

B25B (Official Form 25B) (12/08)

United States Bankruptcy Court
Northern District of Illinois, Eastern Division

Vanguard Health & Wellness, LLC) Case No. 17-04707
)
Debtor(s)) Small Business Case under Chapter 11
)
) Judge Jacqueline P. Cox

AMENDED
DISCLOSURE STATEMENT OF VANGUARD HEALTH & WELLNESS LLC
DATED 11/21/2017

I. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the small business chapter 11 case of Vanguard Health & Wellness LLC (the “Debtor”). This Disclosure Statement contains information about the Debtor and describes the Chapter 11 Plan (the “Plan”) filed by Vanguard Health & Wellness LLC on 11/21/2017. 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 Plan seeks to restructure and reorganize the company by reducing staff and payroll and repaying and reducing certain debt in an effort to become a viable concern again.

The Plan classifies and treats each class of creditors as follows:

2.01 Class 1. All allowed claims entitled to priority under § 507 of the Code (except administrative expense claims under § 507(a)(2), [“gap” period claims in an involuntary case under § 507(a)(3),] and priority tax claims under § 507(a)(8)):

None

2.02. Class 2(a). The secured claim of Lightstar Finances Services, LLC, \$250,000. To be paid in accordance with the contract

2.03. Class 2(b). The secured claim of Amerifactors Financial Group LLC, \$220,000. To be paid in accordance with a settlement agreement between the parties

2.04 Class 3(a). All unsecured claims allowed under § 502 of the Code in excess of \$15,000, other than Rehab Maxx LLC: Total \$956,036.40, to be paid 10 cents on the dollar, in 60 equal monthly payments, starting on the effective Date of the Plan

2.05 Class 3(b). Unsecured claim of Rehab Maxx LLC: \$4,000, to be offset by the damages awarded by the court to the Debtor, then 20 cents on the dollar on the balance, in 6 equal monthly payments, starting on the Effective Date of the Plan

2.06 Class 3(c). Convenience class (§ 1122(b)): Holders of general unsecured claims of \$15,000 or less, other than Rehab Maxx LL: Total \$32,979.10, to be paid 20 cents on the dollar, in 6 equal monthly payments, starting on the Effective Date of the Plan

2.07 Class 4. Equity interests of the Debtor: Unsecured claims of co-owners Michael Zayats and Alexander Green \$290,259.20. No payment shall be made on the claims during the life of the plan (60 months)

The following is the Debtor’s Estimated Liquidation Value of Assets as of the Date of Filing:

Assets

a. Cash on hand	\$46,346.42
b. Accounts receivable	\$520,000
c. Inventory	\$0
d. Office furniture & equipment	\$2,000
e. Machinery & equipment	\$0
f. Automobiles	\$0
g. Building & Land	\$0
h. Customer list	\$0
i. Investment property (such as stocks, bonds or other financial assets)	\$0
j. Lawsuits or other claims against third-parties	\$0
k. Other intangibles (such as avoiding powers actions)	\$0

Total Assets at Liquidation Value **\$568,946.42**

Less:

Secured creditors’ recoveries \$470,000.00

Less:

Chapter 7 trustee fees and expenses \$30,947.00

Less:

Chapter 11 administrative expenses \$25,000.00

Less:

Priority claims, excluding administrative expense claims \$0

[Less:

Debtor’s claimed exemptions] \$0

(1) Balance for unsecured claims \$42,999.42

(2) Total dollar amount of unsecured claims \$993,015.47

Percentage of Claims Which Unsecured Creditors Would Receive Or Retain in a Chapter 7 Liquidation: \$4.33% [Divide (1) by (2)]

Percentage of Claims Which Unsecured Creditors Will Receive or Retain under the Plan: 10-20%

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 (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.

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 Finally Approve 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 _____, at _____ in Courtroom 680, at the US Bankruptcy Court for the Northern District of Illinois, Eastern Division, 219 S. Dearborn, Chicago, IL 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 in the enclosed envelope to [insert address]. See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by _____ 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's counsel, Ledford, Wu & Borges, LLC, at 105 W. Madison Street, 23rd Floor, Chicago, IL 60602 by _____.

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

If you want additional information about the Plan, you should contact Xiaoming Wu, counsel for the Debtor, Ledford, Wu & Borges, LLC, at 105 W. Madison Street, 23rd Floor, Chicago, IL 60602.

C. **Disclaimer**

The Court has conditionally 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 approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until _____.

II. **BACKGROUND**

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

The Debtor is a Limited Liability Company incorporated in the State of Illinois on January 14, 2011. Since its inception, Vanguard Health and Wellness LLC (Vanguard) has been operating as a Home Health Agency and Home Care Agency. The first 18 months were spent securing the State licensures, accreditation and Medicare certification. Thereafter, Vanguard began to deliver home health services (providing nursing, physical therapy, occupational therapy, speech therapy, home health aides, and medical social services at the patients' homes) that generated revenue. In May of 2013, Vanguard secured three contracts from Illinois Department on Aging (IDoA) and subsequently a contract from Illinois Department of Rehabilitation Services (DRS), and began servicing its clients by providing home care (caregiver) services.

B. **Insiders of the Debtor**

Name	Title	Relationship	Annual Salary (2/17/2015 – 2/17/2017)	Salary paid since 2/17/2017
Michael Zayats	VP, CFO	Co-owner	\$97,949.27	16,200.80
Marina Zayats	Caregiver	Spouse	\$31,316.65	1,883.99
Vladimir Zayats	Office Support (P/T)	Son	\$21,068.52	3,680.85
Alexander Green	VP	Co-owner	\$0	2,062.56

C. Management of the Debtor Before and During the Bankruptcy

During the two years prior to the date on which the bankruptcy petition was filed (2/17/2015- 2/17/2017, the officers, directors, managers or other persons in control of the Debtor (collectively the “Managers”) were:

Michael Zayats - VP, CFO
 Marina Zayats - President (till 02-10-17)
 Alexander Green - VP, IT Manager
 Anetra D Rodgers - Administrator
 Maria Enciso – DON (Director of Nursing)
 Shawnette L Harris – Director of Home Care Department

The Managers of the Debtor during the Debtor’s chapter 11 case (2/17/2017—present) have been:

Michael Zayats – President, CFO
 Alexander Green – Administrator, VP, IT Manager
 Maria Enciso – DON

After the effective date of the order confirming the Plan, the directors, officers, and voting trustees of the Debtor, any affiliate of the Debtor participating in a joint Plan with the Debtor, or successor of the Debtor under the Plan (collectively the “Post Confirmation Managers”), will be:

Michael Zayats – President, CFO
 Alexander Green – Administrator, VP, IT Manager
 Maria Enciso – DON

The responsibilities and compensation of these Post Confirmation Managers are described in section III(D) of this Disclosure Statement.

D. Events Leading to Chapter 11 Filing

In 2015 two major events began to cause Vanguard financial difficulties. First, the State of Illinois Legislature and the Governor did not agree on the State budget and, as of July 1, 2015 IDoA stopped making payments to the Home Care Services providers. The non-payment process, with the exception of small, irregular remittances, continued all the way until July of 2016. Thereafter, money were appropriated to pay the outstanding invoices through 6/30/2016, but because the State Legislature and the Governor, once again, failed to agree on the 2016-2017 budget, IDoA did not receive the funds to pay any go-forward payments. Thus, the Debtor has not received payments for the majority of its outstanding invoices for this fiscal year to date.

Although the Debtor secured advances on the invoices from a factor both in 2015 and 2016, the interest (32%/annum) completely evaporated any profit due the Debtor. Under the IDoA contracts, direct payments to the caregivers must be equal to 78% of the payments being received. That does not include management salaries, administrative salaries, fixed and un-fixed overhead, etc. The profit margin is razor thin and requires receipt of regular payments to stay in the black. Paying factor interest and fees over an extended period of time put this line of business into deep red. The Debtor's home health business was supporting its home care business, but its efforts to hang on to the home care business were placing the entire operation under financial duress.

Second, the lawsuit brought against us by Alexandra Dubovik and Tatyana Filek were an additional financial drain on Vanguard's operations. In the end, attorney's fees cost the company over \$30,000. That, in and of itself, was not affordable given the non-payments by the IDoA/State. Unfortunately, the lawsuit was not ruled in the Debtor's favor. The Debtor felt that it was an unjust decision and hired another attorney to file an appeal. However, the plaintiffs expeditiously secured citations against the Debtor's operating accounts at Bank Financial and froze all existing funds, as well as the Debtor's ability to collect incoming payments. This occurred in the beginning of February, 2017 in the middle of payroll. In other words, many of the Debtor's employees were holding checks that they could not cash. The Debtor asked the citation court/Judge to allow it to continue to operate during the appeal process and to make good on payments to its employees, but the plaintiffs' attorney stated that he could care less about our employees and would allow the company to operate only if the Debtor produced a surety bond in the full amount of the judgment, over \$183,000. When the Debtor inquired about the cost of such bond, a few company that still issue bonds to allow the appeal process to proceed asked for an entire amount in cash as security plus additional 2% for issuing a bond. Vanguard had no cash and neither did the owners of Vanguard.

Therefore, the ownership, after consulting with several legal professionals, concluded that the only possible way to save the company from closing its doors, to proceed with operations of the company and to make good on outstanding payments to its employees (lifting the citations) was to immediately seek protection in Bankruptcy Court under the Chapter 11 filing.

E. Significant Events During the Bankruptcy Case

Describe significant events during the Debtor's bankruptcy case:

- There have been no asset sales outside the ordinary course of business, debtor in possession financing, or cash collateral orders.
- On 3/23/2017, the bankruptcy court granted the Debtor's Application to Employ Xiaoming Wu and George M. Vogl as counsel for the debtor
- No adversary proceedings have been filed. On 3/24/17, the Debtor filed a Motion for Sanctions Against Rehab Maxx LLC for Willful Violation of Automatic Stay. The matter has been in litigation since then
- The debtor has been continuing to operate the business

F. Projected Recovery of Avoidable Transfers

The Debtor has not yet completed its investigation with regard to prepetition transactions. If you received a payment or other transfer within 90 days of the bankruptcy, or other transfer avoidable under the Code, the Debtor may seek to avoid such transfer.

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's most recent financial statements [if any] issued before bankruptcy, each of which was filed with the Court, are set forth in Exhibit C.

[The most recent post -petition operating report filed since the commencement of the Debtor's bankruptcy case are set forth in Exhibit D.] [

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:

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
Expenses Arising in the Ordinary Course of Business After the Petition Date	See Exhibit D	Paid in full on the effective date of the Plan, or according to terms of obligation if later
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	\$0	Paid in full on the effective date of the Plan, or according to terms of obligation if later
Professional Fees, as approved by the Court.	\$25,000	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan
Clerk’s Office Fees	\$0	Paid in full on the effective date of the Plan
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	TBD	Paid in full on the effective date of the Plan
TOTAL	TBD	

2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, 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’s estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

None.

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’s 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 #	Description	Insider? (Yes or No)	Impairment	Treatment
2(a)	Secured claim of: Name=Lightstar Financial Services, LLC Collateral description = Control account Allowed secured amount = \$250,000 Priority of lien = First Principle owed = \$250,000 Pre-pet arrearage = \$0 Total claim = \$250,000	N	Unimpaired	[Monthly] Pmt = varies monthly Pmts Begin = Ongoing Pmts End = Contractual [Balloon pmt] = N/A Interest rate % = Contractual Treatment of lien = [Advanced payment required to cure defaults] = \$0
2(b)	Secured claim of: Name=Amerifactors Financial Group LLC	N	Impaired	To be paid in accordance with a settlement agreement between the parties

Collateral description = Control account			
Allowed secured amount = \$220,000			
Priority of lien = First			
Principle owed = \$220,000			
Pre-pet arrearage = \$0			
Total claim = \$220,000			

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 required to be placed in 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. All prepetition claims entitled to priority under § 507(4) listed on the Debtor’s Schedule E have been paid in full pursuant to the court’s order entered on 2/22/2017.

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. [Insert description of §1122(b) convenience class if applicable.]

The following chart identifies the Plan’s proposed treatment of Class[es] ___ through ___, which contain general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment
3(a)	General unsecured class other than Rehab Max LLC	Yes	10% of allow claim over 60 equal monthly payments, starting on the effective date the plan
3(b)	Rehab Maxx LLC: \$4,000	Yes	Claim will be offset by the amount of damages awarded by the court to the debtor, then 10% of the balance
3(c)	§ 1122(b) Convenience Class: Claims for \$15,000 or less, other than Rehab	Yes	To be paid 20% within 6 months of confirmation

	Maxx LLC: \$32,979.00	
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4. *Class[es] of Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (*i.e.*, 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. In a limited liability company (“LLC”), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

The following chart sets forth the Plan’s proposed treatment of the class[es] of equity interest holders: [There may be more than one class of equity interests in, for example, a partnership case, or a case where the prepetition debtor had issued multiple classes of stock.]

Class #	Description	Impairment	Treatment
4	Equity interest holders	Impaired	No payment shall be made during the life of the plan (60 months)

D. Means of Implementing the Plan

1. *Source of Payments*

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

Debtor’s business revenue

2. *Post-confirmation Management*

The Post-Confirmation Managers of the Debtor, and their compensation, shall be as follows:

Name	Affiliations	Insider (yes or no)?	Position	Compensation
Michael Zayats		Yes	President, CFO	\$52,000

Alexander Green		Yes	Administrator, VP, IT Manager	\$52,000
Maria Enciso		No	DON	\$48,096

E. Risk Factors

The proposed Plan has the following risks:

None other than regular business risks

F. Executory Contracts and Unexpired Leases

The Debtor will assume the lease with 1585 Ellinwood LLC 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 herein 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 _____. 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; (2) General tax consequences on creditors of any discharge, and the general tax consequences of receipt of plan consideration after confirmation.

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, the Plan Proponent believes that classes 3(a)-(c) are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that classes 1 & 2 are unimpaired and that holders of claims in each of these classes, therefore, do not have the right to vote to 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. 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 was _____.
[If applicable – The deadline for filing objections to claims is _____.]*

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 expenses.

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 E.

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.

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 F.

The Plan Proponent’s financial projections show that the Debtor will have an approximate aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes,

of \$1,467,000. The final Plan payment is expected to be paid in the 60th month after the Effective Date of the Plan.

The payment under the Plan shall commence on the 30th date after the Effective Date of the Plan, made in the same manner as the Debtor paid each creditor prepetition. The person responsible for the payment is Edward Komissarenko.

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. 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 Code, except that the 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 Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) 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 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.

The Plan Proponent 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 authorizes the proposed modifications after notice and a hearing.]

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, 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.

VI. OTHER PLAN PROVISIONS

None

Respectfully submitted,

/s/ Xiaoming Wu
Attorney for the Debtor
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Chicago, IL 60602
312-853-0200