unsecured creditors are classified in Class 2, and will receive a distribution of their allowed claims, on a *pro rata* basis to be distributed over 60 months.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events that occurred in advance of, and during the bankruptcy case,
- How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
- Why the Proponent believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. *Time and Place of the Hearing to [Final Approval of This Disclosure Statement and] Confirm the Plan*

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place on TBD, at 0:0 A.M., in Courtroom 7, at the U.S. Bankruptcy Court, C. Clyde Atkins United States Courthouse, 301 N. Miami Avenue, Miami, FL 33128.[1]

[1] The Court will enter an Order setting the hearing to consider the final approval of the Disclosure Statement,

2. *Deadline For Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Clerk of Bankruptcy Court, C. Clyde Atkins United States Courthouse, 301 N. Miami Avenue, Room 150, Miami, FL 33128. See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by TBD,[2] or it will not be counted.

3. *Deadline For Objecting to the [Adequacy of Disclosure and] Confirmation of the Plan*

Objections to [this Disclosure Statement or to] the confirmation of the Plan must be filed with the Court and served upon the Debtor by TBD.[3]

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact Stephen C. Breuer, Esq., 1776 N. Pine Island Rd. #102, Plantation, FL 33322; Stephen@moffa.law; (954)634-4733.

C. **Disclaimer**

The Court has NOT YET approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has NOT YET approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted, or not.

II. BACKGROUND

A. Description and History of the Debtor's Business

The Debtor has been in business since 2012, and has operated successfully for several years. At different stages in its existence, the Debtor has manufactured, sourced, acquired, marketed, and sold different types of goods, primarily consisting of hair and beauty skin care products. The Debtor was growing its business, acquiring and selling a substantial amount of inventory to a number of different wholesale customers, until the company faced a number of challenging circumstances and hurdles that any business would have difficulty managing.

First, the Debtor, having been assured by a vendor that its products were licensed and legal, entered into an agreement and made substantial investments to launch a product line

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and confirmation of the Debtor's Plan, which will be served on all creditors.

[2] The Court will enter an Order setting deadline to submit ballots, which will be served on all creditors

[3] The Court will enter an Order setting deadline for objections, which will be served on all creditors

entitled *Versace 19.69 Abbigliamento Sportivo SRL* ("V1969"), which primarily consisted of designer leather handbags. The Debtor had entered into additional leases, invested time and money in advertising the new line, and was ready to launch when it received a cease and desist letter from counsel for Gianni Versace and Versace USA, Inc. ("Versace"). Unbeknownst to the Debtor, V1969 was an infringement upon Versace's protected trademarks, and the Debtor was not able to use, sell, market, or otherwise monetize as it had expected any of the V1969 products. That inability also led to a lease default, and a lawsuit against the Debtor and others.

During a similar time frame, the Debtor encountered further difficulties when the manager and president of the Debtor, Eran Brosh ("Brosh"), and a former business partner of Brosh, Liron Ben-Shimon ("Ben-Shimon") (jointly, the "Former Partners"), had a fallout. Their "business divorce" was further complicated by the fact that the Former Partners' collective entities, Thermagem, LLC (the "Debtor"), Brilliance New York Handbag, LLC ("BNYH"), and Lorion Beauty USA, LLC ("Lorion") (collectively, "Borrowers"), were each defined "borrowers" under a revolving line of business credit facility agreement entered into with Mercantil Commercebank, N.A. n/k/a Mercantil Bank, N.A. ("Mercantil"). The loan agreement and promissory note (jointly, the "Loan") were entered into between Mercantil and the Borrowers on April 25, 2016, and the Loan was to mature under its natural terms on April 25, 2017. Recognizing that their continued business relationship was no longer feasible, the Former Partners approached Mercantil in an effort to restructure the Loan in a manner with which would satisfy Mercantil, as the separation, or change of ownership of the Borrowers was a non-monetary default under the Loan's terms. The Borrowers agreed to essentially divide their assets and liabilities, and approached the bank with such a proposal where each of the Former Partners and their businesses would be liable for half of the combined debt. To that end, the Former Partners executed and delivered to Mercantil a business reorganization agreement, under which Brosh would be the 100% owner of the Debtor, and Ben-Shimon would be the 100% owner of Lorion.[4] Each of the Former Partners would take their respective entities and ½ of the collective assets; each would be responsible for ½ of the collective liabilities. Mercantil, seemingly stuck in a bureaucratic box of red tape from which it could not escape regardless of the economic and practical realities, refused to separate the debt. With each of the Former Partners hesitant to make its "half" of the debt installment payments to Mercantil, being unsure if the other side would do the same, the Loan went into a monetary default. By way of illustration, while each of the Debtor and Lorion could only afford to pay ½ of the monthly installment payment to Mercantil, if one paid and the other did not, the Debtor would not be able to avoid a default. Mercantil sued all Borrowers in state court, in case no. 17-007251-CA-01 (Miami-Dade Circuit Court) ("State Court") one (1) month prior to the Loan's natural maturity date, and shortly thereafter obtained the appointment of a receiver for BNYH and LORION.

Shortly before the State Court lawsuit was filed but realizing that it could no longer stay up to speed in the constantly evolving fashion and beauty product industry while running its own business, advertising, selling and paying substantial monthly overhead costs, the Debtor entered into a business relationship with Valor 26, LLC ("Valor"), under which Valor would (i) store, (ii) insure, (iii) market, (iv) sell, (v) ship, and (vi) handle all customer service issues related to the inventory and products of the Debtor, substantially reducing (nearly eliminating)

[4] BNYH was retained by Brosh, however as it was a single purpose entity created to sell the V1969 handbags, that entity has no value at this time.

the Debtor's operational costs and overhead. As part of the Debtor's plan of reorganization being filed contemporaneously with this disclosure statement, the Debtor will continue its relationship with Valor.

B. Insiders of the Debtor

The Debtor's insider is its Equity Interest Holder, Eran Brosh. In addition, Valor 26, LLC is owned and operated by Brosh's brother, Udi Brosh.

C. Management of the Debtor Before and During the Bankruptcy

Eran Brosh, the Debtor's Equity Interest Holder, has been managing the Debtor's affairs in the two year period before bankruptcy.

Eran Brosh, the Debtor's Equity Interest Holder, has continued to manage the Debtor's affairs during the Debtor's chapter 11 case.

After the Effective Date of the order confirming the Plan, Eran Brosh, the Debtor's Equity Interest Holder, will continue to manage the Debtor's affairs.

No chapter 11 Trustee has been appointed in this case.

D. Events Leading to Chapter 11 Filing

The Debtor filed this case in an effort to retain its assets, and liquidate its inventory in a manner that will be most beneficial to the Debtor, its bankruptcy estate and its creditors. In a liquidation proceeding, the Debtor's secured creditor (Mercantil) will receive a fraction of what it is owed **and the Debtor's unsecured creditors will receive nothing**. As discussed in Section II.(A) *supra*, the Former Partners fallout, the V1969 infringement issues and the State Court lawsuit were the major precipitating events leading to the filing of this chapter 11 case.

E. Significant Events During the Bankruptcy Case

- No asset sales outside the ordinary course of business, debtor in possession financing, or cash collateral orders have been entered.
- Only the Debtor's undersigned attorneys have been employed as professionals in this case.
- The Debtor has sought and will continue to seek to value, pursuant to 11 U.S.C. §506, the accounts receivables and inventory in which his bankruptcy estate has an interest.
- The projected valuation and agreements with creditors (and account debtors of the Debtor) will increase cash flow, enable the Debtor to adequately protect Mercantil's cash collateral, and otherwise maintain monthly debt service.

F. Projected Recovery of Avoidable Transfers

The Debtor does not intend to pursue preference, fraudulent conveyance, or avoidance actions at this time. The Debtor does not believe any viable preference actions exist, as it did not tender any substantive vendor payments in the 90 days prior to the Petition Date. Specifically, the Debtor made a *total* of $1,499.59 in payments to creditors from April 7, 2017 to the Petition Date, well below the threshold for payments to a single creditor of $6,425.
In addition, while the Debtor transferred approximately $624,947.18 of its inventory to Valor within the applicable preference and/or fraudulent conveyance "look back" period, the Debtor has received an account receivable from Valor in the amount of $656,194.54, representing *more than* reasonably equivalent value in exchange for such transfer. While said sum remains an account receivable, as set forth in the Debtor's Plan, Valor has agreed to pay such sum to the Debtor over a period of time to sufficient to enable the Debtor to fund the Plan.

G. **Claims Objections**

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

H. **Current and Historical Financial Conditions**

The identity and fair market value of the estate's assets are listed in Exhibit B. The Debtor is not currently conducting substantial business operations but intends to do so in accordance with its Plan.

Historically, the Debtor was able to successfully operate and generate substantial revenues, pay its bills, and pay its debt installments. As set forth in Section II.(A) *supra*, the Debtor has experienced business difficulties that led to financial instability the months leading to the filing of its bankruptcy case. As a result of those factors, the Debtor's recent income and receipts has been steadily declining up to and past the Petition Date. However, the Debtor expects to turn its business around in accordance with its Plan, and work its way towards its 2015 sales, and beyond. Specifically, the Debtor's 2017 YTD income as of the Petition Date was only $120,770.05. However, 2016 revenue was $3,678,216.00. In addition, 2015 revenue was $9,174,265.00. The Debtor expects that, upon obtaining the protection of a confirmed Plan, it will be able to work towards these pre-petition sales and revenue goals.

The most recent post-petition operating report filed since the commencement of the Debtor' bankruptcy case is excluded from this Disclosure Statement since it evidences no activity and is not helpful to creditors in analyzing the Plan and Disclosure Statement.

III. **SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS**

A. **What is the Purpose of the Plan of Reorganization?**

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. **Unclassified Claims**

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

1. *Administrative Expenses*

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 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

Type	**Estimated Amount Owed**	**Proposed Treatment**
Expenses Arising in the Ordinary Course of Business After the Petition Date	$0	Paid in full on the effective date of the Plan or according to separate written agreement
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	$0	Paid in full on the effective date of the Plan or according to separate written agreement
Professional Fees, as approved by the Court.	$50,000	Paid in full on the Effective Date of the Plan, or as otherwise agreed in writing.
Clerk's Office Fees	$0	Paid in full on the effective date of the Plan or according to separate written agreement
Other administrative expenses	$0	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	$650	Paid in full on the effective date of the Plan
TOTAL	$50,650.00	

2. *Priority Tax Claims*

Priority tax claims are unsecured income, sales, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtor' estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
IRS (income taxes)	27,454.73	'16-'17	monthly payments in the amount of $544.15 (balance at 3% over 54 mos.)

C. **Classes of Claims and Equity Interests**

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. *Classes of Secured Claims*

Allowed Secured Claims are claims secured by property of the Debtor' bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim.

The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

Class	Impairment	Treatment

Class 1 – Secured Claim of Mercantil Bank, N.A. f/k/a Mercantil Commercebank, N.A.	Impaired	The Debtor filed motions to value this claimant's collateral [ECF Nos. 30, 31], and the Debtor expects that this claimant's collateral will be valued at $1,204,008.10 as requested in the motions. This claimant's claim will be treated as fully secured under this Plan, in the amount of $1,204,008.10, pursuant to 11 U.S.C. § 506, which sum the Debtor will pay to this creditor over 5 years at 5% simple interest in equal monthly payments of $22,721.12. Payments to begin on the Effective Date of the Plan and no prepayment penalties shall apply. The remainder of this claimant's claim shall be classified and treated in Class 3.

2. *Classes of Priority Unsecured Claims*

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are divided into like-priority classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

The following chart lists all classes containing claims under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Code and their proposed treatment under the Plan:

NONE

3. *Class[es] of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Class 3, which contains general unsecured claims against the Debtor:

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Class 2 – General Unsecured Claims	Impaired	Holders of a Class 2 Allowed Claim will be paid a *pro-rata* cash distribution from the total sum of $15,000, paid over 60 months ("Base Monthly Payments"). Payments to begin on the Effective Date of the Plan, and no prepayment penalties shall apply. In addition to the Base Monthly Payments, the Debtor shall file with the Court and serve to its general unsecured creditors, no later than thirty (30) days after filing its tax return for tax years 2018 – 2023, a Certification of Net Profits ("CNP"). Nothing in this section shall preclude the Court from closing this case, upon notice and a hearing, after confirmation. The CNP shall state, under penalty of perjury, the Debtor's net profits for the relevant tax year ("Net Profit"). In the event the Debtor's CNP evidences Net Profits which indicate a substantial increase from tax year 2018 ("Base Net"), Substantial Increase being defined as 15% or more of the Debtor's Net Profit for the preceding year, the Debtor shall pay the following additional sums to holders of claim in Class 2: If the net increase is between 16% - 30% of the preceding year's Net Profit, an additional amount of $500/month for the following 12 consecutive months to this Class, on a *pro rata* basis; If the net increase is between 31% - 45% of the preceding year's Net Profit, an additional amount of $750/month for the following 12 consecutive months to this Class, on a *pro rata* basis; If the net increase is between 46% - 60% of the preceding year's Net Profit, an additional amount of $1000/month for the following 12 consecutive months to this Class, on a *pro rata* basis; and If the net increase is between 61% - 75% of the preceding year's Net Profit, an additional amount of $1250/month for the following 12 consecutive months to this Class, on a *pro rata* basis. If there is a decrease or no Substantial Increase, no additional sums shall be paid.

Class 3 – Contingent General Unsecured Claim of Mercantil Bank, N.A. f/k/a Mercantil Commercebank, N.A.	Impaired	This claimant has a joint and several claim against the Debtor in addition to two (2) other defined Borrowers under the relative loan documents (the "Loan"), Brilliance New York Handbag, LLC ("BNYH") and Lorion Beauty USA, LLC ("LORION"). This claimant sued all Borrowers in state court, in case no. 17-007251-CA-01 (Miami-Dade Circuit Court) ("State Court") one (1) month prior to the loan's natural maturity date, and shortly thereafter obtained the appointment of a receiver for BNYH and LORION. The Debtor believes BNYH has little or no assets for which this claimant will be able to liquidate to reduce the amount of the joint and several debt however, the Debtor believes that LORION has in excess of $1,000,000 in assets that are the subject of a turnover order to the receiver and that, under principles of equity, this claimant must marshal the available assets in the possession/control of its receiver to reduce the joint and several liability of the Debtor. The Debtor's disclosure statement details the history of the Loan, the two individuals who were former business partners whose falling out led to the Loan's default, the good faith efforts those individuals took to keep the Loan current and to modify the Loan before default, and this claimant's failure to work towards avoiding a default but rather, effectively forcing a default. Because there are (a) 5 entities to which this claimant can look to recover its debt, (b) numerous creditors of the debtor's estate, (c) only this claimant has the ability to recover from the other entities, and (d) no prejudice to this claimant is present if it was forced to collect from other entities *in addition* to the secured claim provided for this claimant in class 1; the doctrine of marshaling is warranted. Accordingly, this claimant may seek to liquidate its general unsecured claim in this case, to be paid pro rata along with the other Class 2 general unsecured creditors, if and when it liquidates the additional assets in which it has an interest in the State Court.

4. *Class[es] of Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (*i.e.*, equity interest) in the Debtor. The following chart sets forth the Plan's proposed treatment of the class of equity interest holders:

Class 4 – Equity/Member-ship Interests of the Debtor	Impaired	Upon confirmation of the Debtor's Plan, the Debtor's stock/membership interests will be deemed terminated and new stock/membership interests will be deemed issued for the Reorganized Debtor to Eran Brosh, the Debtor's principal ("Equity Security Holder"). Equity Security Holder shall guarantee the payment to Class 2 creditors up to $100/mo. for the first 12 months to ensure the Debtor's compliance with the Plan, and shall personally guarantee said amounts. In consideration for foregoing, and the considerable time and effort spent managing the Debtor and what he will do for the Reorganized Debtor and the creditors of this estate, the Equity Security Holder shall receive 100% of the new stock/membership interests of the Reorganized Debtor, but shall receive no distribution under the plan.

D. **Means of Implementing the Plan**

1. *Source of Payments*

Payments and distributions under the Plan will be funded by the following:

1. The Debtor will fund the plan with the collection of its accounts receivables from its account debtors, and from additional revenue anticipated through its business operations. The Debtor is currently owed $656,194.54 in accounts receivable from Valor 26, LLC ("Valor"). In addition, the Debtor has inventory valued at $549,813.65. Valor has agreed to (i) pay the Debtor the amount due over 60 months, in equal monthly payments of $10,936.58, and (ii) to purchase the Debtor's remaining inventory over a period not to exceed 36 months, in monthly payments of no less than $15,272.60; at the rate of the Debtor's cost plus 5%. The Debtor will continue to identify, negotiate and source new products and inventory which it will continue to sell to Valor, at cost plus 5%. In consideration of the price and terms the Debtor is providing to Valor, Valor has agreed to (i) store, (ii) insure, (iii) market, (iv) sell, (v) ship, and (vi) handle all customer service issues related to the products, substantially reducing (nearly eliminating) the Debtor's operational costs and overhead.
2. While the Debtor has not been operational for several months, the Debtor expects to reengage its business operations upon having the breathing room and a payment plan with which it can be protected. In addition, the Debtor's prospective discharge will

enable it to not worry about pre-Petition discharged debts, which will free up cash flow for the Debtor to pay to its creditors under the terms of the Plan. The Debtor's disclosure statement details the problems the Debtor has had that forced it to stop operating and to outsource the majority of its services. Once the Debtor is able to operate with the protection of a confirmed plan, it will be able to re-establish business operations, generate substantial sales and income in a consistent manner to pay its creditors' claims.

3. Funds held in the undersigned's trust account for confirmation, to the extent available;
4. Projected income, plan payments and expenses are attached hereto as Exhibit C.

2. *Post-confirmation Management*

The Debtor's president, managing member and Equity Interest Holder, Eran Brosh, will continue to manage the Debtor's business post-confirmation.

E. **Risk Factors**

The proposed Plan has the following risks:

- The Debtor's income is dependent upon its largest vendor/distributor, Valor 26, LLC ("Valor"). If Valor is able to continue its business operations as it currently does, it will be able to comply with its (i) payments due to the Debtor, and (ii) agreement to continue to purchase inventory and products from the Debtor. The risk to general unsecured creditors is mitigated by Brosh's agreement to personally guarantee a portion of the payments to the general unsecured creditors provided for under the Plan.

F. **Executory Contracts and Unexpired Leases**

The Plan, in Article 6, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed in Section 6 of the Plan will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Is 30 days after rejection. Any claim based on the

rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

G. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.

The following are the anticipated tax consequences of the Plan:

(1) Tax consequences to the Debtor of the Plan:
   a. The Debtor does not anticipate having any income or loss on account of the Plan and his prospective discharge notwithstanding any such forgiveness or discharge, in accordance with the insolvency exception.

(2) General tax consequences on creditors of any discharge, and the general tax consequences of receipt of plan consideration after confirmation.
   a. Creditors may be entitled to certain deductions for taking a loss on account of the Plan and the Debtor' prospective discharge. Creditors should consult their attorneys, accountants, CPAs and/or tax advisors for specific tax consequences. THE DEBTOR IS NOT, AND DOES NOT PURPORT TO, PROVIDE ANY TAX ADVICE TO CREDITORS UNDER THIS DISCLOSURE STATEMENT.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, classes 1 through 2 are impaired and holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan at the current time.

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case is November 8, 2017.

The deadline for filing objections to claims is currently not set.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is **Not** Entitled to Vote*

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- administrative expense claims.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan [and to the Adequacy of the Disclosure Statement].

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed later in Section B.2.

1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not "discriminate unfairly", and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a "cramdown" confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as Exhibit D.

D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

1. *Ability to Initially Fund Plan*

The Plan Proponent believes that the Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. Tables showing the amount of cash on hand on the effective date of the Plan, and the sources of that cash are attached to this disclosure statement in Exhibit E.

2. *Ability to Make Future Plan Payments And Operate Without Further Reorganization*

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent has provided projected financial information. Those projections are listed in Exhibit C.

The Plan Proponent's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, of $32,326.92. The final Plan payment is expected to be paid on January 31, 2024.

E. § 1111(b) Election(s)

In the event any creditor elects the treatment provided for a claimant in accordance with § 1111(b) to which they are properly entitled on account of having an allowed secured claim, the Debtor will pay the "secured" portion of such claim (the value of the underlying collateral) over 10 years at 6.5% simple interest. However, the Debtor with ensure that the total of all monthly payments made to such an electing claimant on account of such a proper election totals no less than the entire amount of its claim, and the interest component referenced above may not apply. *See* § 1111(b)(2) stating: "If such an election is made, then notwithstanding section 506(a) of this title, such claim is a secured claim to the extent that such claim is allowed. The remaining non-monetary terms for any such electing claimant shall remain the same as set forth in such claimant's class treatment provide for in this Plan.

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. DISCHARGE OF DEBTOR

Discharge. Confirmation of the Plan may discharge a Debtor's debt that existed on the Debtor's Petition Date, unless otherwise provided for in the Plan. The Debtor will not be discharged from any debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

B. **Modification of Plan**

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan.

Upon request of the Debtor, the United States trustee, or the holder of an allowed unsecured claim, the Plan may be modified at any time after confirmation of the Plan but before the completion of payments under the Plan, to (1) increase or reduce the amount of payments under the Plan on claims of a particular class, (2) extend or reduce the time period for such payments, or (3) alter the amount of distribution to a creditor whose claim is provided for by the Plan to the extent necessary to take account of any payment of the claim made other than under the Plan.

C. **Final Decree**

Once the estate has been fully administered as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, or as otherwise ordered by the Court, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

D. **Indemnification of Professionals**

Upon confirmation of the Debtor's Plan, all of the Debtor's current and former attorneys, accountants, appraisers, and other professional persons, including their agents, and employees, who prepared, filed, represented or otherwise assisted the Debtor with this case, are indemnified and held harmless from any and all claims and potential claims, whether known or unknown. All documents filed in this case by the Debtor's attorneys, including this Plan, are based upon the best information available to the Debtor, who has provided to his attorneys all information contained in the court file.

VI. OTHER PLAN PROVISIONS

Substantial Consummation**.** The Plan shall be deemed substantially consummated immediately on the completion of all material actions required to be undertaken on the Effective Date.

Notice of Effective Date**.** Promptly after occurrence of the Effective Date, Debtor shall file with the clerk of the Bankruptcy Court a notice that the Plan has become effective; *provided, however,* that the failure to file such notice shall not affect the effectiveness of the Plan or the rights or substantive obligations of any entity hereunder.

Final Decree**.** After the Effective Date, the Debtor may move for a final decree closing the case and requesting such other orders as may be necessary and appropriate.

ARTICLE XII

POST CONFIRMATION JURISDICTION

The Bankruptcy Court, even after the case has been closed, shall have jurisdiction to the fullest extent of the law over all matters arising under, arising in, or relating to Debtor's chapter 11 cases, including proceedings to:

a. Ensure the consummation and implementation of the Plan;

b. Enter such orders as may be necessary or appropriate to implement, consummate, or enforce the provisions of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan or the Disclosure Statement;

c. Consider any modification of the Plan under Section 1127 of the Bankruptcy Code;

d. Hear and determine all Claims, controversies, suits and disputes which may affect the estate's payments, or against the estate to the extent permitted under 28 U.S.C. § 1334;

e. Allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim, including the resolution of any and all objections to the allowance or priority of Claims;

f. Hear, determine, and adjudicate any litigation involving the Litigation Claims or other claims or causes of action constituting Property;

g. Decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving the estate that may be pending on or commenced after the Effective Date;

h. Resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan, or any entity's obligations incurred in connection with the Plan, or any other agreements governing, instruments evidencing, or documents relating to any of the foregoing, including the interpretation or enforcement of any rights, remedies, or obligations under any of the foregoing;

i. Hear and determine all controversies, suits, and disputes that may arise out of or in connection with the enforcement of any and all subordination and similar agreements among various creditors pursuant to Section 510 of the Bankruptcy Code;

j. Hear and determine all requests for compensation and/or reimbursement of expenses that may be made for fees and expenses incurred before the Effective Date;

k. Enforce any Final Order, the Confirmation Order, the final decree, and all injunctions contained in those orders;

l. Enter an order concluding and terminating this case;

m. Correct any defect, cure any omission, or reconcile any inconsistency in the Plan or the Confirmation Order;

n. Determine all questions and disputes regarding title to the estate property;

o. Classify the Claims of any Claim holders and the treatment of these Claims under the Plan, to re-examine Claims that may have been allowed for purposes of voting, and to determine objections that may be filed to any Claims;

p. Take any action described in the Plan involving the post-confirmation Debtor;

q. Enter a final decree in Debtor's case as contemplated by Bankruptcy Rule 3022;

r. Enforce, by injunction or otherwise, the provisions set forth in the Plan, the Confirmation Order, any final decree, and any Final Order that provides for the adjudication of any issue by the Bankruptcy Court; and

s. Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated.

If the Bankruptcy Court abstains, exercises discretion, or is otherwise precluded from hearing any matter within the scope of its jurisdiction, nothing in the Plan shall prohibit or limit the exercise of jurisdiction by any other tribunal of competent jurisdiction.

Respectfully submitted,

Thermagem, LLC, Debtor

Signed: _____
By: Eran Brosh, its president and managing member