

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

<b>In re:</b>  <b>MOUNSEF INTERNATIONAL, INC.,</b>  <p style="text-align: center;"><b>Debtor.</b></p>	) ) ) ) )	<b>In Chapter 11</b>  <b>Case No. 15-35685</b>  <b>Honorable Jacqueline P. Cox</b>
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**DEBTOR'S AMENDED DISCLOSURE STATEMENT FOR ITS AMENDED PLAN  
OF REORGANIZATION DATED OCTOBER 18, 2016**

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## I. INTRODUCTION

This is the amended disclosure statement (the "Disclosure Statement") in the Chapter 11 case of Mounsef International, Inc. (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes Debtor's Amended Plan Dated October 18, 2016 (the "Plan") filed by Debtor on October 18, 2016. A full copy of the Plan is included with this Disclosure Statement. *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 following definitions shall apply to this Disclosure Statement.

"Allowed Claim" shall mean a claim which is allowed by the Bankruptcy Court and to be paid under a confirmed bankruptcy plan of reorganization.

"Bankruptcy Code" shall mean Title 11 of the United States Code.

"Claim" shall mean a creditor's assertion of a right to payment from the debtor or the debtor's property.

"Effective Date" shall mean the 15<sup>th</sup> day after the entry of a final non-appealable order confirming the plan.

"Initial Distribution Date" shall mean the first day of the first calendar quarter after the Effective Date.

The proposed distributions under the Plan are discussed at pages 8 to 14 of this Disclosure Statement. Generally the plan provides that all administrative creditors will be paid in full unless otherwise agreed. Priority creditors will receive 100% of their allowed claims on the Initial Distribution Date. Alleged secured creditors who hold an involuntary lien on the assets of the Debtor will receive a distribution pursuant to a settlement agreement. General unsecured creditors will receive a distribution of 5% of their allowed claims. Equity security holders will not receive a distribution.

The plan payments are summarized as follows (all claims are assumed to be "allowed" as defined further below):

Class	Description	Impairment	Treatment	Total \$ to be Distributed
n/a <sup>1</sup>	Administrative Claims - Claims of Professionals	Unimpaired	100% payment on the Effective Date unless otherwise agreed	\$45,000.00

<sup>1</sup> Claim categories marked as "n/a" refer to the types of claims that are deemed "unclassified" under the Bankruptcy Code.

Class	Description	Impairment	Treatment	Total \$ to be Distributed
	Governmental Units			
1	Unsecured Claims – Involuntary Lien after Judgment	Impaired	Pursuant to a settlement agreement, the sole creditor in this class shall receive \$10,000.00 upon confirmation, \$2,000.00 per month for 12 months and a final payment of \$6,000.00 in the 13 <sup>th</sup> month of the Plan. In the event that Debtor is unsuccessful in adjudicating an attorneys' lien served on Debtor's counsel by former counsel to the original claimant, then creditors shall receive an additional \$10,000.00 payable in monthly installments of \$2,000.00 each beginning in the 14 <sup>th</sup> month after confirmation of the Plan until paid in full. In the event that the settlement is not executed or approved by the Court, the claim will be allowed as a general unsecured claim in the amount of \$200,000.00.	\$40,000.00
2	Unsecured Claims – General Unsecured Claims	Impaired	5% of Allowed Claims without interest <i>pro rata</i> in 20 quarterly installments beginning on the first calendar day of the next calendar quarter after the Effective Date of the Plan.	\$54,000
3	Equity Security Holders	Impaired	Shares of stock in the Debtor will be canceled	\$0.00

#### A. Purpose of this Document

This Disclosure Statement describes:

- The Debtor and significant events 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 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.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement only describes the Plan. The Plan itself will, if confirmed, establish your rights.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement only describes the Plan. The Plan itself will, if confirmed, establish your rights.

**B. Deadlines for Voting and Objection; 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 Approve this Disclosure Statement and Confirm the Plan*

The hearing at which the Court will determine whether to approve this Disclosure Statement and confirm the Plan will take place on \_\_\_\_\_, 2016, at \_\_\_\_\_ a.m. in Courtroom 680 at 219 South Dearborn Street, Chicago, Illinois 60604.

*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 addresses appearing below your signature line. See section IV.A. below for a discussion of voting eligibility requirements.

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

*3. Deadline for Objecting to the Adequacy of this Disclosure Statement and Confirmation of the Plan*

Objections to this Disclosure Statement or to confirmation of the Plan must be filed with the Court on served upon the following persons by \_\_\_\_\_, 2016.

Robert R. Benjamin  
Beverly A. Berneman  
GOLAN & CHRISTIE LLP  
70 West Madison, Suite 1500  
Chicago, Illinois 60602  
312-263-2300

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

Robert R. Benjamin ([rrbenjamin@golanchristie.com](mailto:rrbenjamin@golanchristie.com))  
Beverly A. Berneman ([baberneman@golanchristie.com](mailto:baberneman@golanchristie.com))  
GOLAN & CHRISTIE LLP  
70 West Madison, Suite 1500  
Chicago, Illinois 60602  
312-263-2300

### **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.*

## **II. BACKGROUND**

### **A. Description and History of the Debtor's Business**

Debtor is an Illinois corporation that was incorporated on February 3, 2003. George Mounsef ("George") is the President and sole shareholder of the Debtor. Debtor operates a retail grocery store and manufactures pita breads and assorted other baked goods. Debtor operates out of the property commonly known as 3201-13 West Lawrence Avenue, Chicago, Illinois and 4738-49 North Kedzie Avenue, Chicago, Illinois (the "Property").

Debtor previously operated out of two additional locations, one on Lunt in Lincolnwood and the other in Skokie. Debtor vacated the Lunt location prior to the filing of the case. The lease for the Skokie location expired on February 29, 2016. Debtor expects to vacate the Skokie premises by the end of the month.

Debtor's busy season is during the Islamic holiday of Ramadan. During Ramadan, Muslims observe a month of fasting from dawn until sunset. Debtor's pita bread and baked goods are traditional foods consumed by the observant to break the fast and before the beginning of the fast each day. Because Ramadan does not track the Gregorian calendar, the holiday is observed at different times of the year, each year.<sup>2</sup>

#### **1. Prior Bankruptcy**

In 2010, Debtor filed a previous case for relief under Chapter 11 of the Bankruptcy Code, case no. 10-17513. Due to heavy competition, high operating costs and litigation with Pierre Mounsef, the Debtor sought Chapter 11 to aid it in streamlining its operations and to propose a plan to reduce its liabilities.<sup>3</sup> Debtor did not oppose the motion of the United States Trustee's Office, the Bankruptcy Court entered an order dismissing the case on May 3, 2011.

#### **2. First Midwest Bank's Lien**

In August 2012, George and his wife, Theresa Mounsef ("Theresa"), purchased the Property. The primary reason for the purchase was to provide the Debtor with a convenient location to operate its business. At the time of the purchase, Debtor did not have sufficient

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<sup>2</sup> In 2016, Ramadan will begin at sunset on June 5 and end on July 5.

<sup>3</sup> The Disclosure Statement filed in the 10-17513 case states that Debtor scheduled assets in the total amount of \$568,023.57. However, the amended schedules in the 10-17513 case actually scheduled assets in the amount of \$79,469.00. The Amended Schedules showed the correct value of the Debtor's assets and so the Disclosure Statement contained incorrect information. Debtor believes that the error occurred because Debtor's prior counsel included leased assets in the Disclosure Statement as assets of the Debtor by mistake.

income and assets to purchase the Property. George and Theresa were able to secure the funds to purchase the property from Banco Popular, N.A in exchange for a mortgage on the Property, a guaranty from the Debtor and a security interest in Debtor's personal property.

The Debtor's decision to guaranty the loan and grant a security interest was based upon the value that Debtor would receive from the transaction. George and Therese leased the premises to the Debtor for the amount of the mortgage payments only. George and Therese agreed not to seek reimbursement for all other typical rent escalations from the Debtor including, operating expenses, real estate taxes and insurance. As a result, Debtor's lease payments for the Property are at least 25% below market value.

### *3. Operations After Prior Bankruptcy*

After the dismissal of the case, Debtor was able to regroup to a certain extent. It no longer had the burden of three locations but was still operating out of two locations. Debtor continued to face stiff competition for its bakery business.

Meanwhile, a dispute arose with one of its employees, Bechara Srour ("Srour"). Srour was married to George's daughter. Debtor discharged Srour as an employee. On June 16, 2014, Srour brought suit against Debtor and George in the Circuit Court of Cook County, Illinois, case number 2014 L 006385. Count I of the complaint was for breach of contract against the Debtor based on a promissory note. Count II was against Debtor for wage claims. Count III was against Debtor and George for sums due pursuant to an insurance adjustment agreement. On or about August 28, 2016, Srour obtained a judgment against the Debtor in the approximate amount of \$404,000.00. Of that amount, George and the Debtor are jointly and severally liable for \$180,000.00.

### *4. Events Leading to Chapter 11 Filing*

The Srour litigation caused the Debtor's managers, George and his son, Elie Mounsef ("Elie") to spend a considerable amount of time away from the day to day operations of the Debtor. Debtor saw its market share and its revenues decline.

Upon obtaining the judgment, Srour immediately filed Citations to Discover Assets on the Debtor and the Debtor's bank. The Citations created a lien upon Debtor's assets ("Citation Lien"). As a result of the Citation Lien, Debtor did not have access to its operating funds. Since the Citation Lien was created within 90 days prior to the filing of the case, Debtor believes that the lien was a preferential transfer that could be avoided.

Debtor did not have the funds to pay Srour's judgment. Debtor's management realized that the weight of the judgment and Srour's post judgment activity would have a devastating effect on the Debtor's revenues. Debtor was already seeing a sufficient reduction in its operating funds that it was unable to pay its trade creditors.

Rather than fall further behind with its trade creditors and with the knowledge that the Debtor could not hope to pay Srour's judgment and continue operating, Debtor filed for relief under Chapter 11 of the Bankruptcy Code on October 20, 2015.

**B. Insiders of the Debtor**

The Insiders of the Debtor are George, Theresa and George's son Elie, and his brother, Raymond Mounsef.

**C. Management of the Debtor Before and During the Bankruptcy Case**

George Mounsef is the president of the Debtor and Elie Mounsef is a manager.

**D. Significant Events During the Bankruptcy Case**

*1. Post-Filing Operations and Future Plans.*

Since the filing of this case, Debtor revised its business model by reducing expenses and increasing productivity. Debtor's employees are primarily related to each other and therefore operate as a close knit group.

On the whole, vendors have been cooperative with the Debtor in the order and shipment of goods for manufacture and resale. Some vendors have asked for payment in advance or COD which strains cash flow. Despite the challenges, Debtor has been able to maintain a sufficient level of sales.

As the management of Debtor believes that expenses have been cut to the lowest extent possible, the Debtor will be focusing on growth of its market share.

The lien of First Midwest Bank has been paid in full by co-obligors, George Mounsef and Theresa Mounsef.

*2. Court Proceedings.*

Upon the filing of the case Debtor sought and obtained orders permitting the use of cash collateral belonging to FMB and Srour. Debtor also sought and obtained an order permitting it to pay certain pre-petition wages.

The majority of the Court proceedings result from ongoing disputes with Srour.

Srour has sought either dismissal of the case or the appointment of a Chapter 11 Trustee. The matter has been fully briefed and is now pending.

Debtor brought a motion to disqualify Srour's counsel. Srour's counsel represented Debtor in the prior Chapter 11 case discussed above. The matter has been fully briefed, an evidentiary hearing has been conducted. The matter is pending.

Debtor brought an adversary complaint to set aside Srour's Citation Lien as a preference. Srour brought a counterclaim and third party complaint demand that FMB marshal the assets and proceed against the Property as collateral before proceeding against the Debtor's pledged



collateral. Debtor and FMB brought a motion to dismiss the counterclaim and third party complaint. Srour amended the counterclaim and third party complaint. Debtor issued discovery in the preference action and Srour has answered the discovery. Srour assigned his claim to his counsel, Gregory K. Stern. Stern and the Debtor have reached a settlement. The documents related to the settlement agreement plus the motion to approve the settlement pursuant to Bankruptcy Rule 9019 are being drafted. Debtor expects the settlement agreement will be approved. The terms of the settlement are that Stern shall receive a total of \$40,000.00 payable in a combination of lump sum and monthly payments during the first 13 months after confirmation of the Plan. Debtor has agreed to adjudicate an attorney's lien it received from Srour's former counsel. Debtor believes that the lien was not served in a timely basis and according to the rules governing attorneys liens. In the event that Debtor is unsuccessful in adjudicating an attorneys' lien served on Debtor's counsel by former counsel to the original claimant, then creditors shall receive an additional \$10,000.00 payable in monthly installments of \$2,000.00 each beginning in the 14<sup>th</sup> month after confirmation of the Plan until paid in full.

#### **E. Projected Recovery of Avoidable Transfers**

In the 90 days prior to the filing of the case, Debtor made payments to non-insiders totaling approximately \$165,100.00. The majority of the payments were made in the ordinary course or the Debtor received new value after the payment was made.

As discussed in detail above, Debtor has brought an adversary complaint to set aside Srour's Citation Lien. The adversary case has been settled.

Debtor believes that there are no other avoidable transfers.

#### **F. Claims Objections**

Debtor is in the process of analyzing the claims filed by creditors. At this time, Debtor anticipates filing an objection to Srour's claim as a secured creditor.

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 Paragraph 12.04 of the Plan.

#### **G. Current and Historical Financial Conditions**

The identity and fair market value of the estates assets are listed in Exhibit 1. The values are based upon management's best estimates of the liquidation value of Debtor's personal property and fluctuating accounts receivable.

Copies of the Debtor's most recent financial statements or tax returns are attached as Exhibit 2.

Copies of the summary pages of the Debtor's bankruptcy operating reports are attached as Exhibit 3.

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

#### A. The Purpose of the Plan of Reorganization

As required by the Bankruptcy 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 Bankruptcy 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 Bankruptcy Code. As such the Plan does not place the following claims in any class:

##### 1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor's Chapter 11 case. These expenses are allowed under §507(a)(2) of the Bankruptcy 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 Bankruptcy 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
Professional fees	\$ 45,000.00	Paid in full on the Effective Date of the Plan unless otherwise agreed or unless the fees have not yet been approved by the Bankruptcy Court. For fees approved after the Effective Date and before the entry of a final decree, payment will be made on the 15 <sup>th</sup> day after the entry of an order approving the fees.
Office of the U.S. Trustee Fees	\$1,625.00	Paid in full on the Effective Date of the Plan or when due which ever occurs later.
Post-Petition Administrative Claims	\$10,000.00	The claim of the single creditor in this Class in the amount of \$39,456.00 including any additional costs and attorneys is allowed however, creditor has agreed to accept \$10,000.00 to paid upon confirmation of the Plan

Type	Estimated Amount Owed	Proposed Treatment
		in full settlement of the claim.

## 2. Priority Claims

In this case, priority claims fall into two categories. The first category is for wages that were earned within 180 days prior to the filing of the case and not to exceed \$12,475 for a single individual (§507(a)(4) of the Bankruptcy Code). Priority claims also include 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, it must receive the present value of its claim, in regular installments paid over a period not exceeding 5 years from the order for relief.

The following chart lists the Debtor's estimated priority claims and their proposed treatment:

Description	Estimated Amount Owed	Date of Assessment	Treatment
Wage claims of George Mounsef and Elie Mounsef	\$ 11,578.00	n/a	Paid in full on Initial Distribution Date.
Priority tax claims	\$434.38	n/a	Paid in full on Initial Distribution Date.

## 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 Claims Based Upon Involuntary Liens After Judgment

As discussed above, the claim of the sole creditor in Class 1 has been settled.

Class	Description	Impairment	Treatment
1	Unsecured Claims – Involuntary Liens After Judgment  Total amount of claims = \$200,000.00	Impaired	Pursuant to a settlement agreement, the sole creditor in this class shall receive \$10,000.00 upon confirmation, \$2,000.00 per month for 12 months and a final payment of \$16,000.00 in the 13th month of the Plan. In the event that Debtor is unsuccessful in adjudicating an attorneys' lien served on Debtor's counsel by former counsel to the original claimant, then creditors shall receive an additional \$10,000.00 payable in monthly installments of \$2,000.00 each beginning in the 14th month after confirmation of the Plan until paid in full. . In the event that

Class	Description	Impairment	Treatment
1	Unsecured Claims – Involuntary Liens After Judgment  Total amount of claims = \$200,000.00	Impaired	Pursuant to a settlement agreement, the sole creditor in this class shall receive \$10,000.00 upon confirmation, \$2,000.00 per month for 12 months and a final payment of \$6,000.00 in the 13th month of the Plan. In the event that Debtor is unsuccessful in adjudicating an attorneys' lien served on Debtor's counsel by former counsel to the original claimant, then creditors shall receive an additional \$10,000.00 payable in monthly installments of \$2,000.00 each beginning in the 14th month after confirmation of the Plan until paid in full. . In the event that the settlement is not executed or approved by the Court, the claim will be allowed as a general unsecured claim in the amount of \$200,000.00.  Total to be paid through Plan: \$40,000.00

## 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 following chart identifies the Plan's proposed treatment of Class 2 which contains general unsecured claims.

Class #	Description	Impairment	Treatment
2	Unsecured Claims - General Unsecured Claims  Total amount of claims = \$296,995.00	Impaired	Holders of general unsecured claims shall receive 5% of Allowed Claims without interest <i>pro rata</i> in 20 quarterly installments beginning on the first calendar day of the first day of the calendar quarter after the Effective Date of the Plan.  Total to be paid through Plan: \$54,000.00

Elie and Therese, or their nominee (the "Bidders"), have offered to purchase the newly issued stock for \$35,000.00. In exchange for the consideration identified herein, Bidders will be issued one hundred percent (100%) of the stock of the post-confirmation Debtor ("Reorganized Debtor"), which shall be issued on the Effective Date. Bidders have submitted an earnest money deposit in the amount of \$5,000.00. All Creditors and the general public will have an opportunity to bid for one hundred percent (100%) of the stock in the Reorganized Debtor upon the same terms and conditions offered the Bidders, in accordance with the following procedures (as may be approved by the Bankruptcy Court not less than seven (7) days preceding the Confirmation Hearing (the "Bid Procedures"): The stock will only be sold in one block of one hundred (100) shares. Creditors will not be permitted to bid their Claims as part of the purchase price. The Debtor will publish notice of the sale and the terms of the sale in a newspaper of general circulation at least fourteen (14) days prior to the hearing on confirmation of the Plan. Those parties seeking to acquire one hundred percent (100%) of the stock in the Reorganized Debtor will be required to serve written notice of their intention to bid on counsel to the Debtor and the U.S. Trustee (the "Notice Parties"), which notice shall contain the bidder's name, address, financial statements and tax returns for the last two years, the terms of the bid and a verified statement that if the bid is accepted, the bidder will agree to abide by the terms of the sale as described above and perform the obligations of the Plan. The written notice must be accompanied by an earnest money deposit in the amount of \$5,000.00 in the form of cashier's or certified check plus proof of funds for the balance of the purchase price plus cure for the assumption of the equipment lease estimated at \$240,000.00 and must be received by Debtor's counsel on or before the last day to file ballots accepting or rejecting the Plan. The failure to provide written notice within the time provided will conclusively be deemed a waiver of the opportunity to purchase one hundred percent (100%) of the stock in the Reorganized Debtor. In the event that there are competing bids for one hundred percent (100%) of the stock in the Reorganized Debtor, the Court will hold an auction at the Confirmation Hearing. Competing bids will be offered at increments of \$2,500.00. The successful bidder shall then be awarded one hundred percent (100%) of the stock in Reorganized Debtor. Payment for the stock will be due on the fifteenth day after the Effective Date of the Plan. In the event that the successful bidder fails to make the required payment, then the bid will be deemed withdrawn and the stock will be awarded to the next highest bidder.

#### **D. Means of implementing the Plan**

##### *1. Source of Payments*

The source of payments will be the future receipts of the Debtor after payment of expenses.

##### *2. Post-confirmation Management*

The Post-Confirmation Managers of the Debtor, and their gross compensation (without deduction for withholding taxes and benefits such as health insurance), shall be as follows:

<b>Name</b>	<b>Affiliations</b>	<b>Insider? (yes or no)</b>	<b>Position</b>	<b>Compensation</b>
George Mounsef	None	Yes	CEO	Year 1: \$70,000.00

The Plan contemplates that Elie hall be the sole shareholder and that he and George will operate the company. Their experience with the Debtor's operations and its customers has an incalculable value. In the event that Elie is not the successful bidder for 100% of the stock in the reorganized debtor and George is not involved in the management of the Debtor, Debtor will experience reversals without their leadership. Debtor cannot assure that its reorganization will be effective without their continued leadership.

#### **F. Executory Contracts and Unexpired Leases**

Debtor leases the Property on a month to month basis.

Debtor leases equipment from Mounsef Business Investments LLC ("MBI") pursuant to a written lease agreement. Elie is the sole member of MBI. The lease agreement provides for monthly lease payments in the amount of \$4,000.00. MBI deferred pre-petition monthly lease payments in the total amount of \$240,000.00 due to Debtor's financial condition. Since the filing of the case, Debtor has been making the monthly installment payments. MBI has agreed to allow the Debtor to assume the lease under the condition that the Debtor would provide for cure and adequate assurance of cure of the deferred payments through the Plan. MBI's agreement to allow assumption of the lease is contingent upon Elie and Therese being the successful bidders for the stock in the reorganized Debtor (See Section III.C.4.b). In the event that Elie and Therese are not the successful bidder, MBI will only permit assumption of the lease if Debtor pays all deferred pre-petition lease payments in full upon confirmation or the lease will be deemed rejected. MBI will then be permitted to file a claim for rejection damages within 30 days after confirmation of the Plan.

***The deadline for filing a proof of claim based upon a claim arising from the rejection of a lease or contract will be the Initial Distribution Date.*** Any claim based on the rejection of a contract or unexpired lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

#### **G. 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 other advisors.***

Pursuant to section 166 of the Internal Revenue Code (the "IRS Code"), the amount of any debt discharged in this proceeding may be eligible to be deducted by creditors to the extent of their tax basis in the debt discharged. Creditors are advised to consult with their tax advisors with respect to the specific consequences to them resulting from the discharge, which will depend upon their specific circumstances.

The potential tax consequences to the Debtor could be significant. The discharge of a debt under the Chapter 11 of the Bankruptcy Code generally will not result in income to the Debtor pursuant to IRS Code Section 108. However, tax attributes on a going forward basis such as net operating losses, general business credits, minimum tax credits and capital loss carryovers may be lost or substantially reduced. In addition, the basis for assets, passive activity carryovers and foreign tax credit carryovers may also be reduced.

#### IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the plan must meet the requirements listed in §§1129(a) or (b) of the Bankruptcy 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 have not been met. Parties in interest may also object to the Disclosure Statement if they believe that it fails to contain adequate information.

Many parties in interest, however, are not entitled to vote or 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, the Debtor believes that Classes 2, 3, and 4 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Debtor believes that only the Unclassified Claims are unimpaired and that holders of claims in each of these classes therefore do not have the right to vote or accept or reject the Plan.

##### 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. A claim is not allowed if the Debtor identified the claim as disputed in its schedules and the creditor failed to file a proof of claim. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote or receive a distribution under the plan. However, the Bankruptcy Court, after notice and hearing, may overrule the objection or allow the claim or equity interest for voting purposes pursuant to Bankruptcy Rule 3018(a).

***The deadline for filing a proof of claim for general unsecured claims was January 22, 2016. The deadline for filing a proof of claim for governmental units is April 22, 2016.***

*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 Bankruptcy 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 described 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 Bankruptcy Code;
- Holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- Administrative Expenses.

***Even if you are not entitled to vote on the Plan, you have a right to object to the confirmation of the Plan or 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. Debtor will enclose a ballot for each creditor entitled to vote which will designate the appropriate voting class for the creditor.

**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” and 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 and 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 and 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 Bankruptcy Code. A plan that binds nonaccepting classes is commonly referred to as a “cram down” plan. The Bankruptcy Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all of the requirements for consensual confirmation except the voting requirements of §1129(a)(8) of the Bankruptcy 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 “cram down” 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 Bankruptcy 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 4.

**D. Feasibility**

The Bankruptcy 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 Debtor believes that it 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. Debtor has prepared two *pro forma*. The *pro forma* (Exhibit 5) is based upon management’s best estimate of future income and expenses. In preparing the *pro forma*, management used the historical records of Debtor’s gross revenues from its tax returns (Exhibit 2) and current revenues reflected in its monthly operating reports (Exhibit 3). Debtor used the two sources because the monthly operating reports were being generated during Debtor’s historically slow period and do not accurately reflect Debtor’s yearly revenue.

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

The Debtor must also show that it will have enough cash over the life of the Plan to make the required Plan payments. The Debtor's projected financial information is contained in the attached pro forma (Exhibit 5).

The Debtor's financial projections show that after paying operating expense and post-confirmation taxes Debtor will average approximately \$60,000.00 per year. Debtor's cash flow will be augmented in the first year of the Plan by the capital contribution paid to purchase the stock in the reorganized Debtor. The final Plan payment is expected to be three years after the Initial Distribution Date. During the three years of the Plan, Debtor anticipates that after the Plan payments are made, it will have sufficient cash reserves to cover unanticipated expenses or a small downturn in projected revenues.

***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**

On the Effective Date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the Effective Date, to the extent specified in §1141(d)(1)(A) of the Bankruptcy Code. However, Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in §1141(d)(6)(A) if a timely complaint was filed in accordance with Bankruptcy Rule 4007(c), or of a kind specified in §1141(d)(6)(B). After the Effective Date of the Plan, your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

**B. Modification of the Plan**

The Debtor may modify the Plan at any time before confirmation of the Plan. However, the Bankruptcy Court may require a new Disclosure Statement or a new vote on the Plan.

The Debtor may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated and (2) the Court authorized the proposed modification after notice and a hearing.

**C. Final Decree**

Once the estate has been fully administered, as provided in Bankruptcy Rule 3022, the Debtor, or such other party as the Bankruptcy 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 Bankruptcy Court may enter a final decree on its own motion.

**VI. OTHER PLAN PROVISIONS**

**A. Post-Petition Adjustments**

1. *Purchase of Claims.* The Reorganized Debtor shall have the right to purchase or otherwise acquire the Claims of any Creditor, provided that any offer to purchase or otherwise acquire such Claim shall be made to all the Creditors in the Creditor's Class in writing and upon notice to the Creditor Trustee.

2. *Prepayment.* The Reorganized Debtor reserves the right to offer prepayment of claims to creditors before the expiration of the Plan without penalty or premium. Acceptance of prepayment by creditors shall be purely voluntary. The prepayment shall be conditioned upon: (i) no affect or impairment of the Reorganized Debtor's ability to satisfy its obligations under the Plan and (ii) that any offer of prepayment applies to each creditor in the same class on a *pro rata* basis.

**B. Conditions to Effective Date**

The following are conditions precedent to the occurrence of the Effective Date: (1) the confirmation order confirming the Plan, as such Plan may have been modified, shall have been entered by the Bankruptcy Court and be in full force and effect and shall not have been vacated, amended, modified or stayed; and (2) if it is the subject of any appeal, reconsideration or other review, no stay of the Confirmation Order shall be in effect.

**C. Grace Period**

The Reorganized Debtor shall have a grace period of 30 days from and after the due date of any payment within which to make payment provided for hereunder and utilization of that grace period shall not constitute a default under the Plan.

**D. Objections to Claims**

The Reorganized Debtor may object to any claims. If the Reorganized Debtor objects to a claim, payment will be withheld only with respect to the amount actually in dispute, and such objection shall not affect payments or distributions under the Plan on the undisputed portion of the claim. All objections to Claims have been filed with the Bankruptcy Court and served on the holders of such claims to which objection is made. The Reorganized Debtor shall be permitted to file objections to claims within thirty (30) days of the filing of an amended claim.

#### **E. Bids for Shares in the Reorganized Debtor**

In the event Elie is not the successful bidder for the shares in the Reorganized Debtor, the Debtor will report to George regarding payments being made under the Plan. The reports will be made after each distribution under the Plan. If the Debtor defaults on the Plan payments, George may declare a default under the Plan. George will provide 10 day notice of default to the Reorganized Debtor. If the Reorganized Debtor fails to cure the default within 10 days of the issuance of the notice of default, George may reopen the case if the case is closed or otherwise proceed with petition for the court to reinstate the case in order to reopen the bidding process for the shares of stock in the Reorganized Debtor. In the event that Elie wishes to reinstate his original bid, then bidding for the shares shall follow the procedures outlined in Section III.C.3.b. In the event that George does not wish to reinstate his bid, the shares shall be advertised for sale in the open market and an auction shall be conducted pursuant to III.C.3.b.

#### **F. Lapsed and Unclaimed Distributions**

Any distribution that has not been cleared within 90 days of the date of the distribution will lapse. Lapsed distributions will revert to the Debtor.

If any distribution is returned as undeliverable, no further distributions to such creditor will be made unless the Debtor is notified in writing of the creditor's current address. Upon receipt of the notification, the Debtor will remit all missed distributions to the creditor without interest. All claims for undeliverable distributions must be made on or before the second anniversary of the Effective Date of the Plan. If a claim is not made within that time, all unclaimed distributions will revert to the Debtor. Nothing in the Plan will require the Debtor to attempt to locate any holder of an allowed claim.

#### **G. Retention of Jurisdiction**

The Bankruptcy Court shall retain jurisdiction over this Chapter 11 Case for the following purposes:

1. Resolution of any and all objections to claims.
2. Determination of all questions and disputes regarding all causes of action, controversies, disputes or conflicts, whether or not subject to pending actions as of the Effective Date, between (a) the Reorganized Debtor and any other party, or (b) otherwise under the Plan, the Confirmation Order or any other order issued by the Bankruptcy Court in connection with this Chapter 11 Case.
3. The correction of any defect and the curing of any omission or inconsistency in the Plan or the Confirmation Order as may be necessary to carry out the purposes and intent of the Plan.
4. Modification of the Plan after confirmation pursuant to the Bankruptcy Code and the Bankruptcy Rules.

5. Allowance of all claims and applications for payment of Administrative Claims and professional fees and expenses which may be paid by the Reorganized Debtor or its estate pursuant to the provisions of the Bankruptcy Code, and resolution of all disputes pertaining thereto.

6. Entry of a final order confirming substantial consummation of the Plan and closing the Chapter 11 Case.

## VII. CONCLUSION


Under a Chapter 7 liquidation, unsecured creditors would receive 0% of their claims. Under the Plan, the unsecured creditors will receive a total distribution of 20% of their allowed claims. Therefore, Debtor believes that the distributions provided for in the Plan are fair and equitable, and Debtor strongly recommends acceptance of the Plan.

If you are eligible to vote on the Plan, please do so now by completing and returning the enclosed ballot.

The sooner the Plan is confirmed, the sooner creditors will be paid.

Dated this 18<sup>th</sup> day of October, 2016.

Respectfully submitted:  
MOUNSEF INTERNATIONAL, INC.

By:   
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Its President

By: /Beverly A. Berneman/  
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