UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re: **L. Fromelius Investment Properties, LLC**, Debtor.	Chapter 11 Bankruptcy No. 15-22943 Honorable Donald R. Cassling

DEBTOR'S DISCLOSURE STATEMENT FOR THIRD AMENDED PLAN OF REORGANIZATION, DATED FEBRUARY 7, 2017, AS AMENDED APRIL 17, 2017

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ARTICLE 1. INTRODUCTION.

For reasons discussed below, L. Fromelius Investment Properties, LLC (the "***Debtor***" or "***LFI***") believes that the Debtor's Third Amended Plan of Reorganization, Dated February 7, 2017, as Amended April 17, 2017 (the "***Plan***") filed on April 17, 2017, is in the best interests of creditors and urges creditors to vote for the Plan. Terms that are capitalized and not otherwise defined in this document have the meaning set forth in the Plan.

If creditors vote for the Plan and the Plan is confirmed, the Debtor anticipates all creditors holding allowed Secured Claims and unsecured claims will receive 100% of the amount owed, either from the sale of the Debtor's real estate or from the Reorganized Debtor's Quarterly Cash Flow.

If creditors do not vote for the Plan and the Plan is not confirmed, the Debtor's assets will likely be liquidated in an inefficient manner. In that case, it is possible that creditors would not be paid in full.

1.1. Overview of the Disclosure Statement.

On April _____, 2017, the Court entered an Order Establishing Plan Confirmation Procedures, which is attached hereto as Exhibit B. As a result of that order, the Debtor intends to hold a combined hearing on confirmation of the Plan and approval of this Disclosure Statement.

The Bankruptcy Code requires a debtor that wants to solicit votes for a plan of reorganization to send a document to creditors that contains adequate information to enable creditors to determine whether they wish to accept or reject a reorganization plan. Thus, this Disclosure Statement describes:

- The Debtor and its background;
- How the Plan proposes to treat claims or equity interests of the type you hold (that is, 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 Court will consider when deciding whether to confirm the Plan;
- Why the Debtor 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.

1.2. Narrative of the Plan.

Rule 3016-1 of the Local Rules of Bankruptcy Procedure for the United States Bankruptcy Court for the Northern District of Illinois requires a chapter 11 disclosure statement to contain an initial narrative describing the plan of reorganization, as well as certain other information. The following is a narrative summary of the Plan. The other information required by Rule 3016-1 is set forth below.

1.2.1. Overview of the Plan.

The Debtor's Plan provides that the Reorganized Debtor (a term used to describe L. Fromelius Investment Properties LLC after it emerges from bankruptcy protection) will sell its two parcels of real estate and will continue to rent its investment properties (unless and until they are sold) so that it can pay back secured and unsecured creditors holding Allowed Claims. The Plan also provides that the Debtor's owner, Lawrence Fromelius, will retain his interest in the Debtor. Mr. Fromelius also is a debtor in a chapter 11 case and he also has filed his own Plan of Reorganization and Disclosure Statement, copies of which can be obtained by contacting the attorneys for LFI.

As part of its strategy for repaying creditors with undisputed claims, the Debtor has classified the claims into separate classes, depending upon the nature of the claims. A claim has been put in a class to the extent it satisfies the definition for being in that class. For example, a claim is in the general unsecured creditor class (Class 2) if it is a pre-bankruptcy claim for goods or services provided to the Debtor, or money loaned to the Debtor, and the Debtor's obligation to repay that claim is not secured by a lien or mortgage on the Debtor's assets. In contrast, amounts owed to an unsecured creditor for goods or services provided to the Debtor after the bankruptcy filing are generally considered administrative expenses. Consistent with the Bankruptcy Code, administrative expenses are ***not*** placed in a class of claims and they typically are paid in full at the time of Plan confirmation.

In this case, the Debtor's Plan contains two classes of claims: Class 1, which contains the Ann Marie Barry Trust's secured claim secured by real estate in Seneca, Illinois and Class 2, general unsecured claims, including the deficiency claim of the Barry Trust. There is also one class of equity interests, Class 3. These classes of claims and interests are explained below.

Classes 1 and 2 are "impaired" and thus entitled to vote for or against the Plan by casting the ballot included with this Disclosure Statement, provided that the claims are allowed claims. A claim is considered "impaired" when a reorganization plan modifies the rights of creditors in that class to receive payment. L. Fromelius Investment Properties LLC, is not entitled to vote on the Plan because the Plan leaves its legal rights as interest holder unaltered.

Ballots must be returned on or before the voting deadline of _____, 2017, to the Clerk of the United States Bankruptcy Court, 219 South Dearborn

Street, 7th Floor, Chicago, Illinois 60604. If you need another ballot, one can be obtained by contacting the attorneys for the Debtor listed on the first page of this Disclosure Statement.

1.2.2. Overview and explanation of distributions.

The Plan contemplates LFI will obtain money to pay creditors from the sale of its two primary assets – its real estate in Seneca, Illinois and Marseilles, Illinois -- and from the net income generated mainly by interests in businesses. Those funds will then be distributed in accordance with the priority scheme established under the Bankruptcy Code.

Initially, distributions will be made to the holders of claims for Administrative Expenses (e.g., post-bankruptcy obligations). The Bankruptcy Code provides priority treatment for such claims, which in this case mainly are fees owed to professionals for providing goods and services. The Bankruptcy Code requires the Debtor to pay all administrative expenses on the Effective Date of the plan or when allowed, unless a claimant agrees to a different treatment.

In this case, the primary administrative expenses relate to the fees and expenses of the Debtor's professionals. The Law Office of William J. Factor, Ltd., has incurred fees in the amount of approximately $60,000 and estimates that it will incur or bill an additional $10,000 or more through the Effective Date of the Plan. These amounts are estimates only and may increase or decrease based upon variables that remain uncertain.

The Debtor estimates that on the Effective Date of its Plan it will have cash of approximately $60,000, although the precise amount depends upon the actual timing of the effective date and that these fees will be used to pay Administrative Expenses.

Another priority claim consists of amounts owed for taxes. Each entity holding an allowed priority tax claim, if any, will receive on account of that claim, in full satisfaction, settlement, release, and discharge of, and in exchange for, the claim, 36 equal monthly cash payments commencing on the effective date of the Plan, equal to 100% of the amount of their allowed claim, with interest at the rate of 3% per annum.

Aside from the priority claims, the Debtor's Plan will pay creditors holding Secured Claims and Unsecured Claims. The Debtor will fully pay the Barry Trust's Class 1 secured claim by selling the real estate located in Seneca, Illinois, that secures the claim and paying the net proceeds to the Barry Trust.

Allowed General Unsecured Claims, including the Barry Trust Class 2 Claim, will be paid from the proceeds obtained from the post-confirmation sale of the Marseilles Property and from the Quarterly Cash Flow Payments made to Unsecured Creditors in the Larry Case. Payment of the proceeds from the sale of

the Marseille Property will occur as promptly as possible upon the entry of a Final Order authorizing the sale of the Marseilles Property.

The following chart sets forth the treatment accorded to each class of claims. Parties in interest should consult this information, as well as the Plan itself, for further information about how creditors will fare under the Plan.

Class	Impairment	Treatment
Unclassified: Administrative Expense Claims.	Unimpaired.	Administrative Expense Claims will be paid as discussed in section 3.2.1**Error! Reference source not found.**.
Unclassified: Priority Tax Claims.	Unimpaired.	Priority tax claims will be paid as discussed in section 3.2.2.
Class 1: Barry Trust Secured Claim.	Impaired.	The Barry Trust Secured Claim in Class 1 will be paid from the net proceeds received from the sale of the Seneca Property, after deducting the customary costs of sale.
Class 2: Unsecured Claims.	Impaired.	General Unsecured Claims in Class 2 will be paid from the net proceeds received from the sale of the Seneca Property if any remain after the payment in full of the Class 1 Claim, from the sale of the Marseille Property, which is a Phase 2 Property, and from the Quarterly Cash Flow from the Larry Case.
Class 3: Equity Interests.	Unimpaired.	The Holders of Class 3 Interests will retain those Interests.

1.2.3. Best-interests test and the liquidation analysis.

To confirm a reorganization plan, a chapter 11 debtor must establish that all creditors will receive at least as much under the plan as they would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code—that is, that the

plan is in the best interests of creditors. This is known as the "best-interests test." To show that a plan meets the best-interests test, a disclosure statement must contain a liquidation analysis that shows the likely recovery to unsecured creditors in the event the debtor was liquidated under chapter 7.

Below is a estimate of the amount the Debtor expects creditors would recover if the Debtor was liquidated under chapter 7 of the Bankruptcy Code. In brief, the Debtor believes that unsecured creditors will fare much better under the Plan than they would in a chapter 7 because the Plan proposes to pay unsecured creditors 100% of their claims, whereas the Debtor believes the amount realized from the liquidation of its property (principally, its real estate) would leave unsecured creditors with approximately a 5% recovery.

Table 2. Liquidation Analysis.

Asset	Estimated Liquidation Value
Real property at Forced Liquidation Value	$1,625,000
Cash and equivalents	60,000
Vehicles and the like	44,000
Total assets at liquidation value:	*$1,729,000*
Less:	
Secured and priority claims	($1,350,000)
Administrative claims, including claims of the chapter 7 trustee	(200,000)
Subtotal:	*($1,550,000)*
Balance for unsecured creditors:	*$179,000*
Total dollar amount of unsecured claims (approximate, including deficiency claims)	$4,250,000
Percentage of claims unsecured creditors would receive in a chapter 7 liquidation	5%
Percentage of claims unsecured creditors will receive under the Plan	100%

The liquidation values listed above are the Debtor's best estimate based on the information currently available and assumes the Seneca Property and Marseilles

Property would sell for 50% of the estimated value. Other parties in interest may have different opinions about the value of certain assets. The estimated liquidation value of the Debtor's property is the Debtor's estimation of what could be obtained for a property in a distressed and forced sale, without proper marketing.

The liquidation analysis also assumes the Barry Trust has a claim of $5,600,000, which is the amount of its Allowed Claim pursuant to the Barry Trust Settlement Agreement.

1.3. Deadlines for voting on the Plan and objecting to the Plan, and 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 and identifies certain dates for voting on the Plan and objecting to the Plan.

1.3.1. Time and place of hearing to confirm the Plan.

The hearing at which the Court will determine whether to confirm the Plan will take place on June ___ 2017, at _____ a.m., in Courtroom 619 at the Everett McKinley Dirksen Federal Courthouse, 219 S. Dearborn Street, Chicago, IL 60604.

1.3.2. 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 to the Clerk of the United States Bankruptcy Court, 219 South Dearborn Street, 7th Floor, Chicago, Illinois 60604.

Your ballot must be received by _____, 2016, or it will not be counted.

1.3.3. Deadline for objecting to confirmation of the Plan.

Objections to the confirmation of the Plan must be filed with the Court and served upon the Debtor by _____, 2016.

1.3.4. Identify of person to contact for more information.

If you want additional information about the Plan, you should contact counsel for the Debtor:

William J. Factor
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105 W. Madison, Suite 1500
Chicago, IL 60602
E-mail: wfactor@wfactorlaw.com
Tel: 312-878-6976

ARTICLE 2. BACKGROUND.

2.1. Events leading to the chapter 11 filing.

The Debtor is a limited liability company established by Lawrence Fromelius, the Debtor's sole owner, to hold certain business interests and real estate parcels. The real estate consists of the approximately 65-acre parcel in Seneca, Illinois (7200 (a/k/a 7500) Old Stage Road) and an approximately 52-acre parcel in Marseilles, Illinois (2649 E. US Highway 6, Marseilles). Lawrence Fromelius also is on the title for the Seneca Property and is therefore a joint owner of the property.

The Ann Marie Barry Trust is a trust that the sister of Lawrence Fromelius, established for the benefit of her children upon her death. Currently, the trust is administered by First Midwest Bank, as the successor trustee. On information and belief, the assets in the trust consist of a promissory note the Debtor allegedly issued to document money allegedly loaned by Ann Marie Barry to Mr. Fromelius to acquire interests in real estate. In February 2013, the Barry Trust sued the Debtor in Illinois State Court, alleging in an amended complaint that it was owed more than $8.5 million under the promissory note.

The Debtor attempted to resolve the dispute with the Ann Marie Barry Trust and when unable to do so, filed this bankruptcy case to prevent the Barry Trust from liquidating its assets in the event it ever got a judgment. Most of the Debtor's assets are illiquid, such as real estate. The Debtor intends to use this reorganization case to facilitate the orderly sale of real estate in Seneca, Illinois and, if needed, Marseilles, Illinois so that it can maximize the value received for those properties and ensure the maximum recovery for creditors.

2.2. Claim objections.

Except to the extent a claim is already allowed pursuant to a Final Order, the Debtor reserves the right to object to claims. Even if a claim is allowed for voting purposes, Creditors may not be entitled to a distribution if an objection to your claim is later upheld. Casting a ballot in favor of the Plan will not guarantee that the claim will receive any distribution or that the claim will not be subject to an objection prior to the Confirmation Hearing.

Additionally, if the Debtor has objected to a claim, the Creditor can file a motion with the Bankruptcy Court requesting allowance of the Claim temporarily for voting purposes. The deadline for filing such motions is May __, 2017.

Pursuant to the Barry Trust Settlement Agreement, the Barry Trust has an Allowed Claim of $5.6 million, subject to increase to $6.4 million if certain Triggering Events occur, as discussed further below.

2.3. Projected recovery of avoidable transfers.

The transfers that might be subject to avoidance are listed in Questions 3(a) and (b) of the Debtor's Statement of Financial Affairs, which is attached as Exhibit __. They consist of the $27,500 that was paid to FactorLaw, the $8,297.50 paid to Pedersen and Houpt, former counsel to the Debtor, and $13,053.53 paid to Paychex for salary to the Debtor's sole employee, Jenn Meir. LFI does not intend to file avoidance actions due to its belief that such recoveries would be minimal and the costs of filing such claims could exceed any recovery.

2.4. The Barry Trust Settlement Agreement.

Based on extensive negotiations that spanned more than 6 months, the Debtor and its related entities, and the Barry Trust have reached an agreement regarding the amount and the treatment of the Barry Trust's claim against Lawrence Fromelius, LFI and Golden Marina Causeway (collectively, the "***Debtors***"). The terms of the Settlement are set forth in detail in the Settlement Agreement attached as Exhibit C. Under the Settlement Agreement, the Barry Trust's Claim is Allowed for voting purposes as a Class 2 Claim of $2.7 million and a Class 3 Claim of $2.9 million.

The Settlement ends time-consuming and expensive litigation, and enables each one of the Debtors to confirm reorganization plans that will accomplish one of the main objectives for seeking bankruptcy relief: selling the Debtors' property in a commercially reasonable manner to maximize value. If left unresolved, the disputes with the Barry Trust could (a) potentially lead to the liquidation of the Debtors' properties in a fire-sale format, as opposed to a slower and coordinated process designed to maximize value, (b) cost the respective Estates considerable legal fees they may not be able to afford, (c) greatly increase the Barry Trust's legal fees, which might be added to any judgment in their favor, and (d) potentially lead to much larger claims in favor of the Barry Trust.

At its core, the Settlement Agreement provides that the Debtors will be jointly and severally liable for the Barry Trust's Allowed Claim of $5.6 million, subject to increase to $6.4 million, if any "Triggering Events" occur. The Triggering Events are set forth in detail in the Settlement Agreement, but generally involve (a) dismissal of any of the Bankruptcy Cases for certain conduct, (b) conversion of the cases to a chapter 7 proceeding, (c) failure to confirm a plan, and (d) failure to exercise commercially reasonable measures to sell the subject properties. Each of the Debtors will work diligently to sell the real estate they own (directly or indirectly) and use the proceeds to pay the Barry Trust's Allowed Claim in full.

The Settlement further states that the Debtors' respective plans of reorganization will implement the terms of the Settlement Agreement, which the Debtors anticipate the Barry Trust will then support and, as a result, the Debtors will be able to confirm their respective plans and emerge from bankruptcy.

2.5. The Debtor's financial condition.

The Debtor does not have historical financial statements. Its income and assets were reported on Lawrence Fromelius's tax return. Tax returns for 2014 and 2015 are available from the Debtor's counsel.

The identity of the Debtor's assets, and the Debtor's estimate of value based on its knowledge and experience with the assets, are contained on his Schedules A and B, which are attached hereto as Exhibit B. Similarly, the Debtor's monthly operating reports filed in this case during 2017 are attached as Exhibit C, and the combined cash flow and expense projections for the Debtor and Lawrence Fromelius are attached as Exhibit D.

ARTICLE 3. SUMMARY OF THE PLAN AND TREATMENT OF CLAIMS AND EQUITY INTERESTS.

3.1. The purpose of the Plan.

The Plan places claims and equity interests in various classes and describes the treatment each class will receive (that is, how each claim will be paid under the Plan). Claims that are of a similar nature are put in the same class. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. A claim is impaired if the plan alters the legal rights of the holder of the claim. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan. This Disclosure Statement contains a chart in Section I describing the distributions to each class of claims. The following describes in a narrative form how each class of claims fares under the Plan.

3.2. Unclassified claims.

Certain types of claims are automatically entitled to specific treatment under the Bankruptcy Code, and a debtor generally lacks any meaningful discretion in how to pay those claims. The holders of those claims do not vote on the Plan. The holders, however, may object if in their view their treatment under the Plan does not comply with that required by the Bankruptcy Code. As such, the Debtor has *not* placed administrative expenses or priority tax claims in any class, and instead these are handled separately, as described below.

3.2.1. Administrative expenses.

Administrative expenses are expenses of administering the Debtor's chapter 11 case that are allowed under § 507(a)(2) of the Bankruptcy Code as actual and necessary costs of administration. 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 Bankruptcy Code requires

that all administrative expenses be paid on the effective date of the plan or when allowed, unless a particular claimant agrees to a different treatment.

In this case, the primary administrative expenses relate to the legal fees and associated expenses of the Debtor's lawyers. The Law Office of William J. Factor, Ltd., has incurred fees in the amount of approximately $60,000 and estimates that it will incur or bill an additional $10,000 through the Effective Date of the Plan. These amounts are estimates only and may increase or decrease based upon variables that remain uncertain.

Ordinary course administrative expenses have been being paid in full on an ongoing basis as and when due and will continue to be paid in the same manner. These consist mainly of amounts needed to operate the Debtor's business. Other administrative expenses, including those owed to the Debtor's professionals, will either be paid in full on the Plan's Effective Date or the date allowed after fee application and approval by the court, if later, or according to any agreement between the Debtor and the claimant.

3.2.2. Priority tax claims.

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Bankruptcy Code. Unless the holder of a priority tax claim agrees otherwise, the holder must receive the present value of its claim, in regular installments paid over a period not exceeding five years from the petition date.

The Debtor estimates that there are no priority tax claims. Among other things, the Debtor is a pass-through entity and generally does not incur any tax liability. If a claimant does appear, however, in full satisfaction of its claims, the holder thereof will receive 36 equal monthly payments, plus interest rate of 3% per annum.

3.3. Classes of claims and equity interests.

The following are the classes set forth in the Plan and the proposed treatment that each will receive under the Plan.

3.3.1. Class 1: Barry Trust secured claim.

Under the Bankruptcy Code, a creditor holds a secured claim when a creditor has a lien upon the debtor's property to secure the debtor's repayment obligations, but only to the extent of the creditor's interest in the property.

In this case, Class 1 contains the Barry Trust's secured claim that is secured by the Seneca Property. The Debtor owns this property jointly with its sole member, Lawrence Fromelius, who is also a debtor in a chapter 11 bankruptcy case before this Court. The Debtor will pay the Class 1 claim by selling the Seneca property and paying the net proceeds (after costs of sale) to the Barry Trust. The amount of the

Barry Trust Secured Claim that will be paid under the Plan is unknown at present because the Debtor is pursuing a sale of the property and the ultimate sale price, less deductions related to the sale, will determine the amount paid to the Barry Trust. For purposes of voting on the Plan, the Barry Trust holds an Allowed Class 1 Claim of $2.7 million, which is the Debtor's estimate of the value of the Seneca Property.

3.3.2. Class 2: 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 Bankruptcy Code. The Debtor owes approximately $13,000 to unsecured creditors unrelated to the Barry Trust and that the Unsecured Claim of the Barry Trust could be several million dollars, depending upon the amount realized from the sale of the Seneca Property. The amount owed to Unsecured Creditors other than the Barry Trust is a joint obligation of Lawrence Fromelius and will be paid pursuant to the procedures set forth in the Plan in the Larry Case. For purposes of voting on the Plan, the Barry Trust holds an Allowed Class 2 Unsecured Claim of $2.9 million.

Creditors holding allowed Class 2 unsecured claims will receive, a *pro rata* share of the Quarterly Plan Payments from the Larry Case, which will be sufficient to pay in full all Class 2 Class other than the Class 2 Claim in favor of the Barry Trust, plus an enhanced pro rata share of the proceeds from the sale of the Phase 1 Properties and the Phase 2 Properties, as defined in the Larry Plan.

In addition, the Barry Trust will have a mortgage upon the Marseilles Property, which will be subordinate to the payment of the Claims in Class 4 and 5 of the Larry Plan, the payment of Allowed Other Administrative Expense Claims in accordance with the Plan, the payment of the costs associated with the sale of the property, including broker commissions and post-confirmation legal fees, but only to the extent the Barry Trust has approved of such broker in the exercise of its reasonable discretion, and any existing valid non-avoidable encumbrances upon the Phased Properties.

The Debtor anticipates that it will pay 100% of Class 2 claims.

3.3.3. Class 3: equity interest.

Equity interest holders are parties who hold an ownership interest (known as an equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. After confirmation of the Plan, the equity interests will remain the same.

3.4. Means of implementing the Plan.

3.4.1. Vesting of assets.

The Plan provides that the Seneca Property and the Marseilles Property, which are the assets that will be sold to pay creditors in Class 1 and 2, will remain in the Bankruptcy Estate created by § 541 of the Bankruptcy Code, and such properties will not vest in the Reorganized Debtor, pending the payment in full of all claims in such Classes. Such property will remain in the Bankruptcy Estate so that it can be sold under § 363 of the Bankruptcy Code, free and clear of all liens, claims and encumbrances. Other than these properties, and any of the proceed, rents, issues or profits related thereto, all other Asset will vest in the Reorganized Debtor free and clear of all liens, claims, interests, and encumbrances, except as otherwise provided in the Plan or confirmation order.

However, once Unsecured Creditors and the Barry Trust are paid in full, all property, including any the Seneca Property and the Marseilles Property, if they have not been previously sold, will vest in the Reorganized Debtor, free and clear of all liens, claims and encumbrances.

3.4.2. Authorization.

From and after the Plan's effective date, Lawrence Fromelius, as the sole owner of the Debtor, will take steps and execute all documents necessary to effectuate and implement the Plan.

3.5. The Debtor will not pursue potential recovery of transfers made within 90 days prior to bankruptcy.

As disclosed in the Debtor's statement of financial affairs, the Debtor made transfers to several entities prior in the 90 days prior to filing for bankruptcy. Payments made with in this time are sometimes recoverable under § 547 of the Bankruptcy Code. Specifically, the Debtor paid $8,297.50 to Pedersen & Houpt for legal fees incurred for the lawsuit brought against it by the Barry Trust and $13,053.53 to Pay Chex Inc., a payroll company. In addition, the Debtor paid $27,500 to FactorLaw as a retainer for legal fees that would be incurred for this case and the chapter 11 reorganization of its owner, Lawrence Fromelius. The Debtor has determined that these transfers either are not avoidable under § 547, or that a claim under § 547 is not economically feasible to pursue given the relatively small amounts involved. The Debtor will not pursue avoidance of these transfers.

3.6. Risk factors.

When deciding whether to vote for or against the Plan, creditors should be aware of the following risk factors:

3.6.1. Business risk.

Although the Debtor believes the Reorganized Debtor will be able to generate sufficient revenue after the Effective Date to make payments under the Plan, there is a risk that will not happen.

3.7. Executory contracts and unexpired leases.

Exhibit E lists the executory contracts and unexpired leases that the Debtor will assume under the Plan. Unless otherwise provided, any executory contract or lease that has been previously assumed in the bankruptcy case and that is not listed on Exhibit E shall still be deemed to have been assumed by the Debtor. Assumption means that the Debtor has elected to continue to perform the obligations under the contract or unexpired lease, and to cure defaults of the type that must be cured under the Bankruptcy Code, if any. The Debtor does not believe there are any defaults under these contracts.

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

Except for executory contracts and unexpired leases that have previously been assumed, all executory contracts and unexpired leases that are not listed on Exhibit E at the time of confirmation will be rejected under the Plan.

The deadline to file a proof of claim based on a claim arising from the rejection of a lease or contract is 45 days after the date of 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.

3.8. Conditions to Confirmation and Effective Date

The only condition to confirmation of the Plan is the entry of a Confirmation Order in a form and substance reasonably acceptable to the Debtor. The Plan will not become effective and the Effective Date will not occur unless and until (i) the Confirmation Date has occurred and the Confirmation Order, in a form consistent with the requirements of the Plan, has become a Final Order, and (ii) all actions, documents, and agreements necessary to implement the provisions of the Plan are reasonably satisfactory to the Debtor, and such actions, documents and agreements have been effectuated or executed and delivered, which determination will not be unreasonably withheld. The Reorganized Debtor shall file and serve a notice advising of the occurrence of the Effective Date.

3.9. Tax consequences of the Plan.

Creditors and equity interest holders concerned with how the Plan may affect their tax liability should consult with their own accountants, attorneys, or advisors.

ARTICLE 4. CONFIRMATION REQUIREMENTS AND PROCEDURES.

To be confirmed, the Plan must, among other things, meet the requirements listed in §§ 1129(a) and (b) of the Bankruptcy Code. Thus: (i) the Plan must be proposed in good faith; (ii) at least one impaired class of claims must accept the Plan, without counting votes of insiders; (iii) 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 (iv) the Plan must be feasible. These requirements are *not* the only requirements listed in § 1129, and they are not the only requirements for confirmation of the Plan.

4.1. Who may vote or object.

Any party in interest may object to the confirmation of the Plan. Not all parties in interest, however, are 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 (i) allowed generally or for voting purposes only and (ii) impaired. If an objection has been filed to the claim of a creditor or to the interest of an equity interest holder, that creditor or equity interest holder is not entitled to vote on the Plan until the objection has been resolved, or until the Bankruptcy Court enters an order temporarily allowing the claim or interest for voting purposes. As explained elsewhere, for voting purposes only the Barry Trust has an Allowed Class 1 claim in the amount of $2.7 million and an Allowed Class 2 claim in the amount of $2.9 million.

In this case, the Debtor believes that Classes 1 and 2 are impaired and that holders of allowed claims in each of these classes are therefore entitled to vote to accept or reject the Plan unless their claims are subject to an objection.

In sum, holders of the following 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 or that are subject to a pending objection;
- Holders of other claims or equity interest that are not "allowed" as discussed below, 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 Bankruptcy Code;
- Holders of claims or equity interests in classes that do not receive or retain any value under the Plan;

- Holders of administrative expenses.

4.2. Allowed claims or allowed equity interests.

As noted above, only a creditor with an "allowed" claim has the right to vote on the Plan. Generally, a claim is allowed if either (i) the Debtor scheduled the claim on its bankruptcy schedules, unless the claim was scheduled as disputed, contingent, or unliquidated, or (ii) the creditor has filed a proof of claim, unless an objection has been filed to that proof of claim.

The Debtor reserves the right to object to any claim prior to the confirmation hearing and the deadline for submitting ballots. When a claim is not allowed, or is subject to an objection, the creditor cannot vote unless the Court, after notice and a hearing, either overrules the objection or allows the claim 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 was January 4, 2016.

4.3. Who can vote in more than one class.

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

4.4. Votes necessary to confirm the Plan.

The Court cannot confirm the Plan unless (i) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within the class and (ii) 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.

4.5. Votes necessary for a class to accept the Plan.

A class of claims accepts the Plan if (i) the holders of more than one-half of the allowed claims in the class, who vote, cast their votes to accept the Plan *and* (ii) the holders of at least two-thirds in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

4.6. Treatment of nonaccepting classes.

Even if one or more impaired classes rejects the Plan or does not accept it, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by § 1129(b) of the Bankruptcy Code. A plan that binds non-accepting classes is commonly referred to as a "cram down" plan.

The Bankruptcy Code allows a plan to bind non-accepting classes of claims or equity interests if the plan: (i) meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8); (ii) does not

"discriminate unfairly," and (iii) is "fair and equitable" toward each impaired class that has not voted to accept the plan.

To the extent one or more classes of claims does not accept the Debtor's Plan, the Debtor reserves the right to seek to confirm the Plan over the objection of the class. The Debtor believes that a cramdown is possible because the Plan is fair and equitable and does not discriminate unfairly.

4.7. Liquidation analysis and best-interests test.

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 they would receive in a hypothetical chapter 7 liquidation of the Debtor. Once again, this is known as the best-interests test.

As set forth above in the narrative section of this Disclosure Statement, the Debtor believes that Unsecured Creditors would receive less than 10% of the amount owed to them if the Debtor was liquidated in a case under chapter 7 of the Bankruptcy Code. That position is predicated upon the Debtor's belief that the value of the Debtor's assets, which consist largely of real estate, in a liquidation would be close to the amount owed to secured and priority claims and would result in a small pool for Unsecured Creditors.

Even if a party in interests disagrees with the Debtor's liquidation analysis, however, and asserts that creditors would receive 100% under a chapter 7 liquidation, the Debtor's plan would still meet the best-interests test. This is because the Debtor believes creditors will receive 100% under the Debtor's plan, which is what they would receive under the alternative chapter 7 liquidation.

4.8. Feasibility analysis.

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. The Debtor believes that the Plan is feasible.

4.9. Modification of the Plan.

The Debtor may modify the Plan at any time before confirmation of the Plan. The Reorganized Debtor may also seek to modify the Plan at any time after confirmation only under certain circumstances set forth in 11 U.S.C. § 1127(e) and the Court authorizes the proposed modifications after notice and a hearing.

4.10. Final decree.

As promptly as appropriate, the Reorganized Debtor will file a motion with the Court to obtain a final decree to close the bankruptcy case.

ARTICLE 5. DISCHARGES AND RELEASES.

5.1. No liability for solicitation or participation.

As specified in § 1125(e) of the Bankruptcy Code, Persons that solicit acceptances or rejections of the Plan are not liable, because such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan. The Plan provides that except for bad faith, dishonesty or willful misconduct in their actions hereunder and except for the obligations and duties imposed by the Plan and the Barry Trust Settlement Agreement, the Debtor and each of its employees, agents, attorneys (including the Law Firm), and advisors, shall not incur and shall not have any liability to the Debtor, any Holder of a Claim or to any other Entity for any act or failure to act on or prior to the Confirmation Order Date in connection with the formulation of the Plan; the filing of the Case; the filing of the Plan; actions in the Case and the administration of the bankruptcy estate.

5.2. Binding effect of the Plan.

Upon the Effective Date, the provisions of the Plan are binding on all Persons to the fullest extent permitted under applicable law, expressly including, without limitation, all Holders of Claims, and all Holders of Administrative Expense Claims, Other Priority Claims, or Priority Tax Claims, and the successors and assigns of the foregoing, whether they accept the Plan or have filed a Claim.

5.3. Discharge and Injunctions.1

The Plan provides that except as expressly provided otherwise in the Confirmation Order, the Plan and/or in the Barry Trust Settlement Agreement, all Persons, including but not limited to, all of the Debtor's Creditors (present, future, contingent, non-contingent, matured, unmatured, secured, unsecured, asserted, unasserted, liquidated or unliquidated), employees, and former employees, and their respective successors and assigns, including any trustee subsequently appointed, is permanently enjoined, restrained and precluded, from asserting, commencing or continuing in any manner any action, encumbrance, lien, setoff, Claim, or right of recoupment, against the Debtor, the Reorganized Debtor or any property of the foregoing, related in any manner to any matter occurring prior to the Effective Date of the Plan.

Furthermore, upon the Effective Date and except as expressly provided in the Plan and the Barry Trust Settlement Agreement, the provisions of the Plan discharge the Debtor and the Reorganized Debtor from all such Claims and obligations arising prior to the Effective Date to the fullest extent permitted by § 1141(d) of the Bankruptcy Code.

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Respectfully submitted,

L. Fromelius Investment Properties, LLC

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