

**THIS DISCLOSURE STATEMENT IS SUBJECT TO THE APPROVAL OF THE BANKRUPTCY COURT AND IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN. ACCEPTANCES OR REJECTIONS OF THE PLAN MAY NOT BE SOLICITED UNTIL THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT.**

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MASSACHUSETTS  
EASTERN DIVISION**

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	:	
<b>In re</b>	:	<b>Chapter 11</b>
	:	
<b>CHARLES STREET</b>	:	<b>Case No. 12-12292 (FJB)</b>
<b>AFRICAN METHODIST EPISCOPAL</b>	:	
<b>CHURCH OF BOSTON,</b>	:	
	:	
<b>Debtor.</b>	:	
	:	
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**THIRD AMENDED DISCLOSURE STATEMENT PURSUANT TO  
SECOND AMENDED THIRD PLAN OF REORGANIZATION OF  
CHARLES STREET AFRICAN METHODIST EPISCOPAL CHURCH OF BOSTON**

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Dated: July 5, 2017

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## GENERAL BACKGROUND

This Disclosure Statement provides information regarding the *Second Amended Third Plan of Reorganization of Charles Street African Methodist Episcopal Church of Boston* (as amended, modified, and supplemented, the “**Plan**”), filed on July 5, 2017, that the above-captioned debtor and debtor in possession Charles Street African Methodist Episcopal Church of Boston (the “**Debtor**” or the “**Church**”) seeks to have confirmed by the Bankruptcy Court. The confirmation of the Plan is subject to, among other things, judicial approval of this Disclosure Statement and the Plan. If the Plan is confirmed by the Bankruptcy Court and the Effective Date occurs, all the Debtor’s creditors will be bound by the Plan and the transactions contemplated thereby. The information in this Disclosure statement is derived from the books and records of the Debtor and the knowledge of its officers.

The Church believes confirmation of the Plan is in the best interests of creditors and other parties in interest and that the Plan should be confirmed. **The Debtor recommends all eligible parties vote to accept the Plan.**

This Disclosure Statement and the Plan (and all exhibits, schedules, and appendices hereto and thereto) and the related materials delivered together herewith are being furnished to Holders of Impaired Claims pursuant to section 1125 of the Bankruptcy Code. The Church’s trustees, officers, and employees may solicit votes from the Holders of Impaired Claims, but will not receive any additional compensation for such solicitations.

The Church’s legal advisor is Ropes & Gray LLP (“**Ropes & Gray**”). Ropes & Gray can be contacted at:

Ropes & Gray LLP  
Prudential Tower  
800 Boylston Street  
Boston, Massachusetts 02199-3600  
Attn: D. Ross Martin, William L. Roberts, and Martha E. Martir

**THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. ANY PARTY DESIRING ANY SUCH ADVICE SHOULD CONSULT WITH ITS OWN ADVISORS.**

**EACH HOLDER OF AN IMPAIRED CLAIM SHOULD REVIEW THIS DISCLOSURE STATEMENT AND THE PLAN AND ALL EXHIBITS HERETO AND THERETO BEFORE CASTING A BALLOT. THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN AND CERTAIN OTHER DOCUMENTS AND FINANCIAL INFORMATION. THE CHURCH BELIEVES THESE SUMMARIES ARE FAIR AND ACCURATE AS OF THE DATE HEREOF AND PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED; HOWEVER, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THEY DO NOT SET FORTH THE ENTIRE TEXT OF THOSE DOCUMENTS AND AS OTHERWISE PROVIDED HEREIN.**

**THIS DISCLOSURE STATEMENT CONTAINS PROJECTED FINANCIAL INFORMATION REGARDING THE CHURCH AND CERTAIN OTHER FORWARD-LOOKING STATEMENTS, ALL OF WHICH ARE BASED ON VARIOUS ESTIMATES AND ASSUMPTIONS. SUCH INFORMATION AND STATEMENTS ARE SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT ECONOMIC AND OTHER RISKS, INCLUDING THOSE SUMMARIZED HEREIN.**

**ACTUAL EVENTS, CIRCUMSTANCES, EFFECTS, AND RESULTS MAY VARY SIGNIFICANTLY FROM THOSE INCLUDED IN, OR CONTEMPLATED BY, THE PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS CONTAINED HEREIN. SUCH PROJECTIONS AND STATEMENTS ARE NOT NECESSARILY INDICATIVE OF THE FUTURE FINANCIAL CONDITION OR RESULTS OF OPERATIONS OF THE CHURCH AND SHOULD NOT BE REGARDED AS REPRESENTATIONS BY THE CHURCH, ITS ADVISORS, OR ANY OTHER PERSONS THAT THE PROJECTED FINANCIAL CONDITION OR RESULTS WILL BE ACHIEVED. THERE CAN BE NO ASSURANCE THAT THE CHURCH'S ACTUAL ABILITY TO COVER ITS FUTURE PRINCIPAL AND CASH INTEREST PAYMENT OBLIGATIONS WILL NOT DIFFER FROM THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.**

**NO INDEPENDENT ACCOUNTANT HAS COMPILED, EXAMINED, OR PERFORMED ANY PROCEDURES WITH RESPECT TO THE LIQUIDATION ANALYSIS CONTAINED HEREIN, NOR HAVE THEY EXPRESSED ANY OPINION OR ANY OTHER FORM OF ASSURANCE AS TO SUCH INFORMATION OR ITS ACHIEVABILITY, NOR DO THEY ASSUME ANY RESPONSIBILITY FOR OR CLAIM ANY ASSOCIATION WITH THE LIQUIDATION ANALYSIS.**

**SEE THE SECTION ENTITLED "RISK FACTORS" OF THIS DISCLOSURE STATEMENT FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH THE PLAN.**

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All exhibits to this Disclosure Statement are incorporated into and are a part of this Disclosure Statement as if fully set forth herein.

No person has been authorized to give any information or make any representation on the Church's behalf not contained, or incorporated by reference, in this Disclosure Statement or the Plan and, if given or made, such information or representation must not be relied upon as having been authorized.

The delivery of this Disclosure Statement will not, under any circumstances, create any implication that the information it contains (or incorporates by reference from other documents or reports) is correct as of any time subsequent to the date hereof (or the date of a document or report incorporated by reference), or that there has been no change in the information set forth herein (or in a document or report incorporated by reference) or in the Church's affairs since the



date hereof (or thereof). All statements contained in this Disclosure Statement are made as of the date hereof unless otherwise specified.

## **CORPORATE INFORMATION**

The Church is located at 551 Warren Street, Roxbury, Massachusetts. Its web site is <http://www.charlesstreetame.org>. Information on the Church's web site is not a part of this Disclosure Statement, except to the extent that any such information expressly is incorporated herein.

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Disclosure Statement contains statements relating to future results of the Church's operations that are "forward-looking statements." Any statements set forth in this Disclosure Statement with regard to the Church's expectations as to financial results and other aspects of the Church's operations may constitute forward-looking statements. These statements relate to the Church's future plans, objectives, expectations, and intentions and may be identified by words like "believe," "expect," "may," "will," "should," "seek," or "anticipate," and similar expressions. The Church cautions readers that any such forward-looking statements are based on assumptions that the Church believes are reasonable, but are subject to a wide range of risks including, but not limited to, risks associated with, (i) future financial results and liquidity, including the Church's continued ability to generate sufficient tithes and donations to meet its operational needs, (ii) various factors that may affect the value of the New Notes to be issued under the Plan, (iii) litigation uncertainties, (iv) the effects of the local and national economy on the Church and the Church's congregation, (v) the confirmation and consummation of the Plan, and (vi) each of the other risks identified in Article II. "RISK FACTORS." Due to these uncertainties, the Church cannot assure you that any forward-looking statements will prove to be correct. The Church is under no obligation to (and expressly disclaim any obligation to) update or alter any forward-looking statements whether as a result of new information, future events, or otherwise; *provided, however*, that the Church may be required to update or otherwise modify the information contained herein to comply with certain provisions of the Bankruptcy Code governing the solicitation of votes for acceptance of the Plan.

There may be events in the future the Church is not able to predict accurately or over which the Church has no control. The risk factors listed in this Disclosure Statement under "Risk Factors," as well as any cautionary language contained in this Disclosure Statement, provide examples of risks, uncertainties, and events that may cause actual results to differ materially from the expectations the Church describes in the forward-looking statements. Holders of Impaired Claims should be aware that the occurrence of the events described in these risk factors and elsewhere in this Disclosure Statement could have a material adverse effect on the Church and its financial condition.

## SUMMARY OF THE PLAN

This summary does not contain all the information that is important to you and is qualified in its entirety by the more detailed information included elsewhere in this Disclosure Statement and in the accompanying Plan.

**The Plan:** If the Plan is confirmed by the Bankruptcy Court, OneUnited will receive on account of OneUnited's Allowed Secured Claims, in full satisfaction and discharge of their Claims, the proceeds of the sales of certain collateral during the Church's Chapter 11 Case (subject to the terms of the Plan regarding such proceeds) and certain New Notes. Tremont will receive on account of its Allowed Secured Claim, in full satisfaction and discharge of such Claim, a New Tremont Note, or, if Tremont makes an 1111(b) Election, a New Tremont 1111(b) Note. The Holders of Deficiency Claims and General Unsecured Claims will receive their Pro Rata Share of the Unsecured Recovery Pool. All distributions under the Plan will be made on or as soon as practicable after the Effective Date, except as otherwise provided in the Plan. See Article V.D.1. "THE PLAN—CLASSIFICATIONS, DISTRIBUTIONS, AND IMPLEMENTATION—Treatment of Voting Rights of Claims—Treatment of Claims."

As a general matter, for the Plan to become effective and for any distributions to be made thereunder, the Plan must, among other things, be confirmed by the Bankruptcy Court. For the Plan to be confirmed by consent of an Impaired Class, votes to approve the Plan must be received prior to the Voting Deadline from Holders of Impaired Claims that constitute (i) at least two-thirds in amount of the Claims of the Holders in such Impaired Class of Claims who actually cast votes in respect of the Plan and (ii) more than one-half in number of the Holders of such Impaired Class of Claims who actually cast votes with respect to the Plan. See Article IX.C. "CONFIRMATION—Class Acceptance of the Plan." The Bankruptcy Court may confirm the Plan so long as one Impaired Class of Claims votes to accept the Plan with respect to the Debtor and the Plan satisfies the requirements of section 1129(b) of the Bankruptcy Code (as further described under Article IX.D. "CONFIRMATION—Cram Down"). Except for Class 1 (Other Priority Claims) and Class 5 (Other Secured Claims), all Classes of Claims are Impaired under the Plan. Holders of Claims in Classes 1 and 5 are Unimpaired and therefore are deemed to have accepted and are not entitled to vote on the Plan. See Article I.C. "VOTING PROCEDURES AND REQUIREMENTS—Parties Entitled to Vote on the Plan."

**Voting Record Date:** Only Holders of Impaired Claims that are beneficial owners (or their legal representatives or nominees) as of the Voting Record Date, which has been set as [--], 2017, will be entitled to vote on the Plan. See Article I.B. "VOTING PROCEDURES AND REQUIREMENTS—Procedures for Casting Votes and Deadlines for Voting on the Plan."

**Voting Deadline;** The Voting Deadline is 4:00 p.m., Eastern Time, on [--], 2017. See Article  
**Extension:** I.B. “VOTING PROCEDURES AND REQUIREMENTS—Procedures for Casting Votes and Deadlines for Voting on the Plan.”

**Voting Procedures:** Ballots will be distributed by mail to the Holders of Impaired Claims entitled to vote on the Plan. Ballots must be completed and returned to the Voting Agent by the Voting Deadline. See Article I. “VOTING PROCEDURES AND REQUIREMENTS.”

**Revocation or Withdrawal of Ballots:** Holders of Impaired Claims may not modify or withdraw their Ballots after the Voting Deadline without the prior written consent of the Debtor. See Article I.B. “VOTING PROCEDURES AND REQUIREMENTS—Procedures for Casting Votes and Deadlines for Voting on the Plan.”

**Effectiveness of the Plan:** The Effective Date will not occur and distributions will not be made under the Plan unless the requisite votes to accept the Plan under the Bankruptcy Code have been received, the Plan has been confirmed by the Bankruptcy Court as satisfying the requirements set forth in section 1129 of the Bankruptcy Code, and the other conditions to effectiveness set forth in Article VIII of the Plan have been satisfied. The Debtor cannot assure you that the requisite votes to accept the Plan under the Bankruptcy Code will be received, that the Plan will be confirmed by the Bankruptcy Court, or that the other conditions to effectiveness of the Plan will be satisfied. See Article II.A. “RISK FACTORS—Risks Relating to the Chapter 11 Case.”

If the Plan is confirmed by the Bankruptcy Court and becomes effective, every Holder of a Claim against the Debtor will be bound by the terms of the Plan, whether or not such Holder voted to accept the Plan. See Article VIII.E. “THE PLAN—OTHER PROVISIONS—Effect of Plan Confirmation.”

**Treatment of Claims:** The table below summarizes each Class of Claims in the Plan, the projected aggregate amount of Claims comprising each Class, the treatment of each Class, and the projected recoveries of each Class. The projected recoveries (if the Plan is approved) are based upon certain assumptions contained in the valuation analysis as set forth in this Disclosure Statement. See Article V.D. “THE PLAN—CLASSIFICATIONS, DISTRIBUTIONS, AND IMPLEMENTATION—Treatment and Voting Rights of Claims.”

<b><u>Class/Type of Claims</u></b>	<b><u>Projected Claims</u></b>	<b><u>Plan Treatment of Allowed Claims in Class</u></b>	<b><u>Status/ Voting Right</u></b>	<b><u>Projected Recovery Under Plan</u></b>
Unclassified – Administrative Claims	The Debtor estimates the amount of Administrative Claims, excluding Administrative Claims that will be paid in the ordinary course of business, will be approximately \$0.	Paid in full in Cash.	N/A	100%
Unclassified – Priority Tax Claims	The Debtor currently estimates the amount of Claims in this Class to be \$0. <sup>1</sup>	Paid in full in Cash, or treated in accordance with Bankruptcy Code section 1129(a)(9)(C).	N/A	100%
Class 1 – Other Priority Claims	The Debtor currently estimates the amount of Claims in this Class to be \$0.	Paid in full in Cash.	Unimpaired / Not entitled to Vote.	100%
Class 2 – OneUnited Church Secured Claim	The Debtor currently estimates the amount of Claims in this Class to be not more than \$1.25 million, except in the event of a Settlement Election.	Subject to Section 4.2 of the Plan, will receive (i) Storefronts Proceeds and Milton Proceeds, and (ii) New Church Note. The New Church Note is secured by the New OneUnited Church Mortgage.	Impaired/ Entitled to Vote.	100%

<sup>1</sup> The tax liens on the RRC Property will either be paid from the proceeds of the RRC Transaction as of the Effective Date and thus will be zero for purposes of this Plan or be separately classified as Class 6.

Class 3 – Tremont Secured Claim	The amount of Claims in this Class will be at least \$100,000 and up to approximately \$450,000, except if an 1111(b) Election is made, approximately \$494,000.	Will receive the New Tremont Note or, if an 1111(b) Election is made, the New Tremont 1111(b) Note, secured by the New Tremont Mortgage.	Impaired/ Entitled to Vote.	100%
Class 4 – OneUnited RRC Secured Claim	The Debtor currently estimates the amount of Claims in this Class to be not more than \$3.3 million.	Will receive (i) RRC Proceeds, less any amounts paid to satisfy the City of Boston Tax Claim, (ii) the New Parsonage Note, secured by the New Parsonage Mortgage, and (iii) the New Parking Lot Note, secured by the New Parking Lot Mortgage.	Impaired/ Entitled to Vote.	100%
Class 5 – Other Secured Claims	The Debtor currently estimates the amount of Claims in this Class to be \$0.	Other Secured Claims will be reinstated under section 1124(2) of the Bankruptcy Code.	Unimpaired/Not Entitled to Vote.	100%
Class 6 – City of Boston Tax Claims	The Debtor currently estimates the amount of Claims in this Class to be approximately \$80,000.	Will either (i) be paid from the RRC Proceeds or (ii) receive the Restructured Boston Tax Claim Payments, which shall be secured by the New Boston Tax Lien Mortgage.	Impaired/ Entitled to Vote.	100%
Class 7 – OneUnited Deficiency Claim	The Debtor currently estimates the amount of Claims in this Class to be approximately \$234,000.	Subject to Section 4.2 of the Plan, will receive its Pro Rata Share of the Unsecured Recovery Pool.	Impaired/ Entitled to Vote.	11%

Class 8 – Tremont Deficiency Claim	The Debtor currently estimates the amount of Claims in this Class to be up to \$394,000.	Will receive its Pro Rata Share of the Unsecured Recovery Pool.	Impaired/ Entitled to Vote.	11%
Class 9 – General Unsecured Claims	The Debtor currently estimates the amount of Claims in this Class to be \$783,000.	Will receive its Pro Rata Share of the Unsecured Recovery Pool.	Impaired/ Entitled to Vote.	11%

**Distribution Date:** Distributions to be made under the Plan generally will be made as of the Effective Date, the date the Claim is Allowed, or as soon as practicable thereafter. See Article VIII.B.1 “THE PLAN—OTHER PROVISIONS—Provisions Governing Distributions—Date of Distributions.”

**Plan Supplement:** The Church will file the Plan Supplement not later than ten days prior to the first date on which the Confirmation Hearing is scheduled to be held. The Plan Supplement will disclose the identity and affiliations of each proposed member of the Debtor’s board of trustees.

**Exculpations:** In consideration for the contributions of certain parties to the Chapter 11 Case, the Plan provides for certain waivers, exculpations, and injunctions. See Article VIII.E.3 “THE PLAN—OTHER PROVISIONS—Effect of Plan Confirmation—Exculpations and Limited Liability.”

**Risk Factors:** Prior to deciding whether and how to vote on the Plan, each Holder of an Impaired Claim should consider carefully all the information in this Disclosure Statement, especially the “Risk Factors” described in Article II hereof. See Article II. “RISK FACTORS.”

## OVERVIEW OF PLAN TREATMENT

### Treatment of Secured Creditors

Under the Plan, OneUnited will receive, in full satisfaction and discharge of the OneUnited Church Secured Claim, a New Church Note and a distribution of the Milton Proceeds and the Storefront Proceeds. With respect to the OneUnited RRC Secured Claim, OneUnited will receive in full satisfaction and discharge of such Claim, a New Parsonage Note, New Parking Lot Note, and a distribution of the RRC Proceeds, less any amounts paid to satisfy the City of Boston Tax Claim.



Under the New Notes, OneUnited will keep its existing Liens on the respective remaining Church properties. OneUnited's New Notes will be paid over 20 years with 30-year amortization, with equal regular payments of principal at a 5.5-6.5% interest rate, to be determined by the Bankruptcy Court.

Tremont will receive, in full satisfaction and discharge of the Tremont Secured Claim, the New Tremont Note, or, if Tremont makes the 1111(b) Election, the New Tremont 1111(b) Note. Tremont will keep its existing Lien on the Church Building with respect to the New Tremont Note or the New Tremont 1111(b) Note. The Church has reached agreement with Tremont regarding Tremont's treatment under the Plan.

### **Treatment of Other Creditors**

The Holders of Deficiency Claims and General Unsecured Claims will receive their Pro Rata Share of the Unsecured Recovery Pool.

**The foregoing is only a brief summary of certain provisions of the Plan. You should read the full text of the Plan and the more detailed information and financial statements contained elsewhere in this Disclosure Statement.**

### **SELECTED HISTORICAL AND PROJECTED FINANCIAL DATA**

Attached as Exhibit B is selected historical financial data that sets forth, for the periods and dates indicated, certain summary financial information of the Church's operations and internal Church financial data. Exhibit B, which covers calendar years 2014-2016, was prepared internally by the Church.

Attached as Exhibit C is a three year budget prepared for and approved by the Church. It presents a conservative projection of revenues and expenses for the Church for calendar years 2017-2019.

## **I. VOTING PROCEDURES AND REQUIREMENTS**

The following instructions for voting to accept or reject the Plan, together with the instructions contained in the Ballots, constitute the Voting Procedures. To vote on the Plan, as of the Voting Record Date, you must be a beneficial Holder of an Impaired Claim in Class 2, 3, 4, 6, 7, 8 or 9. To vote, you must fill out and sign a Ballot.

### *A. Ballots*

After carefully reviewing this Disclosure Statement and its exhibits, including the Plan, please indicate your acceptance or rejection of the Plan by completing the Ballots received.

If you do not receive a Ballot for a Claim that you believe you hold and that is in a Class that is entitled to vote on the Plan, or if a Ballot is damaged or lost or if you have any questions regarding the procedures for voting on the Plan, you should contact Ropes & Gray (in its capacity as voting agent, the “**Voting Agent**”):

Ropes & Gray LLP  
Prudential Tower  
800 Boylston Street  
Boston, Massachusetts 02199-3600  
Attn: D. Ross Martin  
Attn: William L. Roberts  
Attn: Martha E. Martir

### *B. Procedures for Casting Votes and Deadlines for Voting on the Plan*

Any Ballot received after the Voting Deadline will be rejected as invalid and not counted in any calculation to determine whether the parties entitled to vote on the Plan have voted to accept or reject the Plan. When a Ballot is returned indicating acceptance or rejection of the Plan, but is unsigned, illegible, or incomplete, the unsigned, illegible, or incomplete Ballot may not be included in any calculation to determine whether the requisite parties entitled to vote on the Plan have voted to accept the Plan.

Please complete the information requested on the Ballot, sign, date, and indicate your vote on the Ballot, and return the Ballot in the enclosed return envelope, by first class mail, courier, or hand delivery, to the Voting Agent at the following address:

Ropes & Gray LLP  
Prudential Tower  
800 Boylston Street  
Boston, Massachusetts 02199-3600  
Attn: Martha E. Martir

**BALLOTS MAY NOT BE COUNTED IF THEY ARE RECEIVED BY THE VOTING AGENT AFTER THE VOTING DEADLINE OR ARE ILLEGIBLE, INCOMPLETE, OR UNSIGNED.**

After the Voting Deadline, no Ballot may be modified or withdrawn without the prior written consent of the Debtor.

*C. Parties Entitled to Vote on the Plan*

Pursuant to section 1126 of the Bankruptcy Code, each Impaired Class of Claims that is not deemed to accept or reject the Plan is entitled to vote to accept or reject the Plan. A class is “impaired” unless the legal, equitable, and contractual rights of the holders of claims in that class are left unaltered by a plan of reorganization or the plan reinstates the claims held by members of such class by (i) curing any defaults that exist, (ii) reinstating the maturity of such claims, (iii) compensating the holders of such claims for damages that result from the reasonable reliance on any contractual provision or law that allows acceleration of such claims, (iv) compensating the holders (other than the debtor or an insider) of any claims arising from failure to perform a non-monetary obligation for any actual pecuniary loss incurred by such holder as a result of such failure and (v) otherwise leaving unaltered any legal, equitable, or contractual rights to which the claims entitle the holders of such claims or interests.

Classes that are not impaired under a plan are conclusively presumed to accept such plan pursuant to section 1126(f) of the Bankruptcy Code. Accordingly, votes are not solicited from the holders of claims in classes that are not impaired.

Votes to accept the Plan are being solicited from all Impaired Classes.

*D. Counting of Ballots for Determining Acceptance of the Plan*

Only those Ballots (other than any Ballot that is illegible, incomplete, or unsigned) that are received prior to the Voting Deadline will be counted for purposes of determining whether each Impaired Class that is entitled to vote has voted to accept or reject the Plan.

Under Section 1126(c) of the Bankruptcy Code, a voting class of claims is deemed to have accepted a plan if it is accepted by holders holding at least two-thirds in amount and more than one-half in number of the allowed claims in such class that vote on the plan.

## **II. RISK FACTORS**

*A. Risks Relating to the Chapter 11 Case*

*1. General*

A failure to have the Plan be confirmed and consummated on the anticipated schedule may have adverse effects on the Church’s operations.

*2. Classification and Treatment of Claims*

Section 1122 of the Bankruptcy Code requires that the Plan classify Claims against the Debtor. The Bankruptcy Code also provides that the Plan may place a Claim in a particular Class only if such Claim is substantially similar to the other Claims of such Class. Further, the Plan must provide the same treatment for each Claim of a particular Class unless the Holder of a

particular Claim agrees to a less favorable treatment of its Claim. The Church believes that all Claims have been appropriately classified in the Plan and that it has complied with the requirement of equal treatment. To the extent the Bankruptcy Court finds that the Plan does not satisfy these requirements, the Bankruptcy Court could deny confirmation of the Plan.

Issues or disputes relating to classification and/or treatment could result in a delay in the confirmation and consummation of the Plan and could increase the risk that the Plan will not be confirmed or consummated.

### *3. Certain Risks of Nonconfirmation or Delay of Confirmation*

Whether or not all Classes of Claims accept or are presumed to accept the Plan, the Plan still may not be confirmed by the Bankruptcy Court, which sits as a court of equity and may exercise substantial discretion. A nonaccepting creditor might challenge the solicitation results or the terms of the Plan as not being in compliance with the Bankruptcy Code. In such event, the Church may seek to resolicit acceptances. Nonetheless, confirmation of the Plan could be delayed and possibly jeopardized. Additionally, the Church cannot assure you the Plan will not require significant modifications for confirmation, or that such modifications would not require a resolicitation of acceptances.

Even if the Bankruptcy Court were to determine that the voting results were accurate and appropriate, the Bankruptcy Court could nevertheless decline to confirm the Plan if it were to find that any statutory conditions to confirmation had not been met, including that the terms of the Plan are fair and equitable to nonaccepting Classes. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Bankruptcy Court that the Plan “does not unfairly discriminate” and is “fair and equitable” with respect to any nonaccepting Classes, that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization, and that the value of distributions to nonaccepting Holders of Impaired Claims will not be less than the value of distributions such Holders would receive if the Church’s operations were liquidated under chapter 7 of the Bankruptcy Code. See Article IX.E.1. “CONFIRMATION—Plan Meets Requirements for Confirmation—Best Interests of Creditors—Liquidation Analysis.” Although the Church believes the Plan meets these tests, there can be no assurance the Bankruptcy Court would reach the same conclusion. See Article IX.E. “CONFIRMATION—Plan Meets Requirements for Confirmation.”

The confirmation and consummation of the Plan also are subject to certain other conditions. See Article VIII.D. “THE PLAN—OTHER PROVISIONS—Conditions Precedent to Confirmation and Effective Date.” No assurance can be given that these conditions will be satisfied or, if not satisfied, that the Church could or would waive such conditions.

If the Plan is not confirmed, it is unclear whether the transactions contemplated thereby could be implemented and what Holders of Claims would ultimately receive in respect of their Claims. If an alternative plan of reorganization could not be agreed to, it is possible that the Church would have to liquidate its assets, in which case it is highly likely that Holders of Claims would receive significantly less than they would have received pursuant to the Plan. See Article IX.F.3. “CONFIRMATION—Alternatives to Confirmation and Consummation of the Plan—

Liquidation Under Chapter 7 or Chapter 11.” Moreover, failure to confirm the Plan could extend the Church’s stay in chapter 11, which could impair the Church’s operations and damage the Church’s long-term financial prospects.

#### *4. Alternatives to Confirmation and Consummation of the Plan*

There can be no assurance the Plan will be confirmed or consummated. If the Plan is not confirmed by the Bankruptcy Court and consummated, the alternatives include (i) confirmation of an alternative plan of reorganization under chapter 11 of the Bankruptcy Code, (ii) dismissal of the Chapter 11 Case, and (iii) liquidation of the Debtor under chapter 7 or chapter 11 of the Bankruptcy Code. The Church believes the Plan is significantly more attractive than these alternatives because, among other things, it will minimize disputes concerning the Church’s reorganization, expedite the Church’s exit from chapter 11, minimize the disruption to the Church’s property that would result from a protracted and contested bankruptcy case, and ultimately result in a larger distribution to creditors than would other types of reorganizations under chapter 11 of the Bankruptcy Code or a liquidation under chapter 7 of the Bankruptcy Code.

#### *5. Risk of Nonoccurrence of the Effective Date*

Although the Church believes the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to such timing. The effectiveness of the Plan is subject to conditions precedent, as outlined in section 8.2 of the Plan. There can be no assurance that the conditions in section 8.2 of the Plan will occur (or be waived in accordance with the terms of the Plan).

#### *B. Factors Affecting the Value of the Consideration to Be Issued Under the Plan of Reorganization*

##### *1. Recovery Percentages May Differ From Estimates*

The estimated percentage recovery by Holders of Claims is based on the anticipated payout to each Class of Holders of Claims. The actual results achieved necessarily will vary from the estimate. Such variations may be material and adverse. See “SUMMARY OF THE PLAN.”

#### *C. Risks Relating to the Church’s Operations*

##### *1. Leverage and Debt Service*

The Church is highly leveraged and will retain some leverage even if the Plan is confirmed and the transactions contemplated thereunder are consummated. The Church’s levels of indebtedness could have important consequences, including:

- (a) requiring the Church to dedicate a substantial portion of its cash flow from operations to payments on indebtedness, thereby reducing the availability of cash flow to broaden the Church’s ministry and operations and secure a larger donor base;

- (b) increasing the Church's vulnerability to adverse general economic conditions;
- (c) limiting the Church's flexibility in planning for, or reacting to, changes in its ministry;
- (d) impairing the Church's ability to obtain additional financing in the future; or
- (e) placing the Church at a disadvantage to other churches who serve the same community, may not be as highly leveraged, and may seek donations in the same community.

To adequately service the Church's indebtedness, the Church will require liquidity. While the Church projects that future cash flow will be sufficient to meet its obligations and commitments, as noted above, actual results will necessarily vary from the Church's projections, and such variances could be material and adverse. If the Church is unable to generate sufficient cash flow from tithes and donations in the future to service its indebtedness and to meet its other commitments, the Church will be required to adopt one or more alternatives, such as a further refinancing or restructuring of the Church's indebtedness, selling material assets or operations, or seeking to raise additional debt. These actions may not be implemented on a timely basis or on satisfactory terms or at all. The Church cannot assure you that the Church's assets or cash flow would be sufficient to fully repay borrowings under its outstanding debt instruments, if accelerated upon an event of default, or that the Church would be able to repay, refinance, or restructure the payments of those debt instruments.

## *2. Disruption of Ministry and Retention of Congregation and Employees*

Because of the traditional stigma associated with any bankruptcy, regardless of improvements to the Church's financial condition, the pendency of the Chapter 11 Case could adversely affect the relationship of the congregation with the Church and its relationships with employees. In such event, weakened donations results may occur that could give rise to variances from the projections set forth in this Disclosure Statement.

## *3. Dependence on Individual Donations*

The Church's operations are dependent on individual donations for substantially all its revenues, and there is no guarantee that donations made from such sources will remain at levels comparable to present levels or that they will be sufficient to cover all operating and fixed costs. For instance, adverse economic conditions in the Church's community might decrease the congregation's ability to contribute to the Church.

### III. BACKGROUND AND EVENTS LEADING UP TO AND DURING THE PENDENCY OF THE CHAPTER 11 CASE

#### A. *Background*

Charles Street AME is a nearly 200-year-old church that is and has been an important institution in the City of Boston. The Church has been continuously meeting and providing ministry and community services since 1818, when a few free African Americans began congregating in a house on Beacon Hill in Boston. They formed a new church, the First African Methodist Episcopal Society. Two decades later, the Massachusetts Legislature incorporated the Church by specific legislative act, Chapter 2 of the Acts & Resolves of 1839. The Church continues to operate under that special charter. During the pre-Civil War era, the First African Methodist Episcopal Society was a center for both religious worship and political activism, serving as safe haven for abolitionist activity and as a “stop” on the Underground Railroad. In 1876, the Church purchased the Charles Street Meeting House at the foot of Beacon Hill and changed its name to the Charles Street African Methodist Episcopal Church, the name by which it is known today.

Charles Street AME became the last African-American church to leave Beacon Hill, at the end of the exodus of the African-American community from Beacon Hill to the South End and lower Roxbury. In 1939, Charles Street AME moved to the Grove Hall neighborhood, straddling the boundary of the Roxbury and Dorchester sections of Boston. Charles Street AME purchased its current building at that time, and the Church has been in the same location for 78 years.

Charles Street AME flourished as the post-World-War-II migration of African-Americans from the South resulted in a vibrant community in upper Roxbury. The Church became the first African-American church in Boston to have two Sunday services to accommodate its large congregation. The two services continue today, as Charles Street AME has over 1,000 members.

In addition to its ministry, Charles Street AME has a longstanding charitable mission of serving its community through education, youth, music, immigrant and antipoverty-focused initiatives. In the Grove Hall community, Charles Street AME continues to stand as a symbol of unity, hope, and progress for its members and the Roxbury/Dorchester communities at large.

#### B. *Events Leading to Financial Distress*

In October 2006, the Church closed on two loans with OneUnited.

The first loan (the “**Church Loan**” or the “**Commercial Loan**”) was in the amount of \$1,115,000 and was a simple refinance of the prior Citizens Bank consolidation loan (which was coming due in any event). It was for five years, with a thirty-year amortization schedule and a balloon maturity of remaining principal at the end of November 2011. The Church Loan is full recourse and was secured by mortgages on the Church Building, the Storefronts, and the Milton Parsonage. The Church Loan had no other credit support.



The second loan (the “*Construction Loan*” or the “*RRC Loan*”) was to be in the amount of \$3,625,000 and was to be used to fund the cost of constructing a community center (the “*Roxbury Renaissance Center*” or the “*RRC*”). The loan proceeds were to be disbursed in phases during construction, and even then directly to the contractor and only after approval by a third-party agent of OneUnited specifically approving each draw request. Upon completion of construction, OneUnited had committed to roll over this loan to permanent financing in the form of a five-year term loan with a 30-year amortization schedule. The Construction Loan is (and the rollover if it occurred was to be) a full recourse loan secured by mortgages on the RRC Property, 5 Elm Hill, and the Church Parking Lot.

The Construction Loan was guaranteed by the First Episcopal District of the African Methodist Episcopal Church (the “*District*”), the parent organization of the Church. The District is an unincorporated association of 330 congregations from Bermuda and from Delaware north to New England.

Construction was delayed, and RRC construction began in earnest in the spring of 2007. OneUnited disbursed funds paying the first nine drawdown requests submitted.

As construction fell behind schedule, the Church exercised both of extension options pursuant to the construction loan agreement for the RRC. Construction was still not complete, and there were three more modifications to the loan that further extended the maturity date until December 1, 2009.

On or about November 9, 2009, with construction approximately 85% complete and three weeks remaining on the then-current extension, the contractor submitted a tenth drawdown request, for approximately \$240,000. OneUnited’s funds control agent (“*Hasz*”) approved this drawdown request and submitted it to OneUnited for disbursement, but OneUnited, without explanation, refused to fund the request. The December 1, 2009 maturity passed; \$2.8 million was outstanding on the Construction Loan. OneUnited did not fund any more on the Construction Loan even though its principal collateral was nearly complete.

In August 2010, OneUnited demanded payment in full of the Construction Loan. Shortly thereafter, in mid-August, the Church obtained the pro bono services of Ropes & Gray. In early September, OneUnited commenced a lawsuit in Suffolk Superior Court against both the Church on the Construction Loan and the District on its Guaranty. Although the Church Loan was cross-defaulted to the Construction Loan, OneUnited took no action regarding the Church Loan. Nor did it seek to foreclose on any of the collateral for the Construction Loan. The Church stopped paying interest on the Construction Loan, but continued regular monthly payments on the Church Loan.

With the assistance of Ropes & Gray, the Church countersued OneUnited, bringing contract claims for failure to fund the tenth request and predatory lending with respect to both the Construction Loan and the Church Loan.

The Church Loan matured by its terms in November 2011, and OneUnited sent default and acceleration notices. However, they took no action to sue on the Church Loan or to foreclose on any of its collateral until OneUnited scheduled a foreclosure auction for the Church Loan

collateral to be held on March 22, 2012. A sale of the church property on Warren Street would have resulted in a closure of Charles Street AME for the first time in 194 years. Accordingly, on March 20, 2012, the Church commenced this Chapter 11 Case to seek relief from the Bankruptcy Court under the Bankruptcy Code.

*C. Post-Petition Events*

**The First Plan**

The Church filed the First Plan and Disclosure Statement on the first day of this Chapter 11 Case, with the goal of proceeding quickly towards confirmation. The Chapter 11 Case, however, quickly became quite complex and proceeded at a slower than anticipated pace. After extensive discovery and briefing, the Bankruptcy Court held an evidentiary hearing over seven days, commencing in August 2012 and, for reasons further explained below, concluding in June 2013. While there were several causes for the delay in proceeding to confirmation and the extended duration of the confirmation hearing, three main issues caused the most significant delay.

First, in April 2012, just three weeks into the case, OneUnited moved to terminate the Church's exclusivity period for filing a plan, largely on the grounds that the Church was not the proper debtor in this Chapter 11 Case because it did not own its properties. OneUnited argued that under the Book of Discipline of the African Methodist Episcopal Church, the governing doctrine of the AME Church, Charles Street AME held its properties in trust for the AME Church. In connection with its motion, OneUnited attached its own proposed plan of reorganization, in violation of the Bankruptcy Code. In response, the Church filed a motion seeking to subordinate OneUnited's claims.

Second, in May 2012, OneUnited Filed a Motion to Dismiss the Chapter 11 Case, arguing that the Church was not an eligible debtor for this reason. This led to months of extensive discovery on the so-called "In Trust" issue raised by OneUnited, and a significant portion of the confirmation proceedings in August and September 2012 were dedicated to this issue. After hearing evidence on the "In Trust" issue, the Bankruptcy Court denied the motion to dismiss in September 2012. The Bankruptcy Court's decision was affirmed on appeal by the United States District Court for the District of Massachusetts.

Third, in September 2012, on what was to be the final day of the confirmation proceedings, counsel for the Church indicated that he had the prior evening discovered an error in the presentation of certain historical financial information in the Disclosure Statement for the First Plan. Counsel to the debtor postponed the confirmation hearing in light of this discovery. In reviewing financial information the Church realized that it had used some \$875,000 in restricted grant funds from the Lilly Endowment, Inc. (the "***Lilly Endowment***"), which were earmarked for operation of the Church's Pastoral Residency Program, for obligations of the Church unrelated to the program. The Church had also paid Pastoral Residency Program expenses from its own funds. The uses for non-program purposes occurred without prior notice to or consent from the Lilly Endowment. The Church did at this time inform the Lilly Endowment, which stated that it did not plan to take any action.

With respect to the Lilly Endowment funds, the Bankruptcy Court ultimately found that, while these uses of the restricted grant funds for other purposes were made knowingly at the direction of Reverend Groover, none of the monies were appropriated for the personal benefit of any Church personnel. Further, the Bankruptcy Court found the Church had restored nearly \$300,000 of the funds by June 2013 by continuing to fund the Pastoral Residency Program from general funds of the Church. The Bankruptcy Court also found there was no evidence the use of the grant funds for other purposes disrupted the Pastoral Residency Program in any way. The Church continues to maintain the Pastoral Residency Program to this day and has devoted an additional \$567,000 of its own funds to the Pastoral Residency Program since June 2013. The Church made a supplemental disclosure in March 2013 regarding the inaccuracies in its prior financial presentation and the use of the Lilly Endowment funds for non-Pastoral Residency Program purposes, which the Bankruptcy Court approved in March 2013. OneUnited then filed a second motion to dismiss the case, largely based on the financial inaccuracies in the original Disclosure Statement and the uses of Lilly Endowment funds for non-Pastoral Residency Program purposes.

After the conclusion of the confirmation proceedings, the Bankruptcy Court issued an Order denying confirmation of the Church's First Plan, although approving most aspects of it, and denying OneUnited's second motion to dismiss in October 2013. The Bankruptcy Court also appointed an Examiner, as discussed below. In October 2013, the Bankruptcy Court denied the Church's motion to subordinate OneUnited's claim, sanctioned OneUnited by prohibiting OneUnited from ever filing a plan in this Chapter 11 Case, and required the OneUnited to pay Ropes & Gray's legal fees and expenses—at its normal hourly rates—for prosecuting the subordination motion.

### **The RRC Transaction**

Following denial of the First Plan, the Church re-grouped and began exploring alternative reorganization approaches. Among the options the Church explored was the potential sale or lease of the RRC. The Church also made another settlement proposal to OneUnited through counsel on November 22, 2013, which dealt only with the Church and OneUnited. The Church received no response to this offer.

On Friday, January 10, 2014, the Church received a proposal from Horizons for Homeless Children, Inc. ("**Horizons**"), in which Horizons proposed to purchase the RRC Property and the Storefronts for \$1.6 million in cash, subject to the usual bankruptcy auction process. Among other things, the initial Horizons offer was conditioned upon acceptance by January 16, 2014, and a closing by April 18, 2014. The Church, through counsel, notified OneUnited of this offer and provided a copy on January 13, 2014. Once again, the Church received no substantive response from OneUnited. The Church also, through counsel, entered into discussions with Horizons while simultaneously engaging in the internal processes necessary to review and decide whether to pursue a sale or lease of the Assets on the timeframe proposed by Horizons.

On January 29, 2014, counsel for the Church reached out to counsel for OneUnited to request a three-party meeting to discuss Horizons' offer for the Assets with counsel for Horizons. Counsel for OneUnited responded a day later that OneUnited would not even agree to a meeting.

OneUnited merely asserted that the \$1.6 million purchase price proposed was too low (even though an auction would be held), that OneUnited thought the properties had not been adequately marketed (without inquiry as to the actual facts), and that OneUnited would oppose a motion to sell at that price. OneUnited also said it would not “negotiate against itself,” ignoring that OneUnited had never given a counter-proposal of its own for an acceptable sale price or sale process.

The Church proceeded to accept Horizons’ offer as a stalking horse bid on a non-binding basis. The Church pushed to establish a maximally flexible auction process allowing for offers to buy or lease the Assets. Accordingly, after substantial negotiation, the Church and Horizons executed an Offer to Purchase Real Estate on February 27, 2014. The offer, which was essentially a detailed term sheet, set forth the terms for Horizons to perform diligence on the Assets for up to 45 days. During that diligence period, the Church retained the ability to seek, and actively sought, other offers to purchase or lease the Assets and to propose an alternative stalking horse in the (then thought unlikely) event another potential stalking horse emerged. The offer also set forth the material terms for Horizons to serve as a stalking horse bidder for the Assets, should Horizons choose to pursue a transaction after completing its diligence.

During the Horizons’ diligence period, the Church received a second offer, from Action for Boston Community Development, Inc. (“**ABCD**”), for \$1.75 million on substantially similar terms to Horizons’ offer, in which ABCD requested to be the stalking horse bidder. ABCD’s offer had no financing contingency, like Horizons, and also had no diligence period.

The Church notified Horizons of the ABCD offer and requested that both ABCD and Horizons submit their best offer to be the stalking horse bidder by the close of business on Wednesday, April 16. Of the revised offers received, the Church determined the revised offer from ABCD, with a purchase price of \$2 million, was the highest and best offer to be the stalking horse, and accordingly the Church proceeded to execute the Stalking Horse Purchase Agreement with ABCD and file the Sale Motion on April 22, 2014.

OneUnited, the Office of the United States Trustee, and Horizons filed objections to the proposed bidding procedures and sale on various grounds, and a hearing was held on May 5, 2014. At the hearing, the Church informed the Bankruptcy Court that the Church proposed to pursue only a sale of the RRC Property and Storefronts and no longer intended to accept offers to lease the property, in part because OneUnited has made clear it is uninterested in including a lease option in the auction.

Following the hearing, as discussed in further detail below, the Bankruptcy Court approved bidding procedures for the auction of the RRC Property and the Storefronts. The Bankruptcy Court denied the Church’s request to prohibit OneUnited from submitting a credit bid at the auction, as discussed in further detail below. The Church held an auction on June 23, 2014. The Church determined ABCD had the highest and best bid at \$2.9 million, allocating \$350,000 to the sale of the Storefronts. The Bankruptcy Court approved the transaction (the “**RRC Transaction**”) on June 25, 2014 and the RRC Transaction closed on June 30, 2014.

The RRC Proceeds and the Storefronts Proceeds are being held in Choate’s escrow account. On March 10, 2015 the Church’s real estate broker submitted an application for broker

fees in connection with the RRC Transaction in the amount of \$72,500 (2.5% of the sale amount), which the Bankruptcy Court approved on April 2, 2015.

On July 11, 2014, OneUnited Filed *OneUnited Bank's Motion for Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d) and MLRB 4001-1 and Motion for Abstention Pursuant to 28 U.S.C. § 1334*, Case No. 12-12292, Docket No. 793, seeking immediate payment of the RRC Proceeds and the Storefronts Proceeds. On the same date, the Debtor Filed *Protective Motion for Approval of Trustee Process to Attach Bank Account*, Case No. 14-01138, Docket No. 2, in which it sought an order freezing the RRC Proceeds and the Storefronts Proceeds as a prejudgment remedy to protect the Church's 93A Adversary Proceeding claims against OneUnited. A hearing was held and the Bankruptcy Court denied OneUnited's motion. *Order*, Case No. 14-01138, Docket No. 16. Due to the Bankruptcy Court's disposition of OneUnited's motion, the Debtor withdrew its motion for trustee process.

On February 17, 2017, OneUnited filed *OneUnited Bank's Renewed Motion for Relief from the Automatic Stay to Enforce Its Lien Against the Proceeds of the Roxbury Renaissance Center*, Docket No. 934, seeking immediate payment of the RRC Proceeds. The Church objected to the motion. Additionally, two of OneUnited's prior attorneys in this Chapter 11 Case, Pierce Atwood LLP and Choate, notified the Bankruptcy Court that both had separately asserted attorney's liens on the RRC Proceeds. Immediately prior to a scheduled hearing on the motion, OneUnited withdrew the motion.

### **The Second Plan**

On April 29, 2014, the Church Filed the *Second Plan of Reorganization of Charles Street African Methodist Episcopal Church of Boston* (Docket No. 740, the "**Second Plan**"), however, the Church did not file a disclosure statement and no further action was taken on the Second Plan.

### **The 506(c) Adversary Proceeding**

On June 30, 2014, the Debtor filed a complaint under 11 U.S.C. § 506(c) to recover the reasonable and necessary costs and expenses of preserving and disposing of the RRC Property for OneUnited's benefit. Costs and expenses included insurance payments, security services and fencing payments, utility payments, and yard work (including snow removal) payments (the "**Preservation Costs**"). In addition to the Preservation Costs, broker fees for the RRC Transaction were also sought (the "**Broker Costs**"). On March 13, 2015 the Bankruptcy Court entered a Stipulation and Agreed Order, Docket No. 868, in which OneUnited agreed to pay \$96,159.06 for the Preservation Costs and up to \$63,750.00, in full satisfaction of the Broker Costs.

### **The 93A Adversary Proceeding**

On July 11, 2014, the Debtor filed an *Objection to Proof of Claim and Counterclaim*, Docket No. 1, against OneUnited for violations of sections 2 and 9 of the Massachusetts General Laws Chapter 93A and for breach of contract.

Count I incorporated the counterclaims from the State Court Action, and alleges OneUnited's unfair and wrongful origination of the OneUnited Construction Loan Agreement. Count I also sought damages for OneUnited's breach of contract, resulting from OneUnited's failure to authorize disbursement of funds after Hasz approved the tenth drawdown request and submitted it to OneUnited prior to the maturation of the OneUnited Construction Loan Agreement. Count I seeks a setoff of OneUnited Notes.

Count III alleged OneUnited willfully and knowingly used collection and foreclosure actions as leverage to threaten the Church and pressure the District into paying on its guarantee, when OneUnited had no intentions of actually pursuing the collection action to completion or foreclosing on the Church Building, the Storefronts, and Milton Parsonage House. Count II seeks a setoff of OneUnited Notes with respect to claims alleged in Count III.

A trial was held in October and November 2015. On November 2, 2016, the Bankruptcy Court entered judgment in OneUnited's favor (the "***Bankruptcy Court Order***"). The Church appealed the decision to the United States District Court for the District of Massachusetts (the "***District Court***"), and sought certification of certain legal questions to the Supreme Judicial Court of the Commonwealth of Massachusetts.

On May 19, 2017, the District Court entered an order vacating the Bankruptcy Court Order and remanding for further proceedings. After the mandate issues, the Bankruptcy Court may set further briefing and/or argument, or may take action on remand without such. The outcome of such further proceedings is separate from Plan confirmation and may occur before or after confirmation.

### **The Milton Transaction**

On December 19, 2014 the Church sold the Milton Parsonage House for \$385,000 to third party, MG Development, Inc. The Milton Proceeds are being held in Choate's escrow account. The broker for the Milton transaction received compensation in the amount of \$19,250 (2.5% of sale amount) [Docket No. 846].

### **Church's Objections to OneUnited's Proof of Claim**

On June 29, 2012, the Church filed its first objection to OneUnited's Proof of Claim, in which the Church sought to limit the default/post-maturity period interest rate to the nondefault rate for both the Church Loan and the Construction Loan. On September 18, 2012, the Bankruptcy Court entered an order sustaining the first claim objection. OneUnited appealed this decision to the District Court, and the District Court affirmed the Bankruptcy Court's decision on September 30, 2013. OneUnited filed a notice of appeal which was subsequently voluntarily dismissed.

On April 30, 2014, the Church filed its second objection to OneUnited's Proof of Claim and on July 11, 2014, the Church converted the second objection into an adversary proceeding, the 93A Adversary Proceeding, discussed above.

On April 14, 2017, the Church filed its third objection to OneUnited's Proof of Claim to determine the amount of reasonable attorney's fees and costs allocable to the Church Loan and

the Construction Loan. On April 20, 2017, the Bankruptcy Court issued an order establishing the schedule for OneUnited to file an amended Proof of Claim and for an expected fourth objection [Docket No. 979]. The Bankruptcy Court's order provided that the Church's third objection was moot as a result of OneUnited's forthcoming amended Proof of Claim.

On May 16, 2017, OneUnited filed an amended Proof of Claim, in which it asserted nearly \$4 million in attorney's fees and costs (the "**Amended OneUnited Claim**"). On May 23, 2017, the Bankruptcy Court issued an order mooted the Church's third claim objection [Docket No. 995].

On May 30, 2017, the Church filed its fourth claim objection to the Amended OneUnited Claim [Docket No. 999] (the "**Fourth Claim Objection**"). The Church objects to the Amended OneUnited Claim on the grounds that (i) the total amount of attorney's fees and costs asserted is patently unreasonable in light of the amount the Church owes OneUnited; (ii) the Amended OneUnited Claim is insufficient to establish *prima facie* validity because it fails to allocate between the Church Loan and the Construction Loan and does not take any position as to the value of the collateral securing the loans; and (iii) the Amended OneUnited Claim asserts a host of disallowable amounts, including unpaid legal fees, fees that the Bankruptcy Court has ordered that OneUnited cannot collect, and fees related to malpractice work and unpaid legal fees. On June 12, 2017, the Church then filed *Debtor Charles Street A.M.E.'s Motion to Apply FRCP 12(c) to Claims Objection, For Judgment on the Pleadings, and Alternatively for Partial Summary Judgment* [Docket No. 1009] (the "**Motion for Judgment on the Pleadings**"), asserting that the Church is entitled to judgment on OneUnited's claim for legal fees because the Amended OneUnited Claim does not establish *prima facie* validity. On June 30, 2017, the Bankruptcy Court denied the Church's Motion for Judgment on the Pleadings [Docket No. 1041], instead ordering OneUnited to file a further amended Proof of Claim identifying attorney's fees and costs allocable to the OneUnited Church Secured Claim [Docket No. 1040]. The Fourth Claim Objection will be heard during the Confirmation Hearing.

#### *D. Summary of Key Bankruptcy Court Decisions*

To date, the Bankruptcy Court has issued eight Memoranda of Decision in this Chapter 11 Case:

- (i) Memorandum of Decision and Order on Motion of OneUnited Bank to Dismiss Chapter 11 Case (September 11, 2012);
- (ii) Memorandum of Decision and Order on Debtor's Motion for Designation of Votes of OneUnited Bank (September 11, 2012);
- (iii) Memorandum of Decision on Debtor's Objection to Proof of Claim of OneUnited Bank (September 18, 2012);
- (iv) Memorandum of Decision on Subordination of Claim of OneUnited and Debtor's Motion for Fees (October 2, 2013);

- (v) Memorandum of Decision on (1) Confirmation of Debtor's Seventh Modified First Amended Plan of Reorganization and on (2) Motion of OneUnited Bank to Dismiss Chapter 11 Case for Cause (October 2, 2013);
- (vi) Memorandum of Decision on Bidding Procedures, Break-Up Fee, Timing of Sale, and Conflicts (May 9, 2014);
- (vii) Memorandum of Decision on Request of Debtor to Prohibit Credit Bidding (May 14, 2014); and
- (viii) Memorandum of Decision on Objection to Proof of Claim and Counterclaim (November 11, 2016).

The following is a summary of each decision:

Memorandum of Decision and Order on Motion of OneUnited Bank to Dismiss Chapter 11 Case

As described above, OneUnited moved to dismiss the Chapter 11 Case in May 2012 on the grounds that the Church was not an eligible debtor, but rather a nominee trustee, because the Church only held its properties "In Trust" for the greater AME Church. Without addressing or deciding the issue of whether the Church held its properties "In Trust," the Bankruptcy Court found that the Church was an eligible debtor because it met the definition of "corporation" under the Bankruptcy Code and denied OneUnited's motion. The District Court affirmed this decision on appeal. OneUnited filed an appeal of that decision, but later unilaterally withdrew its appeal.

Memorandum of Decision and Order on Debtor's Motion for Designation of Votes of OneUnited Bank

Together with its motion to terminate the Church's exclusivity period, filed just 3 weeks into the Chapter 11 Case, OneUnited filed its own plan of reorganization. The Church argued that OneUnited's votes for confirmation of the First Plan should be designated because (i) OneUnited's filing of its own plan violated the exclusivity period, and (ii) OneUnited cast its votes for the ulterior purpose of securing deposits to clean up its troubled balance sheet. The Bankruptcy Court found that designation was not a proper remedy for an exclusivity violation and that OneUnited had legitimate, good faith reasons for voting against the First Plan. Therefore, the Bankruptcy Court denied the Church's motion to designate OneUnited's votes against the First Plan. The Bankruptcy Court did, however, sanction OneUnited for its violation of the exclusivity period, as discussed below.

Memorandum of Decision on Debtor's Objection to Proof of Claim of OneUnited Bank

Under the terms of the OneUnited Church Loan Agreement and the OneUnited RRC Note, OneUnited was entitled to charge a default interest rate of "the greater of eighteen percent (18%) per annum or 5% greater than the then floating prime rate." In its Proof of Claim, OneUnited claimed default interest at the 18% rate on each loan from the date of default until the Petition Date, and post-petition interest on the Church Loan at 18%. The Church argued that because the default interest rate was disproportionate to any reasonable estimate of OneUnited's damages in the event of a default, the default clause in the notes was an unenforceable penalty.



The Bankruptcy Court agreed, finding that the structure of the default interest provision in the notes, with an 18% floor, was an unenforceable penalty and that the OneUnited was only entitled to the standard, non-default rate of interest for each loan. The effect of this decision was to reduce OneUnited's claims for default interest by approximately \$500,000, and to lower the post-petition interest rate for the OneUnited Church Loan Agreement from 18% to 7.875%. The District Court affirmed this decision on appeal. OneUnited filed an appeal of that decision, but later unilaterally withdrew its appeal.

Memorandum of Decision on Subordination of Claim of OneUnited and Debtor's Motion for Fees

In addition to seeking designation of votes as a remedy for OneUnited's violation of the exclusivity period, the Church sought an award of attorney's fees and, through a mechanism in the First Plan, equitable subordination of OneUnited's claims. The Bankruptcy Court found that OneUnited violated exclusivity by filing a plan in connection with its motion to terminate exclusivity, but declined to subordinate OneUnited's claims. Instead, the Bankruptcy Court fashioned the following remedy: (i) OneUnited is prohibited from filing any additional plan in this case; (ii) OneUnited is required to pay the fees and expenses of Ropes & Gray at its normal hourly rates for prosecuting the motion for subordination and fees; and (iii) OneUnited is required to fund the first \$50,000 in fees incurred by the Examiner. OneUnited filed an appeal of that decision, but later unilaterally withdrew its appeal.

Memorandum of Decision on (1) Confirmation of Debtor's Seventh Modified First Amended Plan of Reorganization and on (2) Motion of OneUnited Bank to Dismiss Chapter 11 Case for Cause

In a lengthy and detailed opinion, the Bankruptcy Court denied both confirmation of the Church's First Plan and OneUnited's second motion to dismiss.

While the Bankruptcy Court made several findings of fact and rulings of law favorable to the Church's First Plan, the Bankruptcy Court ultimately denied confirmation of the First Plan. The Bankruptcy Court found the Church had not satisfied the feasibility requirement in section 1129(a)(11) of the Bankruptcy Code. The Bankruptcy Court concluded it was not sufficiently likely that the Church would succeed in generating sufficient tithes and donations at the high levels required for full payment over time to OneUnited of both the Construction Loan and the Church Loan. The Bankruptcy Court did indicate that testimony supported the view that Church fundraising would increase after confirmation of a plan and exit from bankruptcy, and that key features of the First Plan, including long-term restructured debt with few covenants to prevent OneUnited from being able to prematurely call a loan, were appropriate and legally permitted. The Bankruptcy Court also held the Church had not satisfied the legal requirements necessary to force OneUnited to release the District from its guarantee of the RRC Loan against OneUnited's will, as proposed in the First Plan.

Unlike the First Plan, the Plan proposes a significantly reduced amount of restructured debt for the Church upon reorganization. This results principally from the different treatment for the RRC Property. In the First Plan, the Church proposed to retain the RRC Property and Storefronts and to repay the debt secured by those properties. In the new Plan, the Church has

already sold the RRC Property and Storefronts. The secured debt associated with the RRC Property and Storefronts will be paid down and eliminated as a result of the sale. As a result, the amount of secured debt remaining for the Church to support from tithes and donations will be substantially less than under the First Plan.

Also unlike the First Plan, the Plan does not propose to release the District from its guarantee to OneUnited of the RRC Loan.

As to the OneUnited's second motion to dismiss, the Bankruptcy Court rejected the OneUnited's arguments that cause for dismissal existed due to substantial or continuing loss to the estate, gross mismanagement of the estate, failure to maintain appropriate insurance, unauthorized use of cash collateral, or bad faith. The Bankruptcy Court, however, did find that the Church's failure to list the Lilly Endowment in its schedule of creditors was a failure to satisfy a reporting requirement. Rather than dismissing the Chapter 11 Case for cause, the Bankruptcy Court determined that the appointment of an examiner to monitor the Church's insurance coverage and to review the Church's Monthly Operating Reports was in the best interest of the estate and creditors. OneUnited filed an appeal of that decision, but later unilaterally withdrew its appeal.

On October 21, 2013, David S. Williams, the Chief Executive Officer of Deloitte Financial Advisory Services, was appointed as the examiner (the "***Examiner***") [Docket No. 694]. Since his appointment, the Church has worked diligently with the financial advisor to the Examiner to ensure continued proper insurance coverage on the Church's properties and to improve the quality of its financial reporting in the Monthly Operating Reports.

#### Memorandum of Decision on Bidding Procedures, Break-Up Fee, Timing of Sale, and Conflicts

In the Sale Motion, the Debtor sought Bankruptcy Court approval for bidding procedures to govern the auction of the RRC Property and Storefronts. The Debtor also sought Bankruptcy Court approval for a break-up fee for ABCD. In this opinion, the Bankruptcy Court denied various objections by OneUnited, the Office of the United States Trustee, and Horizons to the proposed bidding procedures and break-up fee for ABCD, and approved the bidding procedures and break-up fee proposed by the Church. The Bankruptcy Court also determined that Ropes & Gray, the Church's *pro bono* legal counsel for this Chapter 11 Case, had appropriately disclosed its connections with ABCD and Horizons and may serve as counsel to the Debtor in connection with the RRC Transaction.

#### Memorandum of Decision on Request of Debtor to Prohibit Credit Bidding

In the Sale Motion, the Debtor sought to deny OneUnited the ability to "credit bid" – that is, bid its secured claims against the RRC Property and Storefronts rather than cash at the auction. In this opinion, the Bankruptcy Court decided OneUnited may submit a credit bid at the auction. The Bankruptcy Court required OneUnited submit a deposit of at least \$50,000 in connection with any such credit bid, to fund the break-up fee for ABCD, if triggered.

Memorandum of Decision on Objection to Proof of Claim and Counterclaim

In a lengthy opinion, the Bankruptcy Court denied the Church's 93A Adversary Proceeding. While the Bankruptcy Court made several findings of fact favorable to the Church, the Bankruptcy Court ultimately ruled in favor of OneUnited on both counts.

Regarding count I, despite finding notable deficiencies in OneUnited's underwriting of the Construction Loan, the Bankruptcy Court determined OneUnited officials subjectively believed the Construction Loan would succeed. The Church has not disputed the factual findings of the Bankruptcy Court, but disputes the legal standards adopted by the Bankruptcy Court and the application of the facts as found to the proper standards, in an appeal of the decision to the District Court. On May 19, 2017, the District Court entered an order vacating and remanding the Bankruptcy Court's memorandum and opinion, only relating to OneUnited's underwriting. OneUnited filed a motion for reconsideration of that ruling with the District Court. The District Court did not request a response from the Church and denied reconsideration on June 21, 2017.

Regarding count II, the Bankruptcy Court found that the preponderance of the evidence was that OneUnited intended to foreclose on the Church as of March 20-22, 2012. The Church has not appealed this finding to District Court.

*E. Outstanding Indebtedness*

In addition to the approximately \$4.5 million owed to OneUnited, there are three other major creditors.

One is Thomas Construction, the general contractor for the RRC project. Thomas Construction asserts that it is owed approximately \$650,000 for the unpaid draw plus retainage from prior draws. Because the Church has sold the RRC Property, the Church has decided to reject its contract with Thomas Construction.

Another is Tremont Credit Union, which in 2011 loaned the Church approximately \$450,000 for major roofing repairs on the Church Building. Tremont Credit Union has a second priority mortgage on the Church Building to secure such payments. The Church regularly paid Tremont Credit Union prior to this Chapter 11 Case.

The third is a priority tax claim for the City of Boston. When the construction of the RRC Property stopped, the City of Boston recategorized the RRC Property from not-for-profit to commercial, and began assessing property taxes. The City of Boston is owed approximately \$80,000.

The Church's other unsecured debt, excluding deficiency claims on funded indebtedness, totaled approximately \$133,000 as of March 13, 2012.

*F. Value of Assets*

The value of the Church's assets, which are principally real estate, forms the primary basis of the Plan's treatment of secured creditors. The Plan contemplates that the Church Property is worth \$1,350,000. The Plan contemplates that 5 Elm Hill is worth \$375,000. The

Plan contemplates that the Church Parking Lot is worth \$450,000. In addition, the Church's Assets currently includes amounts held in the Choate escrow account from the RRC Transaction and the sale of the Milton Property. The Plan contemplates that those amounts will be turned over to secured creditors under the Plan, subject to attorney's liens.

*G. Amended OneUnited Proof of Claim*

The Bankruptcy Court entered an order setting a date by which OneUnited was required to file an amended Proof of Claim asserting amounts for post-petition attorneys fees. OneUnited filed the Amended OneUnited Claim on such date. The Amended OneUnited Claim listed a total amount of \$9,705,353.85, including \$3,953,915.22 in legal fees. The Amended OneUnited Claim did not allocate any postpetition amounts between the Church Loan and the Construction Loan.

In the Fourth Claim Objection, the Church has objected to the Amended OneUnited Claim, on a number of grounds. In addition to, and as part of the normal claims objection process, the Church also filed a dispositive motion regarding the Amended OneUnited Claim and the Fourth Claim Objection. The Motion for Judgment on the Pleadings asserts that the Amended OneUnited Claim does not meet the *prima facie* requirements for a proof of claim, and in the alternative that summary judgment can be granted at the outset of the claim objection proceeding. On June 30, 2017, the Bankruptcy Court denied the Church's Motion for Judgment on the Pleadings [Docket No. 1041], instead ordering OneUnited to file a further amended Proof of Claim identifying attorney's fees and costs allocable to the OneUnited Church Secured Claim [Docket No. 1040]. The Fourth Claim Objection will be heard during the Confirmation Hearing.

*H. Settlement with Tremont Credit Union*

Tremont Credit Union has a claim based on a second-priority mortgage loan made to the Church prepetition. Such loan is secured only by the Church Building. Tremont has voted to accept, and supported confirmation of, the earlier plans of reorganization in this Chapter 11 Case.

The Plan contemplates that Tremont is partially secured, and therefore will have both a secured claim and an unsecured claim. The Plan proposed treatment for the Tremont Secured Claim in which Tremont would receive a new mortgage and be paid over time. The relative amounts of the Tremont secured and unsecured claims depends on the amount of legal fees the Bankruptcy Court allows as a secured claim to OneUnited, on the Church Loan.

Since the filing of the Plan, the Church and Tremont have engaged in negotiations over Tremont's treatment under the Plan. Tremont made a counterproposal to the Church. The Church made a further proposal, which Tremont accepted. That revised treatment is reflected in a modified version of the Plan. The revised treatment raises slightly the interest rate on the Plan payments to Tremont. Tremont is, in addition to the Debtor, the primary party in interest that is affected by the allowable amount of OneUnited post-petition legal fees concerning the Church Loan.

The lack of allocation by OneUnited of such post-petition fees created uncertainty that made it more difficult to negotiate a resolution of the Tremont secured claim treatment. As a result, the Church and Tremont agreed to a settlement and treatment that takes into account

varying outcomes of the claims objection litigation with OneUnited. The settlement provides the Church with a fixed interest rate and thus clear monthly payments postconfirmation, in respect of the Tremont restructured loan. At the same time, the settlement gives Tremont additional benefits in the event that at a final evidentiary hearing the Bankruptcy Court determines that such fees are below the \$150,000 maximum amount that the Church has argued is allowable, in the Fourth Claim Objection.

#### **IV. OPERATIONS**

The Church has a current annual budget of approximately \$800,000. The Church has a full time staff of four, as well as two part-time contract workers. These include pastoral staff, building maintenance, program directors and musicians. The Church has no endowment. The Church funds its operations from tithes and offerings of its members, which are generally collected at Sunday services. The Church operates on a cash-flow positive basis and has cash reserves of approximately \$130,000 in unrestricted cash and \$30,000 in restricted cash, as of April 30, 2017. None of the Church's operating cash is pledged to any lender. These are separate from amounts that are proceeds of sales of real estate in this Chapter 11 Case, held in the Choate escrow account.

Since the Petition Date, the Church has actively worked to reduce its expenses through a variety of cost-cutting measures, including voluntary reduction of the Pastor's salary. In addition, the Church has instituted a Commission on Stewardship and Finance, which oversees the budget and financial health of the Church. The Commission has recommended a series of policies and procedures that have been officially adopted by the Church which are designed to improve the financial management of the Church and institute safeguards against improper use of funds.

The Church also has a pastoral residency program that currently trains one divinity school graduate, who serves as associate pastor (similar to medical residency programs for medical-school graduates) for two years. While the restricted-use grants from the Lilly Endowment to fund this program have run out due to the diversion of the funds, the Church continues to operate the pastoral residency program from its own funds. The Church has determined to continue the program, to fully restore amounts diverted, through October 31, 2018. The Church's post-confirmation budget contemplates not continuing the program beyond October 2018, unless the Church's income increases. Since the filing, four full-time pastoral residents have completed their residence at the Church.

Because the Church operates week-to-week, the Church does not have any significant trade creditors. Prior to 2006, the Church had a single \$1.1 million loan with Citizens Bank. That loan had originally been made in 2001, as a consolidation loan for several smaller borrowings. The Church faithfully paid the interest and principal on the loan, which amortized on a 30-year schedule with a balloon maturity for remaining principal in 2006.

In 2009, the Church took out an approximately \$450,000 loan with Tremont Credit Union. Prior to the Petition Date, that loan was regularly paid.

The Church's executive officer is the Rev. Dr. Gregory G. Groover Sr., Pastor of the Church.

The Church continues to operate successfully in Chapter 11, including hosting the 161<sup>st</sup> New England Annual Conference for the AME Church in 2012 and the Boston-wide Interfaith Prayer Service following the shootings at Mother Emanuel AME Church in Charleston, South Carolina in 2016.

## **V. THE PLAN – CLASSIFICATIONS, DISTRIBUTIONS, AND IMPLEMENTATION**

### *A. Overview of Chapter 11*

Chapter 11 is the business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its financial affairs for the benefit of itself and its creditors. The principal goals of chapter 11 is to permit the rehabilitation of the debtor and provide for equality of treatment of similarly situated creditors.

The Plan provides, among other things, for a restructuring of the Church's financial indebtedness. The goal of the Plan is to restructure the Church's obligations into fair ones that the Church can afford – and that anyone would expect the Church to be able to afford.

The following summary is an overview of the Plan and is qualified in its entirety by reference to the full text of the Plan and the more detailed information and financial statements contained elsewhere in this Disclosure Statement. Capitalized terms used in this Article V but not otherwise defined in Annex I shall have the meanings assigned such terms in the Plan.

### *B. Administrative Claims, Priority Tax Claims, and Other Unclassified Claims*

#### *1. Administrative Claims*

Pursuant to Section 2.1 of the Plan, each Holder of an Allowed Administrative Claim shall receive, in full satisfaction and discharge thereof, Cash equal to the unpaid amount of such Allowed Administrative Claim (except to the extent that such Holder agrees to less favorable treatment thereof) on or as soon as practicable after the latest of (a) the Effective Date, (b) the date on which such Administrative Claim becomes Allowed, (c) the date on which such Administrative Claim becomes due and payable, and (d) such other date as mutually may be agreed to by such Holder and the Debtor. Notwithstanding the foregoing, any Allowed Administrative Claim based on a liability incurred by the Debtor in the ordinary course of business during the Chapter 11 Case may be paid in the ordinary course of business in accordance with the terms and conditions of any agreement relating thereto. Allowed Administrative Claims shall be paid in Cash from the Reorganized Debtor's cash on hand or generated by the Reorganized Debtor's ordinary operations.

#### *2. Priority Tax Claims*

Pursuant to Section 2.2 of the Plan, each Holder of an Allowed Priority Tax Claim (excluding the City of Boston Tax Claim) shall receive, in full satisfaction and discharge thereof, Cash equal to the unpaid amount of such Allowed Priority Tax Claim (except to the extent that such Holder agrees to less favorable treatment thereof) on or as soon as practicable after the latest of (a) the Effective Date, (b) the date on which such Priority Tax Claim becomes Allowed,

(c) the date on which such Priority Tax Claim becomes due and payable, and (d) such other date as mutually may be agreed to by and among such Holder and the Debtor; *provided, however*, that the Debtor may, at its option and in lieu of payment in full in Cash of an Allowed Priority Tax Claim as provided in clauses (a) through (d) hereof, make deferred Cash payments on account thereof in the manner and to the extent permitted under section 1129(a)(9)(C) of the Bankruptcy Code. Allowed Priority Tax Claims shall be paid in Cash from the Reorganized Debtor's cash on hand or generated by the Reorganized Debtor's ordinary operations.

*C. Classification of Claims*

Section 1123(a)(1) of the Bankruptcy Code requires a plan of reorganization to designate classes of claims. The Plan segregates the various Claims against the Debtor into various classes. Based on both the enterprise value and liquidation value of the Debtor as set forth herein, the Debtor has insufficient value to pay its creditors in full.

The Bankruptcy Code also provides that, except for certain Claims classified for administrative convenience, the Plan may place a Claim in a particular Class only if such Claim is substantially similar to the other Claims of such Class. The Church believes that all Claims have been appropriately classified in the Plan. To the extent the Bankruptcy Court determines that such classification is incorrect, however, the Bankruptcy Court could deny confirmation of the Plan.

If the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Church could seek to (i) modify the Plan to provide for whatever reasonable classification might be required for confirmation and (ii) use the acceptances received from any Holder of Claims pursuant to this Disclosure Statement for the purpose of obtaining the approval of the Class or Classes of which such Holder ultimately is deemed to be a member. Any such reclassification of Claims, although subject to the notice and hearing requirements of the Bankruptcy Code, could adversely affect the Class in which the Holder of such Claim was initially a member, or any other Class under the Plan, by changing the composition of such Class and the vote required for approval of the Plan. There can be no assurance that the Bankruptcy Court, after finding that a classification was inappropriate and required a reclassification, would approve the Plan based upon such reclassification. Except to the extent that modification of classification in the Plan adversely affects the treatment of a Holder of Claims in a manner that requires resolicitation, the Church likely would, in accordance with the Bankruptcy Code and the Bankruptcy Rules, seek a determination by the Bankruptcy Court that acceptance of the Plan by any Holder of Claims pursuant to this Disclosure Statement will constitute a consent to the Plan's treatment of such Holder regardless of the Class to which such Holder is ultimately deemed to be a member. See Article II.A. "RISK FACTORS—Risks Relating to the Chapter 11 Case."

The Bankruptcy Code also requires that the Plan provide the same treatment for each Claim of a particular Class unless the Holder of a particular Claim agrees to a less favorable treatment of its Claim. The Church believes it has complied with the requirement of equal treatment for each Claim of a particular Class.

Only Classes that are “impaired” (pursuant to section 1124 of the Bankruptcy Code) under the Plan are entitled to vote to accept or reject the Plan, unless the Class is deemed to have rejected the Plan. As a general matter, a class of claims is considered to be “unimpaired” under a plan of reorganization if the plan does not alter the legal, equitable, and contractual rights of the holders of such claims. Under the Bankruptcy Code, holders of unimpaired claims are conclusively presumed to have accepted a proposed plan of reorganization. Holders of Claims that do not receive or retain anything under a proposed plan of reorganization are deemed to have rejected such plan.

The categories of Claims outlined in the Plan and listed below classify Claims for all purposes, including for purposes of voting, confirmation, and distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. Pursuant to section 3.1 of the Plan, a Claim will be deemed classified in a particular Class only to the extent that the Claim qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any remainder of such Claim qualifies within the description of such different Class. A Claim is in a particular Class only to the extent that such Claim has not been paid or otherwise settled prior to the Effective Date.

The classification of Claims (except for Administrative Claims and Priority Tax Claims, which are not required to be classified pursuant to section 1123(a)(1) of the Bankruptcy Code) pursuant to the Plan is as follows:

- Class 1 – Other Priority Claims
- Class 2 – OneUnited Church Secured Claim
- Class 3 – Tremont Secured Claim
- Class 4 – OneUnited RRC Secured Claim
- Class 5 – Other Secured Claims
- Class 6 – City of Boston Tax Claim
- Class 7 – OneUnited Deficiency Claim
- Class 8 – Tremont Deficiency Claim
- Class 9 – General Unsecured Claims

*D. Treatment and Voting Rights of Claims*

The treatment and voting rights of Claims pursuant to Article III of the Plan are as follows:

*1. Treatment of Claims*

- (a) *Class 1—Other Priority Claims.* Each Holder of an Allowed Other Priority Claim shall receive from the Disbursing Agent, in full satisfaction and discharge thereof, Cash equal to the unpaid amount of such Allowed Other Priority Claim (except to the extent such Holder agrees to less favorable treatment thereof) on or as soon as practicable after the latest of (x) the Effective Date, (y) the date on which such Other Priority Claim becomes Allowed, and (z) such other date as mutually may be agreed to by and among such Holder and the Debtor.



- (b) *Class 2— OneUnited Church Secured Claim.* Subject to Section 4.2, on the Effective Date, the Holder of the OneUnited Church Secured Claim shall receive, in full satisfaction and discharge of such Claim, the New Church Note and a distribution of the Milton Proceeds and the Storefronts Proceeds. The Reorganized Debtor's obligations under the New Church Note shall be secured by the New OneUnited Church Mortgage.
- (c) *Class 3— Tremont Secured Claim.* On the Effective Date, the Holder of the Tremont Secured Claim, in full satisfaction and discharge of such Claim shall receive the New Tremont Note, or, if an 1111(b) Election is made, the New Tremont 1111(b) Note. The Reorganized Debtor's obligations under the New Tremont Note or the New Tremont 1111(b) Note shall be secured by the New Tremont Mortgage.
- (d) *Class 4— OneUnited RRC Secured Claim.* Subject to Section 4.2, on the Effective Date, the Holder of the OneUnited RRC Secured Claim shall receive, in full satisfaction and discharge of such Claim, a distribution of the RRC Proceeds, less any amounts paid to satisfy the City of Boston Tax Claim, and the New Parsonage Note and the New Parking Lot Note. The Reorganized Debtor's obligations under the foregoing notes shall be secured by the New Parsonage Mortgage and the New Parking Lot Mortgage, respectively.
- (e) *Class 5 – Other Secured Claims.* Each Holder of an Other Secured Claim shall have its agreement with the respective Debtor reinstated under section 1124(2) of the Bankruptcy Code.
- (f) *Class 6 – City of Boston Tax Claim.* The Holder of the City of Boston Tax Claim shall receive, in full satisfaction and discharge of such Claim, either (i) a distribution from the RRC Proceeds or (ii) the Restructured Boston Tax Claim Payments. The Reorganized Debtor's obligations regarding the Restructured Boston Tax Claim Payments shall be secured by the New Boston Tax Lien Mortgage.
- (g) *Class 7 – OneUnited Deficiency Claim.* Subject to Section 4.2, the Holder of the OneUnited Deficiency Claim shall receive, in full satisfaction and discharge of such Claim, its Pro Rata Share of the Unsecured Recovery Pool, on or as soon as practicable after the latest of (x) the Effective Date, (y) the date on which the OneUnited Deficiency Claim becomes Allowed, and (z) such other date as mutually may be agreed to by and among such Holder and the Debtor.
- (h) *Class 8 – Tremont Deficiency Claim.* The Holder of the Tremont Deficiency Claim shall receive, in full satisfaction and discharge of such Claim, its Pro Rata Share of the Unsecured Recovery Pool, on or as soon as practicable after the latest of (x) the Effective Date, (y) the date on

which the Tremont Deficiency Claim becomes Allowed, and (z) such other date as mutually may be agreed to by and among such Holder and the Debtor.

- (i) *Class 9— General Unsecured Claims.* Each Holder of a General Unsecured Claim shall receive, in full satisfaction and discharge of such Claim, its Pro Rata Share of the Unsecured Recovery Pool, on or as soon as practicable after the latest of (x) the Effective Date, (y) the date on which the General Unsecured Claim becomes Allowed, and (z) such other date as mutually may be agreed to by and among such Holder and the Debtor.

## 2. *Voting Rights of Claims*

### (a) Impaired Classes:

- (i) The following Classes are Impaired: Class 2, Class 3, Class 4, Class 6, Class 7, Class 8 and Class 9.
- (ii) The following Holders are entitled to vote the following Claims to accept or reject the Plan: each Holder of an OneUnited Church Secured Claim (Class 2), Tremont Secured Claim (Class 3), OneUnited RRC Secured Claim (Class 4), City of Boston Tax Claim (Class 6), OneUnited Deficiency Claim (Class 7), Tremont Deficiency Claim (Class 8), and General Unsecured Claim (Class 9).

### (b) Unimpaired Class:

- (i) Classes 1 and 5 are Unimpaired.
- (ii) Holders of Claims in Class 1 (Allowed Other Priority Claims) and Class 6 (Other Secured Claims) are deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

## 3. *Confirmation Pursuant to 1129(b) of the Bankruptcy Code*

With respect to any Class of Claims that is deemed to reject the Plan or that votes to reject the Plan, the Debtor will request that the Bankruptcy Court confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code.

## 4. *Timing of 1111(b) Election*

Pursuant to Bankruptcy Rule 3014, Tremont shall have seven (7) business days after entry of the Confirmation Order on the docket to make an 1111(b) Election.

### *E. Means of Implementation of Plan*

1. *Sale Proceeds*

Pursuant to Section 4.1(a) of the Plan, on the Effective Date: (i) the OneUnited Church Secured Claim shall be reduced, on a dollar for dollar basis, by the amount of the Milton Proceeds and Storefronts Proceeds; (ii) if the RRC Proceeds have not previously been applied pursuant to order of the Bankruptcy Court, the OneUnited RRC Secured Claim shall be reduced, on a dollar for dollar basis, by the amount of the RRC Proceeds, less any amounts paid to satisfy the City of Boston Tax Claim; and (iii) the Milton Proceeds, the Storefronts Proceeds, and the RRC Proceeds, less any amounts paid to satisfy the City of Boston Tax Claim, shall become property of OneUnited and, subject to any orders of the Bankruptcy Court following the filing of a Notice of Attorneys' Lien pursuant to Section 4.1(b), Choate shall retain in escrow the Milton Proceeds, the Storefronts Proceeds, and the RRC Proceeds, less any amounts paid to satisfy the City of Boston Tax Claim, to be released only on further order of the Bankruptcy Court.

Pursuant to Section 4.1(b) of the Plan, current and former counsel to OneUnited who have appeared in the Chapter 11 Case who wish to assert an attorneys' lien under M.G.L. c. 221, § 50 or any other applicable law with respect to the Milton Proceeds, the Storefronts Proceeds, or the RRC Proceeds (if not previously subject to order of the Bankruptcy Court) shall file on the docket of the Chapter 11 Case, and serve on the then-current counsel to OneUnited, all former counsel to OneUnited who have appeared in the Chapter 11 Case, and counsel to the Debtor, a notice of attorneys' lien ("**Notice of Attorneys' Lien**") on or before July 21, 2017 (the "**Attorneys' Lien Bar Date**"). The Debtor shall provide notice of the Attorneys' Lien Bar Date to such counsel contemporaneously with notice of the Confirmation Hearing. Any current or former counsel to OneUnited who fails to timely file and serve a Notice of Attorneys' Lien by the Attorneys' Lien Bar Date shall be forever barred, estopped, and enjoined from asserting an attorneys' lien on the Milton Proceeds, Storefronts Proceeds, or the RRC Proceeds.

Any attorneys' liens asserted in a Notice of Attorneys' Lien (the "**Asserted Attorneys' Liens**") shall be determined by the Bankruptcy Court as directed by the Bankruptcy Court. OneUnited disputes the Bankruptcy Court's jurisdiction to determine the Asserted Attorney's Liens. Therefore, pursuant to order of the Bankruptcy Court, on or before July 14, 2017, the Debtor shall file a brief setting forth its position on why the Bankruptcy Court has jurisdiction to determine the Asserted Attorney's Liens [Docket No. 1040].

2. *Alternative Treatment for OneUnited Claims*

Pursuant to Section 4.2 of the Plan, if OneUnited makes a Settlement Election not later than 4:30 p.m. prevailing Boston time on the third business day after entry of the Disclosure Statement Order (i) the definition of "New Church Note" shall be deemed amended to provide that: (a) the amount of allowed legal fees shall be \$450,000, and shall not be determined by the Bankruptcy Court, (b) the maturity of the note shall be 10 years (with a 30-year amortization), and (c) the interest rate shall be 5.0% and (ii) the definition of each of the "New Parsonage Note" and the "New Parking Lot Note" shall be deemed amended to provide that: (a) the maturity of the note shall be 10 years (with a 30-year amortization) and (b) the interest rate shall be 5.0%.

3. *Unsecured Recovery Pool Contributions by Ropes & Gray LLP, FTI Consulting, Inc. and the Church*

Pursuant to Section 4.3 of the Plan, on the Effective Date, (i) Ropes & Gray shall be deemed to contribute to the Estate its claim against OneUnited for fees and expenses pursuant to the October 2013 Exclusivity Sanctions Decision, for the benefit of the Unsecured Recovery Pool (currently estimated at \$60,000), (ii) FTI Consulting, Inc. shall be deemed to contribute to the Estate the Claim against the Debtors for fees and expenses pursuant to the Expert Sanction Order, for the benefit of the Unsecured Recovery Pool (currently estimated up to \$50,000), and (iii) the Church shall contribute \$50,000 to the Unsecured Recovery Pool. Amounts listed in (i) and (ii) are estimates and subject to the Bankruptcy Court's final determination.

4. *Restricted Donation*

Pursuant to Section 4.4 of the Plan, on the Effective Date, [Redacted] (and/or persons selected by him, the "***Anonymous Donor***") shall donate \$50,000 to the Church, to be used solely for the ordinary operating expenses of the Church from and after the Effective Date, and under no circumstances to be used to pay amounts due to the OneUnited. The Church shall otherwise have discretion as to when such funds shall be used, and on what operating expenses. Such funds shall be maintained in a separate bank account from other Church funds.

The Anonymous Donor did not previously, nor currently, have a role in the Debtor's operations, administration, or management. The Anonymous Donor (or any person designated by such Anonymous Donor) will not have a role in the Reorganized Debtor's operations, administration, or management.

5. *Actions on the Effective Date*

Pursuant to Section 4.6 of the Plan, on the Effective Date, except as specifically set forth in Article III or Section 4.1(a) of the Plan, title to all Assets of the Estate, including, without limitation, the Debtor's interest in the 93A Claims and the claims asserted by the Debtor in the State Court Action, shall vest in the Reorganized Debtor, free and clear of all Claims, liens, encumbrances, and other interests, and the Debtor shall issue the New Notes as provided in Section 3.2 of the Plan.

6. *Continued Corporate Existence*

Pursuant to Section 4.7 of the Plan, the Debtor, as Reorganized Debtor, shall continue to exist on and after the Effective Date as a separate legal entity, with all the powers available to such legal entity under applicable law and pursuant to its existing constituent documents, and without prejudice to any right to alter or terminate such existence (whether by merger, sale, or otherwise) in accordance with such applicable law. On and after the Effective Date, the Reorganized Debtor may operate and use, acquire, lease, sell, or dispose of its assets without supervision or approval by the Bankruptcy Court and free from any restrictions of the Bankruptcy Code or the Bankruptcy Rules.

7. *Cancellation of Notes and Instruments*

Cancellation of Secured Notes

Pursuant to Section 4.8(a) of the Plan, on the Effective Date, the Secured Notes and any

other notes, bonds, certificates, or other instruments or documents evidencing or creating the Secured Notes shall be cancelled and deemed terminated, satisfied, and discharged, and each Holder of a Secured Note shall have no further rights or entitlements in respect thereof against the Debtor or Reorganized Debtor, except the rights to receive the distributions, if any, to which such Holder is entitled under the Plan.

#### Cancellation of Other Instruments

Pursuant to Section 4.8(b) of the Plan, on the Effective Date, any other notes, bonds, certificates, or other instruments or documents evidencing or creating any Claims that are Impaired by the Plan shall be automatically cancelled without further act or action under any applicable agreement, law, regulation, order, or rule and deemed terminated, satisfied, and discharged. Any Holder of an Impaired Claim shall have no further rights or entitlements in respect thereof against the Debtor and Reorganized Debtor except the right to receive the distributions, if any, to which the Holder is entitled under the Plan.

#### 8. *Establishment of Administrative Bar Date*

Pursuant to Section 4.5 of the Plan, each Holder of an Administrative Claim (other than an Administrative 503(b)(9) Claim or a Substantial Contribution Claim) shall file with the Bankruptcy Court and serve on counsel to the Debtor, at the address set forth in Section 11.6, a request to pay such Administrative Claim (“**Administrative Claim Request**”), so as to be actually received on or before 5:00 p.m. (prevailing Eastern time) on the Administrative Bar Date. Any Holder of an Administrative Claim that fails to timely file and serve an Administrative Claim Request by the applicable deadline set forth in this Section 4.5 shall be forever barred, estopped, and enjoined from asserting such Administrative Claim against the Debtor, the Estate, or any Entity formed pursuant to this Plan, and such Administrative Claim will be deemed discharged as of the Effective Date in accordance with Section 9.2 of the Plan. Notwithstanding anything in Section 4.5 of the Plan to the contrary, the Bar Date for Administrative 503(b)(9) Claims shall be the Bar Date established by the Bar Date Order and not by this Section 4.5 of the Plan.

#### 9. *Payments on New Church Note*

Section 4.9 of the Plan addresses the possibility that the Bankruptcy Court could determine that the valid amount of the attorneys' liens asserted by former counsel to OneUnited for fees allocable to the OneUnited Church Secured Claim exceeds the amount of the Milton Proceeds and the Storefronts Proceeds. In this circumstance, such valid attorneys' liens would extend to the New Church Note to be issued under the Plan. Section 4.9 of the Plan addresses this possibility as follows:

Pursuant to Section 4.9(a) of the Plan, following the Effective Date, and pending resolution of each Asserted Attorneys' Liens, the Reorganized Debtor shall make payments on the New Church Note to Choate, in lieu of making payments to the holder of such note. Choate shall hold such payments in escrow pending further order of the Bankruptcy Court.

Pursuant to Section 4.9(b) of the Plan, if the amount of the Asserted Attorneys' Liens determined by the Bankruptcy Court to be valid and allocable to the OneUnited Church Secured Claim (the “**Church Claim Attorneys' Liens**”) exceeds the sum of the Milton Proceeds, the

Storefronts Proceeds, and the amounts held in escrow by Choate pursuant to Section 4.9(a) of the Plan, the Reorganized Debtor shall continue to make payments on the New Church Note in escrow to Choate until the Church Claim Attorneys' Liens have been repaid in full. Following repayment in full of the Church Claim Attorneys' Liens, the Reorganized Debtor shall make payments on the New Church Note to the holder of such note.

Pursuant to Section 4.9(c) of the Plan, notwithstanding Sections 4.9(a) and 4.9(b) of the Plan, the Reorganized Debtor will make future payments on the New Church Note to the holder of such note upon the Reorganized Debtor's receipt of a joint, written, and irrevocable direction signed by each attorney or law firm that asserts an attorneys' lien pursuant to Section 4.1(b) of the Plan.

## **VI. DESCRIPTION OF MATERIAL AGREEMENTS, INSTRUMENTS, AND OTHER DOCUMENTS EXECUTED PURSUANT TO THE PLAN**

### *A. Description of the New Notes*

The Plan provides for the issuance of the New Notes to the Debtor's secured creditors. The New Notes will be substantially in the form set forth in Exhibits F-J to the Plan.

## **VII. LIQUIDATION ANALYSIS**

Section 1129(a)(7) of the Bankruptcy Code requires that each holder of an Impaired Claim that has not voted to accept the Plan must receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such Holder would receive or retain if the debtors were liquidated under chapter 7 of the Bankruptcy Code (sometimes called the "Best Interests Test," which is described in greater detail in Article IX.E.1 hereof). If all members of an impaired class of claims have accepted the Plan, the "best interests test" does not apply with respect to that class.

A determination of the value that Holders will receive or retain if the Church were to be liquidated in a hypothetical case under chapter 7 of the Bankruptcy Code begins with an estimation of the gross proceeds that would be generated from the hypothetical liquidation of the Church's assets and properties in the context of a chapter 7 liquidation case, including the cash and cash equivalents the Church would hold at the time of the commencement of the hypothetical chapter 7 case. The gross liquidation proceeds then are reduced by the costs and expenses of the liquidation—including such additional administrative expenses and priority claims that may result from the termination of Church's ministry and the use of chapter 7 for the purposes of a hypothetical liquidation—to determine the net liquidation proceeds available for distribution to creditors. Such net liquidation proceeds (i.e., cash available for distribution) are then applied on a hypothetical basis to creditors in strict priority in accordance with section 726 of the Bankruptcy Code. However, pursuant to section 303(a) of the Bankruptcy Code, a not-for-profit organization, like the Church, cannot be converted nonconsensually to chapter 7.

Attached hereto as Exhibit D and incorporated herein is a liquidation analysis (the "**Liquidation Analysis**") prepared by the Debtor. As reflected in the Liquidation Analysis, the Debtor believes that liquidation of the Church's assets under chapter 7 would result in diminution in the value realized by Holders of Claims as compared to distributions contemplated

under the Plan. Even if asset sales in chapter 7 realized value on non-bankruptcy sales, the trustee's commission and legal fees would reduce recoveries below what secured creditors would obtain under the Plan. Unsecured creditors would be substantially worse off in a chapter 7, because various charitable donations that are partially funding unsecured recoveries under the plan would not occur. Consequently, the Debtor believes that Confirmation of the Plan will provide equal or greater return to Holders of Claims than a liquidation under chapter 7 of the Bankruptcy Code.

## **VIII. THE PLAN – OTHER PROVISIONS**

Capitalized terms used in this Article VIII but not otherwise defined in Annex I shall have the meanings assigned such terms in the Plan.

### *A. Treatment of Executory Contracts and Unexpired Leases*

#### *1. Assumption of Executory Contracts and Unexpired Leases*

Section 365 of the Bankruptcy Code permits debtors to assume or reject executory contracts and unexpired leases with the authorization of the Bankruptcy Court. Section 365 of the Bankruptcy Code further provides that an executory contract or unexpired lease can be assumed only if (i) certain defaults with respect to such contract or lease are cured (or adequate assurance of a prompt cure is provided), (ii) compensation for any pecuniary losses arising from such default are provided, and (iii) "adequate assurance" of future performance is provided. Section 1123(b)(2) of the Bankruptcy Code allows for the assumption of unrejected contracts and leases pursuant to the terms of a plan of reorganization. Pursuant to Section 5.1 of the Plan:

- (a) All executory contracts and unexpired leases of the Debtor that are not assumed by the Debtor prior to the Effective Date shall be deemed to have been rejected by the Debtor on the Effective Date pursuant to sections 365 and 1123 of the Bankruptcy Code without further notice or order of the Bankruptcy Court. The executory contracts rejected on the Effective Date, shall include the Thomas Construction Contract. The Debtor expects to reject all executory contracts.
- (b) Any monetary amount by which any executory contract or unexpired lease to be assumed pursuant to the Plan is in default shall be satisfied, in accordance with section 365(b)(1) of the Bankruptcy Code, by payment of such amount in Cash, as and when provided in the Confirmation Order or upon such other terms as the parties to such executory contract or unexpired lease may otherwise agree. If a dispute arises regarding (i) the amount of any cure payments required under section 365(b)(1) of the Bankruptcy Code, (ii) the ability of the Reorganized Debtor or any assignee thereof to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (iii) any other matter pertaining to assumption under section 365 of the Bankruptcy Code, the cure payments required under section 365(b)(1) of the Bankruptcy Code, if

any, shall be made following the entry of a Final Order resolving such dispute.

## *2. Claims Based on Rejection of Executory Contracts or Unexpired Leases*

Section 5.2 of the Plan provides that all proofs of claim with respect to Claims arising from the rejection of executory contracts or unexpired leases, if any, must be Filed by the later of (a) the General Bar Date or (b) within 45 days after the date of any deemed rejection or entry of an order of the Bankruptcy Court approving such rejection. Any Claim arising from the rejection of an executory contract or unexpired lease for which a proof of such Claim is not Filed within such time period shall forever be barred from assertion against the Debtor or the Reorganized Debtor, the Estate, and their property, unless otherwise ordered by the Bankruptcy Court. The Allowed amount of any Claim arising from the rejection of executory contracts or unexpired leases for which proof of such Claim timely has been Filed shall be, and shall be treated as, an Allowed General Unsecured Claim under the terms hereof (subject to any limitation under section 502(b) of the Bankruptcy Code or other applicable law).

## *3. Modifications, Amendments, Supplements, Restatements, or Other Agreements*

Section 5.3 of the Plan provides that, unless otherwise provided in the Plan, each executory contract or unexpired lease that is assumed or rejected shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such executory contract or unexpired lease and all executory contracts or unexpired leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan. Modifications, amendments, supplements, and restatements to prepetition executory contracts and unexpired leases that the Debtor executed during the Chapter 11 Case shall not be deemed to alter the prepetition nature of such executory contract or unexpired lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

### *B. Provisions Governing Distributions*

#### *1. Date of Distributions*

Pursuant to Section 6.1 of the Plan, any distribution to be made hereunder shall be made on or as soon as practicable after the Effective Date, except as otherwise provided in the Plan. Any payment or act required to be made or done hereunder on a day that is not a Business Day shall be made or done on the next succeeding Business Day.

#### *2. Disbursing Agent*

Section 6.2 of the Plan provides:

(a) *General.* All distributions under the Plan shall be made by the Reorganized Debtor as Disbursing Agent or such other Entity designated by the Reorganized Debtor as the Disbursing Agent, except as otherwise provided in the Plan.



(b) *Rights and Powers of Disbursing Agent.* The Disbursing Agent shall be empowered, without further order of the Bankruptcy Court, to (i) make all distributions contemplated by the Plan, (ii) employ or contract with any Entities to assist in or make the distributions required by the Plan, (iii) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan, and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions of the Plan.

### 3. *Delivery of Distributions and Undeliverable or Unclaimed Distributions*

Section 6.3 of the Plan provides:

(a) *Delivery in General.* Except as otherwise provided herein, the Disbursing Agent shall make distributions to Holders of Allowed Claims at the address for each such Holder as indicated on the Debtor's records as of the date of any such distribution; *provided, however*, that the manner of such distributions shall be determined at the discretion of the Disbursing Agent; *provided, further*, that the address for each Holder of an Allowed Claim shall be deemed to be the address set forth in any Proof of Claim filed by that Holder or, if no Proof of Claim was filed, in the Schedules.

(b) *Delivery to Holders of Allowed Secured Claims.* All distributions of New Notes on account of the Secured Claims shall be made to the Holder of the respective Allowed Secured Claim following compliance with the requirements set forth in Section 6.5 of the Plan.

(c) *Undeliverable Distributions.* If any distribution or notice provided in connection with the Chapter 11 Case to any Holder of an Allowed Claim is returned to the Disbursing Agent as undeliverable or otherwise is unclaimed, the Disbursing Agent shall make no further distribution to such Holder unless and until the Disbursing Agent is notified in writing of the Holder's then current address. On or as soon as practicable after the date on which a previously undeliverable or unclaimed distribution becomes deliverable and claimed, the Disbursing Agent shall make such distribution without interest thereon. Any Holder of an Allowed Claim that fails to assert a Claim hereunder for an undeliverable or unclaimed distribution within one year after the Effective Date shall be deemed to have forfeited its Claim for such undeliverable or unclaimed distribution and shall forever be barred and enjoined from asserting such Claim against the Debtor, the Estate, the Reorganized Debtor, or their property. After the first anniversary of the Effective Date, all property or interests in property not distributed pursuant to this Section 6.3 shall be deemed unclaimed property pursuant to section 347(b) of the Bankruptcy Code. Such property or interests in property shall be returned by the Disbursing Agent to the Reorganized Debtor, and the Claim of any other Holder to such property or interests in property shall be discharged and forever be barred. Nothing contained herein shall require or be construed to require the Disbursing Agent to attempt to locate any Holder of an Allowed Claim.

### 4. *Setoff*

Pursuant to Section 6.4 of the Plan, the Reorganized Debtor shall be permitted, but not required, to set off any claims of any nature whatsoever the Debtor has against the Holder of a

Claim against such Claim or the distributions to be made hereunder on account of such Claim; *provided, however*, that neither the failure to exercise such setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Reorganized Debtor of any such claim the Reorganized Debtor may have against such Holder. The New Parking Lot Note and the New Parsonage Note shall be subject to setoff, in that order, for any judgment obtained regarding the 93A Claims.

*5. Surrender of Cancelled Notes, Instruments, or Securities*

Pursuant to Section 6.5 of the Plan, any Holder of any Claim evidenced by the instruments, securities, or other documentation cancelled under Section 4.8 shall surrender such applicable instruments, securities, or other documentation to the Reorganized Debtor in accordance with written instructions, which may be waived in writing by the Debtor or the Reorganized Debtor, to be provided to such Holder by the Reorganized Debtor. In the Reorganized Debtor's discretion, any distribution required to be made hereunder on account of any Claim shall be treated as an undeliverable distribution under Section 6.3(c) pending the satisfaction of the terms of this Section 6.5. of the Plan. Subject to Section 6.6 of the Plan, any Holder of any Claim evidenced by the instruments, securities, or other documentation cancelled under Section 4.8 that fails to surrender such applicable instruments, securities, or other documentation in accordance with Section 6.5(a) within one year after the Effective Date shall have such Claim, and the distribution on account of such Claim, discharged and shall forever be barred from asserting such Claim against any of the Reorganized Debtor or its property. Such distributions shall be treated as unclaimed property as provided in Section 6.3(c).

*6. Lost, Stolen, Mutilated, or Destroyed Documentation*

Pursuant to Section 6.6 of the Plan, in addition to any requirements under any applicable agreement, any Holder of a Claim evidenced by instruments, securities, or other documentation cancelled under Section 4.8 and required to be surrendered under Section 6.5(a) that have been lost, stolen, mutilated, or destroyed shall, in lieu of surrendering such instruments, securities, or other documentation, (a) deliver evidence of such loss, theft, mutilation, or destruction that is reasonably satisfactory to the Reorganized Debtor and (b) deliver to the Reorganized Debtor such security or indemnity as may be required by the Reorganized Debtor to hold the Reorganized Debtor harmless from any damages, liabilities, or costs incurred in treating such Entity as the Holder of such Allowed Claim. Such Holder shall, upon compliance with this ARTICLE VI, be deemed to have surrendered such instruments, securities, or other documentation for all purposes hereunder.

*7. Fractional and Minimum Distributions*

Pursuant to Section 6.7 of the Plan, notwithstanding anything contained herein to the contrary, no fractional dollars of Cash shall be distributed. For purposes of distribution hereunder, fractional dollars shall be rounded to the nearest whole unit (with any amount less than one-half dollar to be rounded down).

Notwithstanding any other provision of this Plan, the Disbursing Agent shall have no obligation to make any distribution under this Plan with a value of less than \$10.

#### *8. Withholding and Reporting Requirements*

Pursuant to Section 6.8 of the Plan, the Disbursing Agent shall comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority in connection with the Plan and all instruments issued in connection therewith and distributions thereon. All distributions under the Plan shall be subject to any such withholding or reporting requirements.

#### *9. United States Trustee Fees and Reporting.*

The Debtor will be responsible for timely payment of quarterly fees incurred pursuant to 28 U.S.C. 1930(a)(6) until its case is closed or dismissed. After confirmation, the Debtor will serve the United States Trustee with a quarterly disbursement report for each quarter (or portion thereof) that the case remains open. The quarterly report shall be due fifteen days after the end of the calendar quarter. The quarterly financial report shall include the following: (1) a statement of all disbursements made during the course of the quarter, by month, whether or not pursuant to the plan; (2) a summary, by class, of amounts distributed or property transferred to each recipient under the plan, and an explanation of the failure to make any distributions or transfers of property under the plan, if any; (3) a description of any other factors which may materially affect the Debtor's ability to complete its obligations under the plan; and (4) an estimated date when an application for final decree will be filed with the Bankruptcy Court (in the case of the final quarterly report, the date the decree was filed).

#### *C. Procedures for Resolving Disputed Claims*

##### *1. Prosecution of Objections to Claims*

Pursuant to Section 7.1 of the Plan, on and after the Confirmation Date, the Reorganized Debtor may, without approval of the Bankruptcy Court, (a) file, settle, compromise, withdraw, or litigate to judgment objections to Claims, including the OneUnited Church Secured Claim and the OneUnited RRC Secured Claim, but excluding Claims previously Allowed (including Claims Allowed herein) and (b) settle or compromise any Disputed Claim, including the OneUnited Church Secured Claim and the OneUnited RRC Secured Claim; provided, that nothing herein shall preclude the Reorganized Debtor from seeking Bankruptcy Court approval of settlements under Bankruptcy Rule 9019. Any objections to Claims must be filed by the Claims Objection Deadline.

##### *2. Estimation of Claims*

Pursuant to Section 7.2 of the Plan, in addition to the estimation of certain Secured Claims as provided in Section 3.2 of the Plan, the Reorganized Debtor shall be permitted, at any time, to request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtor (or the Reorganized Debtor, as the case may be) previously had objected to such Claim or whether the Bankruptcy Court had ruled on such objection. The Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during any litigation concerning any objection to such Claim, including during the pendency of any appeal relating to such objection. If the Bankruptcy Court estimates any contingent or unliquidated Claim, the amount so estimated shall constitute either

the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If such estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtor (or the Reorganized Debtor, as the case may be) may pursue any supplemental proceedings to object to the allowance of such Claim. All the aforementioned objection, estimation, and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated by any mechanism approved by the Bankruptcy Court.

### *3. Payments and Distributions on Disputed Claims*

Pursuant to Section 7.3 of the Plan, notwithstanding any other provision to the contrary herein, no payments or distributions shall be made hereunder with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled, withdrawn, or determined by Final Order and such Disputed Claim has become an Allowed Claim. Moreover, except as otherwise provided in the Plan, no interest shall accrue or be Allowed on any Claim during the period after the Petition Date.

### *4. Debtor's Rights and Defenses Preserved*

Pursuant to Section 7.4 of the Plan, except as expressly provided in any order entered in the Chapter 11 Case, nothing, including, but not limited to, the failure of the Debtor or the Reorganized Debtor to object to a Claim for any reason during the pendency of the Chapter 11 Case, shall affect, prejudice, diminish or impair the rights and legal and equitable defenses of the Debtor or the Reorganized Debtor with respect to any Claim, including, but not limited to, all rights of the Debtor or the Reorganized Debtor to contest or defend themselves against such Claims in any lawful manner or forum when and if such Claim is sought to be enforced by the Holder thereof.

### *5. Tremont Secured Claim*

Pursuant to Section 7.5 of the Plan, the Debtor agrees for purposes of the Plan that the Tremont Secured Claim, secured by a second lien mortgage on the Church Building, is allowed equal to the value of the Church Building minus OneUnited Church Secured Claim, not less than \$100,000, as determined by the Bankruptcy Court, pursuant to section 506(a) of the Bankruptcy Code. Tremont shall receive the New Tremont Note and remaining amounts owed to Tremont (to the extent allowable under the Bankruptcy Code) shall constitute the Tremont Deficiency Claim. If OneUnited contends that it is undersecured with respect to the OneUnited Church Loan, the Debtor reserves the right to contest, and Tremont may also contest, such valuation and assert that Tremont has a Secured Claim.

If Tremont makes the 1111(b) Election, Tremont shall receive the New Tremont 1111(b) Note, secured by a second lien mortgage on the Church Building.

### *D. Conditions Precedent to Confirmation and Effective Date*

#### *1. Conditions Precedent to Confirmation*

Pursuant to Section 8.1(a) of the Plan, the Confirmation Order shall determine that the Allowed amount of the OneUnited Church Secured Claim does not exceed \$1,250,000 (after

taking account of amounts to be paid down from the Storefront Proceeds and the Milton Proceeds), except in the event of a Settlement Election by OneUnited.

Pursuant to Section 8.1(b) of the Plan, the Confirmation Order shall determine that the Allowed amount of the Tremont Secured Claim is at least \$100,000.

Pursuant to Section 8.1(c) of the Plan, the Confirmation Order shall be in form and substance satisfactory to the Debtor.

Pursuant to Section 8.1(d) of the Plan, any Substantial Contribution Claims shall have been resolved by settlement or order of the Bankruptcy Court.

## *2. Conditions Precedent to the Effective Date*

Pursuant to Section 8.2 of the Plan, the Effective Date shall not occur unless and until each of the following conditions has occurred or has been waived in accordance with the terms herein:

- (a) the Confirmation Order shall have been entered on the docket for the Chapter 11 Case and no stay of the Confirmation Order shall be in effect;
- (b) the documents necessary to implement the terms of the Plan shall have been executed;
- (c) all authorizations, consents, and approvals determined by the Debtor to be necessary or desirable to implement the terms of the Plan shall have been obtained;
- (d) all statutory fees and obligations then due and payable to the Office of the United States Trustee shall have been paid and satisfied in full; and
- (e) all other actions necessary to implement the terms of the Plan shall have been taken.

## *3. Waiver of Conditions*

Pursuant to Section 8.3 of the Plan, any condition set forth in ARTICLE VIII of the Plan (other than the conditions set forth in Sections 8.2(a) of the Plan) may be waived, in whole or in part, at any time by the Debtor without notice and without leave or order of the Bankruptcy Court.

## *4. Modification of Plan*

Pursuant to Section 8.4 of the Plan, the Debtor may amend, supplement, or modify the Plan at any time, subject to the restrictions and requirements of section 1127 of the Bankruptcy Code. Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan since the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

*5. Effect of Withdrawal or Revocation*

Pursuant to Section 8.5 of the Plan, the Debtor reserves the right to revoke or withdraw the Plan at any time prior to the Effective Date. If the Plan is so revoked or withdrawn, or if the Effective Date fails to occur, (a) the Confirmation Order, automatically and without further order of the Bankruptcy Court, shall be, and shall be deemed, vacated, null and void, with no force or legal effect whatsoever; (b) no distributions under the Plan shall be made; (c) all Assets shall remain vested in the Debtor's Estate; (d) the Debtor and all Holders of Claims shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred; and (e) the Debtor's obligations with respect to the Claims shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims by or against the Debtor or any other Person or Entity or to prejudice in any manner the rights of the Debtor or any Person or Entity in any further proceedings involving the Debtor.

*6. Reservation of Rights*

Pursuant to Section 8.6 of the Plan, the Plan shall have no force or effect unless and until the Confirmation Order is entered. Prior to the Effective Date, none of the Filing of the Plan, any statement or provision contained in the Plan, or action taken by the Debtor with respect to the Plan shall be, or shall be deemed to be, an admission or waiver of any rights of the Debtor or any other party with respect to any Claims or any other matter.

*E. Effect of Plan Confirmation*

*1. Binding Effect*

Pursuant to Section 9.1 of the Plan, the provisions of the Plan shall be binding upon and inure to the benefit of the Debtor, the Estate, any Holder of any Claim treated herein or any Person named or referred to in the Plan, and each of their respective heirs, executors, administrators, representatives, predecessors, successors, assigns, agents, officers, trustees, and directors, and, to the fullest extent permitted under the Bankruptcy Code and other applicable law, each other Person affected by the Plan.

*2. Discharge of Claims*

Pursuant to Section 9.2 of the Plan and section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of all Claims and causes of action of any nature whatsoever arising on or before the Effective Date, including any interest accrued on such Claims from and after the Petition Date, whether known or unknown, against the Debtor and liabilities of, Liens on, obligations of, and rights against the Debtor or any of its assets or properties arising before the Effective Date, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims, in each case whether or not: (i) a Proof of Claim based upon such debt or right is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (ii) a Claim based upon such debt or right is Allowed pursuant to section 502 of the Bankruptcy Code; or (iii) the Holder of such a Claim has accepted the Plan. Any default by the

Debtor with respect to any Claim that existed immediately prior to or on account of the filing of the Chapter 11 Case shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims arising before the Effective Date, subject to the Effective Date occurring.

### *3. Exculpation and Limitation of Liability*

Pursuant to Section 9.3 of the Plan, none of the Debtor, the Reorganized Debtor, or the Chapter 11 Parties shall have or incur any liability to, or be subject to any right of action by, any Holder of a Claim, or any other party in interest in the Chapter 11 Case, or any of their respective agents, employees, representatives, financial advisors, attorneys or agents acting in such capacity, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to or arising out of, the Chapter 11 Case, formulation, negotiation, or implementation of the Plan, the solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the confirmation of the Plan, the administration of the Plan, or the property to be distributed under the Plan, except for their gross negligence, willful misconduct, or bad faith as determined by a Final Order entered by a court of competent jurisdiction. This provision does not exculpate the foregoing persons, including the Debtor, from performing their duties under the Plan and effectuating the Plan.

### *4. Injunction*

Pursuant to Section 9.4 of the Plan:

(a) *General.* All Entities who have held, hold, or may hold Claims arising on or before the Effective Date and all other parties in interest in the Chapter 11 Case, along with their respective current and former employees, agents, officers, trustees, principals, and affiliates, permanently are enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind against the Debtor or the Reorganized Debtor or against the property or interests in property of the Debtor or Reorganized Debtor, (ii) enforcing, attaching, collecting, or recovering by any manner or means of any judgment, award, decree, or order against the Debtor or Reorganized Debtor or against the property or interests in property of the Debtor or Reorganized Debtor, (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Debtor or Reorganized Debtor or against the property or interests in property of the Debtor or Reorganized Debtor, or (iv) asserting any right of setoff or subrogation of any kind against any obligation due from the Debtor or Reorganized Debtor or against the property or interests in property of the Debtor or Reorganized Debtor, on account of such Claims; *provided, however*, that nothing contained herein shall preclude such Entities from exercising their rights pursuant to and consistent with the terms of the Plan and the contracts, instruments, releases, indentures, and other agreements and documents delivered under or in connection with the Plan.

(b) *Injunction Against Interference with Plan.* Upon entry of the Confirmation Order, all Holders of Claims and their respective current and former employees, agents, officers, trustees, principals, and affiliates shall be enjoined from taking any action to interfere with the implementation or consummation of the Plan. Each Holder of an Allowed Claim, by accepting

distributions pursuant to the Plan, shall be deemed to have consented to the injunction provisions set forth in Section 9.4 of the Plan.

#### *5. Preservation of Rights of Action*

Pursuant to Section 9.5 of the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtor shall retain and have the exclusive right to enforce, after the Effective Date, any claims, rights, and Causes of Action that the Debtor or the Estate may hold against any Entity, including the 93A Claims and all Causes of Action against any Entity on account of indebtedness and any other Causes of Action in favor of the Reorganized Debtor or its Estate. The Reorganized Debtor shall be permitted to pursue such retained claims, rights, or Causes of Action in accordance with the best interests of the Reorganized Debtor, as determined by the Reorganized Debtor in its discretion.

#### *F. Retention of Jurisdiction*

Article X of the Plan provides that pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding the entry of the Confirmation Order or the occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction (except that the Bankruptcy Court shall have nonexclusive jurisdiction with respect the 93A Claims that are the subject of both the 93A Adversary Proceeding and the State Court Action) over all matters arising out of, and related to, the Plan, the Confirmation Order, and the Chapter 11 Case to the fullest extent permitted by law, including jurisdiction to:

- (a) allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim, including the resolution of (i) any request for payment of any Administrative Claim, (ii) any and all objections to the allowance or priority of Claims, including, without limitation, objections related to Claims by OneUnited and any other objections to claims brought by the Debtor or the Reorganized Debtor, and (iii) any other actions taken by the Reorganized Debtor in accordance with its authority under the Plan;
- (b) grant or deny any application for allowance of compensation or reimbursement of expenses, if any, authorized pursuant to the Plan or the Bankruptcy Code under sections 330, 331, 503(b), 1103, and 1129(a)(9) of the Bankruptcy Code;
- (c) resolve any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which the Debtor is party or with respect to which the Debtor or Reorganized Debtor may be liable, and hear, determine, and, if necessary, liquidate, any Claims arising therefrom;
- (d) ensure that distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;



- (e) decide or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving the Debtor that may be pending on the Effective Date, including any motions, adversary proceedings, contested or litigated matters, and any other matters brought by the Reorganized Debtor in accordance with its authority under the Plan;
- (f) enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan or the Confirmation Order;
- (g) resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan or any contract, instrument, release, or other agreement or document that is executed or created pursuant to the Plan, or any Entity's rights arising from or obligations incurred in connection with the Plan or such other documents;
- (h) modify the Confirmation Order, the Plan (before or after the Effective Date under section 1127 of the Bankruptcy Code), or any contract, instrument, release, or other agreement or document created in connection with the Plan or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in the Plan, the Disclosure Statement, the Confirmation Order, any Bankruptcy Court order, or any contract, instrument, release, or other agreement or document created in connection with the Plan or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;
- (i) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with the consummation, implementation, or enforcement of the Plan or the Confirmation Order;
- (j) hear and determine any rights, claims, or Causes of Action held or reserved by, or accruing to, the Debtor or the Reorganized Debtor pursuant to the Bankruptcy Code, the Plan, the Confirmation Order, or, in the case of the Debtor, any other applicable law;
- (k) enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Case;
- (l) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed,

revoked, or vacated, or distributions pursuant to the Plan are enjoined or stayed;

- (m) determine any other matters that may arise in connection with or that relate to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created in connection with the Plan or the Confirmation Order;
- (n) enter the Final Decree;
- (o) hear and resolve all matters concerning state, local, or federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
- (p) hear and resolve all matters involving the nature, existence, or scope of the Debtor's discharge;
- (q) hear and resolve all matters related to the property of the Estate for the period from and after the Confirmation Date to the Effective Date; and
- (r) hear and resolve such other matters as may be provided in the Confirmation Order or as may be authorized by the Bankruptcy Code.

#### *G. Miscellaneous Provisions*

##### *1. Governing Law*

Pursuant to Section 11.1 of the Plan, except to the extent that the Bankruptcy Code, the Bankruptcy Rules, or any other federal law, rule, or regulation is applicable, or to the extent that an exhibit or supplement to the Plan provides otherwise, the Plan shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without giving effect to the principles of conflict of laws thereof that would require application of the law of another jurisdiction.

##### *2. Severability of Terms or Provisions*

Pursuant to Section 11.2 of the Plan, if, prior to the entry of the Confirmation Order, any term or provision of the Plan is determined by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtor, shall have the power to alter and interpret such term or provision to render the term or provision valid or enforceable, to the maximum extent practicable and consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable. Such term or provision shall then be applicable as so altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remaining terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. Entry of the Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms. Following entry of the Confirmation Order, the terms of the Plan shall be nonseverable.

### *3. Inconsistency*

Pursuant to Section 11.3 of the Plan, in the event of any inconsistency among the Plan, the Disclosure Statement, the Plan Documents, any exhibit or schedule to the Plan, or any other instrument or document created or executed pursuant to the Plan, the provisions of the Plan shall govern.

### *4. Filing of Additional Documents*

Pursuant to Section 11.4 of the Plan, the Debtor (or the Reorganized Debtor, as the case may be) shall File such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

### *5. Service of Documents*

Pursuant to Section 11.5 of the Plan, all notices, requests, and demands to or upon the Debtor or the Reorganized Debtor to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered addressed as follows:

Charles Street African Methodist Episcopal Church of Boston  
551 Warren Street  
Dorchester, MA 02121  
Attn: Rev. Dr. Gregory G. Groover Sr.

with copies to:

Ropes & Gray LLP  
Prudential Tower  
800 Boylston Street  
Boston, Massachusetts 02199-3600  
Attn: D. Ross Martin, William L. Roberts, and Martha E. Martir

### *6. Exemption from Certain Transfer Taxes*

Section 11.6 of the Plan provides, pursuant to Section 1146(a) of the Bankruptcy Code, no stamp tax, recording tax, personal property tax, real estate transfer tax, sales or use tax, or other similar tax shall result from, or be levied on account of, (a) issuing, transferring, or exchanging notes, (b) creating any mortgage, deed of trust, lien, pledge, or other security interest, (c) making or assigning any lease or sublease, or (d) making or delivering any deed or other instrument of transfer, under, in furtherance of, or in connection with, the Plan, and also including any merger agreements, agreements of consolidation, restructuring, disposition, liquidation or dissolution, deeds, bills of sale, or transfers of tangible property pursuant to this Plan. Unless the Bankruptcy Court orders otherwise, all sales, transfers, and assignments of owned or leased property that close on or after the Confirmation Date shall be deemed to have been in furtherance of, or in connection with, the Plan.

### *7. Tax Reporting and Compliance*

Pursuant to Section 11.7 of the Plan, the Reorganized Debtor reserves the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support, or other spousal awards, liens, and encumbrances.

*8. Schedules and Exhibits*

Pursuant to Section 11.8 of the Plan, other than for purposes of Section 11.3 of the Plan, all exhibits and schedules to the Plan, including the Plan Supplement, are incorporated into and are a part of the Plan as if fully set forth herein.

*9. No Prejudice*

Pursuant to Section 11.9 of the Plan, if the Confirmation Order is vacated in whole or in part, then (a) the Plan shall be null and void in all respects, (b) no distributions under the Plan shall be made, (c) the Debtor and all Holders of Claims shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date, and (d) nothing contained in the Plan or the Disclosure Statement shall (i) be deemed to constitute a waiver or release of (x) any Claims by any creditor or (y) any Claims against the Debtor, (ii) prejudice in any manner the rights of the Debtor, or (iii) constitute an admission, acknowledgment, offer, or undertaking by the Debtor in any respect.

**IX. CONFIRMATION**

*A. Confirmation Hearing*

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing to consider confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan of reorganization.

The Bankruptcy Court has scheduled a Confirmation Hearing to consider whether the Plan satisfies the various requirements of the Bankruptcy Code for September 26-29, 2017 and October 2-3, 2017 at 9:30 a.m. (ET). At that time, the Debtor will submit a report to the Bankruptcy Court concerning the vote for acceptance or rejection of the Plan by the parties entitled to vote thereon. Confirmation Hearing Notices are being provided to all Holders of Claims as required by the Bankruptcy Rules. Objections to confirmation must be filed with the Bankruptcy Court by August 22, 2017 at 4:30 p.m. (ET) and are governed by Bankruptcy Rules 3020(b) and 9014 and the local rules of the Bankruptcy Court. UNLESS AN OBJECTION TO CONFIRMATION OF THE PLAN IS TIMELY SERVED AND FILED IN ACCORDANCE WITH THE CONFIRMATION HEARING NOTICE, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

*B. Requirements for Confirmation*

At the Confirmation Hearing, the Bankruptcy Court will determine whether the provisions of section 1129 of the Bankruptcy Code have been satisfied by the Plan. If all the provisions of section 1129 of the Bankruptcy Code are met, the Bankruptcy Court may enter an

order confirming the Plan. The Church believes that all the requirements of section 1129 of the Bankruptcy Code will be satisfied.

*C. Class Acceptance of the Plan*

As a condition to confirmation, the Bankruptcy Code requires that each impaired class of claims or interests accept a plan, subject to the exceptions described in the section entitled “cram down” below. At least one impaired class of claims must accept a plan in order for the plan to be confirmed.

For a class of claims to accept a plan, section 1126 of the Bankruptcy Code requires acceptance by creditors that hold at least two-thirds in dollar amount and a majority in number of the allowed claims of such class, in both cases counting only those claims actually voting to accept or reject the plan. The holders of claims who fail to vote are not counted as either accepting or rejecting a plan.

If the Plan is confirmed, the Plan will be binding on all Holders of Claims of each Class, including Classes and members of such Classes that did not vote or that voted to reject the Plan.

The Church believes that the Plan satisfies all the statutory requirements of chapter 11 of the Bankruptcy Code, that the Church has complied or will have complied with all the requirements of chapter 11 and that the Plan has been proposed and made in good faith.

*D. Cram Down*

A court may confirm a plan, even if it is not accepted by all impaired classes, if the plan has been accepted by at least one impaired class of claims and the plan meets the “cram down” requirements set forth in section 1129(b) of the Bankruptcy Code. Section 1129(b) of the Bankruptcy Code requires the court to find that the plan is “fair and equitable” and does not “discriminate unfairly” against any nonaccepting impaired class of claims or interests. With respect to a dissenting class of claims, the “fair and equitable” standard requires, among other things, that, pursuant to the Plan, either (i) each holder of a claim in such dissenting class will receive or retain property having a value, as of the effective date of a plan, equal to the allowed amount of its claim, or (ii) no holder of allowed claims or interests in any junior class will receive or retain any property on account of such claims or interests. The requirement of the allocation of full value to dissenting classes before junior classes can receive a distribution is known as the “absolute priority rule.”

For a for profit debtor, the absolute priority rule means that the company’s equity holders may not receive any value in a chapter 11 plan unless all general unsecured claims have been paid in full. Non-profit debtors, like the Church, do not have equity holders. Several courts have held that the absolute priority rule does not apply to general unsecured creditors in a chapter 11 plan for a non-profit debtor, because no junior class of claims or interests exists. See, e.g., Sec. Farms v. Gen. Teamsters Union, Local 890 (In re Gen. Teamsters Union, Local 890), 265 F.3d 869 (9th Cir. 2001); In re Wabash Valley Power Ass’n, 72 F.3d 1305 (7th Cir. 1995); In re Whittaker Mem’l Hosp. Ass’n, 149 B.R. 812 (Bankr. E.D. Va. 1993). The Church believes that interpretation is correct and, as a result, the absolute priority rule should not apply to a cramdown

of the Plan on Class 9 (General Unsecured Claims). OneUnited does not agree with the Church's interpretation.

*E. Plan Meets Requirements for Confirmation*

*1. Best Interests of Creditors—Liquidation Analysis*

To confirm the Plan, the Bankruptcy Court must determine that the Plan meets the requirements of section 1129(a)(7) of the Bankruptcy Code, that is, that the Plan is in the best interests of each Holder of a Claim in an Impaired Class that has not voted to accept the Plan. To satisfy this "best interests" test, the Bankruptcy Court must find that the Plan provides each non-consenting Holder in such Impaired Class with a recovery, on account of such Holder's Claim, that has a value at least equal to the value of the distribution that each such Holder would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

The Church believes that confirmation of the Plan is in the best interests of the Holders of Claims because it provides distributions to such Holders having a present value, as of the Effective Date, of not less than the value such Holders likely would receive if the Debtor was liquidated under chapter 7 of the Bankruptcy Code. See Article VII. "LIQUIDATION ANALYSIS."

To estimate what members of each Impaired Class of Claims would receive if the Debtor was liquidated pursuant to chapter 7 of the Bankruptcy Code, the Church must first determine the aggregate dollar amount that would be available to such members for distribution if the Chapter 11 Case were converted to a case under chapter 7 of the Bankruptcy Code and the Debtor's assets were liquidated by a chapter 7 trustee. The resulting Liquidation Value of the Debtor would consist of the net proceeds from the disposition of assets of the Debtor, augmented by any cash held by the Debtor.

The Church believes a chapter 7 liquidation would result in a diminution in the value to be realized by Holders of Claims due to, among other factors, (i) additional costs and expenses involved in the appointment of a chapter 7 trustee and attorneys, accountants, real estate brokers and other professionals to assist such trustee in the chapter 7 case, (ii) additional expenses and Claims, some of which would be entitled to priority in payment, which would arise by reason of the liquidation, and (iii) the substantial time that would elapse before creditors would receive any distribution in respect of their Claims. Consequently, the Church believes the Plan, which provides for the continuation of its ministry, will provide a greater ultimate return to Holders of Claims than would a chapter 7 liquidation.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Holders of Claims in Impaired Classes will receive distributions under the Plan that are at least as great as the distributions that such Holders would receive upon a liquidation of the Debtor pursuant to chapter 7 of the Bankruptcy Code.

*2. Feasibility of the Plan*

The Church believes that confirmation of the Plan is not likely to be followed by a liquidation or further financial reorganization of the Reorganized Debtor. Upon confirmation of

the Plan, the Reorganized Debtor will have sufficient cash to fund distributions under the Plan and to support and meet its ongoing financial needs. The Church has approximately \$130,000 in unrestricted cash and \$30,000 in restricted cash, as of April 30, 2017. The Church believes the Plan as proposed is feasible and that the Reorganized Debtor will be financially viable after confirmation of the Plan.

*F. Alternatives to Confirmation and Consummation of the Plan*

If the Plan is not confirmed by the Bankruptcy Court and consummated, the alternatives available to the Debtor would include (i) confirmation of an alternative plan of reorganization under chapter 11 of the Bankruptcy Code or (ii) liquidation under chapter 11 or chapter 7 of the Bankruptcy Code. If the Plan is not confirmed, the Church will decide which alternative to pursue by weighing each of the available options and choosing the alternative or alternatives that are in the best interests of the Debtor, its stakeholders, and other parties in interest.

*1. Alternative Plans of Reorganization*

If the Plan is not confirmed, the Debtor or another party in interest (except OneUnited) could attempt to formulate a different plan of reorganization. Such a plan might involve either a reorganization or continuation of the Church's operations or an orderly liquidation of the Church's assets.

The Church believes that the Plan is a significantly more attractive alternative than those alternatives, because it will result in a larger distribution to creditors than would other types of reorganizations under chapter 11 of the Bankruptcy Code or a liquidation under chapter 7 or chapter 11 of the Bankruptcy Code and will avoid the disruption of the Church's ministry and operations that would result from a protracted and contested bankruptcy case.

*2. Dismissal of the Debtor's Chapter 11 Case*

Dismissal of the Church's Chapter 11 Case would have the effect of restoring (or attempting to restore) all parties to the *status quo* as of the commencement of the Chapter 11 Case on March 20, 2012. Upon dismissal of the Church's Chapter 11 Case, the Church would lose the protections afforded by the Bankruptcy Code, thereby requiring, at the very least, an extensive and time-consuming process of negotiation with the Church's creditors. A state court unfamiliar with the 93A Claims would have to take them up. Most significantly, dismissal of the Church's Chapter 11 Case would permit secured prepetition lenders that have not been paid in full to foreclose upon the assets that are subject to their liens. Dismissal also will permit unpaid unsecured creditors to obtain and enforce judgments against us. The Church believes that these actions would quickly lead to the liquidation of the Debtor under chapter 7 or chapter 11 of the Bankruptcy Code. Therefore, the Church believes dismissal of the Chapter 11 Case is not a viable alternative to the Plan.

*3. Liquidation Under Chapter 7 or Chapter 11*

One of the primary alternatives to the Plan is a liquidation under chapter 7 of the Bankruptcy Code. If the Debtor converted this case to Chapter 7, a trustee would be elected or appointed to liquidate the assets of the Debtor for distribution to creditors in accordance with the

priorities established by the Bankruptcy Code. A discussion of the potential effects that a chapter 7 liquidation would have on the recovery of Holders of Claims is set forth under Article VII. “LIQUIDATION ANALYSIS.” In a liquidation, the assets of the Debtor would be sold in exchange for cash, securities, or other property, which would then be distributed to creditors. In contrast to the Plan (or an alternative reorganization under chapter 11 of the Bankruptcy Code), in which certain creditors would receive debt of the Reorganized Debtor and would be subject to the risks associated with holding such securities, in a liquidation creditors might receive cash or other assets that are not subject to those risks. See Article II.A. “RISK FACTORS—Risks Relating to the Chapter 11 Case.” The Church believes, however, that liquidation under chapter 7 would result in either smaller or no distributions to Holders of Claims as compared to those provided for in the Plan because of, among other things, (i) failure to realize future tithes and donations from the Debtor’s continuing operations and the erosion in value of assets in a chapter 7 case due to the expeditious liquidation required and the “forced sale” atmosphere that would prevail, (ii) administrative expenses involved in the appointment of a trustee and professional advisors to such trustee, and (iii) expenses and Claims, some of which would be entitled to priority, which would be generated during the liquidation. In addition, a chapter 7 liquidation is likely to result in substantial litigation and delays in ultimate distributions to creditors. If a chapter 7 liquidation occurs, the Church believes there would be no distribution to general unsecured creditors, insufficient unencumbered assets to pay all priority claims, and secured creditors would be paid far less than under the Plan.

A liquidation under chapter 11 would have no different result. Current Church leadership would not support such an outcome, and a chapter 11 trustee would have to be appointed. Costs would be the same or more as in a Chapter 7. Consequently, the Church believes that a liquidation under chapter 11 is a less attractive alternative to creditors than the Plan because of the likelihood of a greater recovery provided for by the Plan. See Article V. “THE PLAN—CLASSIFICATIONS, DISTRIBUTIONS AND IMPLEMENTATION” and Article VII. “LIQUIDATION ANALYSIS.”



### **RECOMMENDATION AND CONCLUSION**

The Church believes that confirmation of the Plan is in the best interests of creditors and should be confirmed. The Church recommends all Holders of Claims entitled to vote on the Plan vote to accept the Plan.

Dated: [--], 2017

Respectfully Submitted,

CHARLES STREET AFRICAN METHODIST  
EPISCOPAL CHURCH OF BOSTON

/s/

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Gregory G. Groover Sr.  
Pastor

## **ANNEX I**

### **Terms**

“5 Elm Hill” shall have the meaning ascribed in the Plan.

“93A Claims” shall have the meaning ascribed in the Plan.

“1111(b) Election” shall have the meaning ascribed in the Plan.

“ABCD” means Action for Boston Community Development, Inc.

“Administrative 503(b)(9) Claims” shall have the meaning ascribed in the Plan.

“Administrative Bar Date” shall have the meaning ascribed in the Plan.

“Administrative Claims” shall have the meaning ascribed in the Plan.

“Administrative Claim Request” shall have the meaning ascribed in the Plan.

“Allowed” shall have the meaning ascribed in the Plan.

“Amended OneUnited Claim” has the meaning given in Article III.C. herein.

“Anonymous Donor” has the meaning given in Article V.E.4. herein.

“Asserted Attorneys’ Liens” has the meaning given in Article V.E.9. herein.

“Assets” shall have the meaning ascribed in the Plan.

“Attorneys’ Lien Bar Date” has the meaning given Article V.E.1. herein.

“Ballot” shall have the meaning ascribed in the Plan.

“Bankruptcy Code” shall have the meaning ascribed in the Plan.

“Bankruptcy Court” shall have the meaning ascribed in the Plan.

“Bankruptcy Court Order” has the meaning given in Article III.C. herein.

“Bankruptcy Rules” shall have the meaning ascribed in the Plan.

“Bar Date” shall have the meaning ascribed in the Plan.

“Bar Date Order” shall have the meaning ascribed in the Plan.

“Broker Costs” has the meaning given in Article III.C. herein.

“Business Day” shall have the meaning ascribed in the Plan.

“Cash” shall have the meaning ascribed in the Plan.

“Causes of Action” shall have the meaning ascribed in the Plan.

“Chapter 11 Case” shall have the meaning ascribed in the Plan.

“Chapter 11 Parties” shall have the meaning ascribed in the Plan.

“Choate” shall have the meaning ascribed in the Plan.

“Church” means the Debtor.

“Church Building” shall have the meaning ascribed in the Plan.

“Church Claim Attorney’s Liens” has the meaning given Article V.E.9. herein

“Church Loan” has the meaning given in Article III.B. herein.

“Church Parking Lot” shall have the meaning ascribed in the Plan.

“City of Boston Tax Claim” shall have the meaning ascribed in the Plan.

“Claim” shall have the meaning ascribed in the Plan.

“Claims Objection Deadline” shall have the meaning ascribed in the Plan.

“Class” shall have the meaning ascribed in the Plan.

“Commercial Loan” has the meaning given in Article III.B. herein.

“Confirmation Date” shall have the meaning ascribed in the Plan.

“Confirmation Hearing” shall have the meaning ascribed in the Plan.

“Confirmation Order” shall have the meaning ascribed in the Plan.

“Construction Loan” has the meaning given in Article III.B. herein.

“Debtor” shall have the meaning ascribed in the Plan.

“Deficiency Claim” shall have the meaning ascribed in the Plan.

“Disallowed” shall have the meaning ascribed in the Plan.

“Disbursing Agent” shall have the meaning ascribed in the Plan.

“Disclosure Statement” shall have the meaning ascribed in the Plan.

“Disclosure Statement Hearing” shall have the meaning ascribed in the Plan.

“Disclosure Statement Order” shall have the meaning ascribed in the Plan.

“Disputed” shall have the meaning ascribed in the Plan.

“District” means the First Episcopal District of the African Methodist Episcopal Church.

“District Court” means the United States District Court for the District of Massachusetts.

“Effective Date” shall have the meaning ascribed in the Plan.

“Entity” shall have the meaning ascribed in the Plan.

“Estate” shall have the meaning ascribed in the Plan.

“Examiner” has the meaning given in Article.III.C. herein.

“Expert Sanction Order” shall have the meaning ascribed in the Plan.

“File” “Filed” or “Filing” shall have the meanings ascribed in the Plan.

“Final Decree” shall have the meaning ascribed in the Plan.

“Final Order” shall have the meaning ascribed in the Plan.

“First Plan and Disclosure Statement” means the *Seventh Modified Amended Plan of Reorganization of Debtor Charles Street African Methodist Episcopal Church of Boston* (Docket No. 471) and the *Amended Disclosure Statement Pursuant to Second Modified First Amended Plan of Reorganization of Charles Street African Methodist Episcopal Church of Boston* (Docket No. 181), described in Article III.C. herein.

“Fourth Claim Objection” has the meaning given in Article III.C. herein.

“General Bar Date” shall have the meaning ascribed in the Plan.

“General Unsecured Claims” shall have the meaning ascribed in the Plan.

“Guaranty” shall have the meaning ascribed in the Plan.

“Hasz” has the meaning given in Article III.B. herein.

“Holder” shall have the meaning ascribed in the Plan.

“Horizons” means Horizons for Homeless Children, Inc.

“Impaired” shall have the meaning ascribed in the Plan.

“Lien” shall have the meaning ascribed in the Plan.

“Lilly Endowment” means Lilly Endowment, Inc.

“Liquidation Analysis” has the meaning given in Article VII herein.

“Milton Parsonage House” shall have the meaning ascribed in the Plan.

“Milton Proceeds” shall have the meaning ascribed in the Plan.

“Motion for Judgment on the Pleadings” means *Debtor Charles Street A.M.E.’s Motion to Apply FRCP 12(c) to Claims Objection, For Judgment on the Pleadings, and Alternatively for Partial Summary Judgment* [Docket No. 1009], described in Article III.C. herein.

“New Boston Tax Lien Mortgage” shall have the meaning ascribed in the Plan.

“New Church Note” shall have the meaning ascribed in the Plan.

“New Notes” shall have the meaning ascribed in the Plan.

“New OneUnited Church Mortgage” shall have the meaning ascribed in the Plan.

“New Parking Lot Mortgage” shall have the meaning ascribed in the Plan.

“New Parking Lot Note” shall have the meaning ascribed in the Plan.

“New Parsonage Mortgage” shall have the meaning ascribed in the Plan.

“New Parsonage Note” shall have the meaning ascribed in the Plan.

“New Tremont Mortgage” shall have the meaning ascribed in the Plan.

“New Tremont Note” shall have the meaning ascribed in the Plan.

“Notice of Attorneys’ Lien” shall have the meaning ascribed in the Plan.

“October 2013 Exclusivity Sanctions Decision” shall have the meaning ascribed in the Plan.

“OneUnited” shall have the meaning ascribed in the Plan.

“OneUnited Church Loan Agreement” shall have the meaning ascribed in the Plan.

“OneUnited Church Secured Claim” shall have the meaning ascribed in the Plan.

“OneUnited Construction Loan Agreement” shall have the meaning ascribed in the Plan.

“OneUnited Notes” shall have the meaning ascribed in the Plan.

“OneUnited RRC Note” shall have the meaning ascribed in the Plan.

“OneUnited RRC Secured Claim” shall have the meaning ascribed in the Plan.

“Other Priority Claims” shall have the meaning ascribed in the Plan.

“Other Secured Claims” shall have the meaning ascribed in the Plan.

“Person” shall have the meaning ascribed in the Plan.

“Petition Date” shall have the meaning ascribed in the Plan.

“Plan” means the *Second Amended Third Plan of Reorganization of Charles Street African Methodist Episcopal Church of Boston*, filed July 5, 2017, as amended, supplemented, or modified from time to time in accordance with the terms of the Plan and in accordance with the terms of the Bankruptcy Code and the Bankruptcy Rules.

“Plan Documents” shall have the meaning ascribed in the Plan.

“Plan Supplement” shall have the meaning ascribed in the Plan.

“Preservation Costs” has the meaning given in Article III.C. herein.

“Priority Tax Claims” shall have the meaning ascribed in the Plan.

“Pro Rata Share” shall have the meaning ascribed in the Plan.

“Proof of Claim” shall have the meaning ascribed in the Plan.

“Reorganized Debtor” shall have the meaning ascribed in the Plan.

“Restructured Boston Tax Claim Payments” shall have the meaning ascribed in the Plan.

“Ropes & Gray” means the Church’s legal advisor in this Chapter 11 Case.

“Roxbury Renaissance Center” has the meaning given in Article III.B. herein.

“RRC” has the meaning given in Article III.B. herein.

“RRC Loan” has the meaning given in Article III.B. herein.

“RRC Proceeds” shall have the meaning ascribed in the Plan.

“RRC Property” shall have the meaning ascribed in the Plan.

“RRC Transaction” means the sale closing on June 30, 2014, in which the Debtor sold the RRC Property and the Storefronts to ABCD, discussed in Article III.C. herein.

“Schedules” shall have the meaning ascribed in the Plan.

“Second Plan” means the *Second Plan of Reorganization of Charles Street African Methodist Episcopal Church of Boston* (Docket No. 740), filed on April 29, 2014, described in Article III.C. herein.

“Secured Claim” shall have the meaning ascribed in the Plan.

“Secured Notes” shall have the meaning ascribed in the Plan.

“Settlement Election” shall have the meaning ascribed in the Plan.

“State Court Action” shall have the meaning ascribed in the Plan.

“Storefronts” shall have the meaning ascribed in the Plan.

“Storefronts Proceeds” shall have the meaning ascribed in the Plan.

“Substantial Contribution Claim” shall have the meaning ascribed in the Plan.

“Thomas Construction” means Thomas Construction Company, Inc.

“Thomas Construction Contract” shall have the meaning ascribed in the Plan.

“Tremont” shall have the meaning ascribed in the Plan.

“Tremont Mortgage” shall have the meaning ascribed in the Plan.

“Tremont Note” shall have the meaning ascribed in the Plan.

“Tremont Secured Claim” shall have the meaning ascribed in the Plan.

“Unimpaired” shall have the meaning ascribed in the Plan.

“United States Trustee” shall have the meaning ascribed in the Plan.

“Unsecured Recovery Pool” shall have the meaning ascribed in the Plan.

“Voting Agent” has the meaning in Article I.A. herein.

“Voting Deadline” means 4:00 p.m., Eastern Time, on [--], 2017.

“Voting Procedures” has the meaning in Article I herein.

“Voting Record Date” means [--], 2017.

**Exhibit A**

**Plan**



**Exhibit B**

**Historical Financials**

### **Selected Historical Financials**

The following selected historical financial data sets forth, for the periods indicated, certain summary financial information of the Church's operations and internal Church financial data. The Church derived the summary statements of operations from information from the Church's QuickBooks for the years 2014 – 2016. The Church keeps its regular financial data in QuickBooks. Since October 2013, the Church's Examiner has been charged with review of the Church's monthly operating reports for accuracy.

<u><b>Charles Street AME for the Calendar Year Ending,</b></u>			
	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>
Total Receipts	\$ 824,825	\$ 786,463	\$ 821,082
Growth %		-4.7%	4.4%
<b>Disbursements:</b>			
Personnel	149,336	155,900	168,966
Pastoral (incl travel)	144,320	156,490	165,879
Assessments/Annual Conference Expense	98,761	93,317	107,897
Discretionary Pastoral Residency Program	163,757	153,209	69,573
Church Ministries/Community Outreach	39,367	35,429	53,600
All Other Operating Expenses	245,540	191,588	216,098
Total Disbursements	841,082	785,934	782,013
<b>Receipts Less Disbursements<sup>(1), (2), (3)</sup></b>	<b>\$ (16,257)</b>	<b>\$ 529</b>	<b>\$ 39,070</b>
<p><i>(1) Due to differing presentations and budget categorizations, there are minor discrepancies in the historical financials as compared to the Monthly Operating Reports ("MORs") that the Church has submitted to the United States Trustee. The total difference in receipts less disbursements between the historical financials and the MORs over the 3 year period is \$117, approximately .005% of the total revenue received by the Church over this period, consisting of a \$6 discrepancy in 2014, \$122 in 2015, and \$1 in 2016.</i></p> <p><i>(2) The March 2015 receipts and disbursements both exclude \$96,159.06, which corresponds to the settled amount of the Church's 506(c) adversary proceeding against OneUnited (Adv. Pro. 14-01130) [Docket No. 868].</i></p> <p><i>(3) The April 2015 receipts and disbursements both exclude \$63,750.00, which corresponds to amounts paid to the Church from the RRC Proceeds and Storefront Proceeds and immediately paid to the Church's real estate broker in connection with the sales of the RRC Property and the Storefronts [Docket No. 873].</i></p>			

**Exhibit C**

**Three Year Budget 2017-2019**

### Three Year Budget 2017-2019

In connection with the Disclosure Statement, the Church's Commission on Stewardship & Finance (the "**Commission**") prepared financial projections (the "**Financial Projections**") for the Reorganized Debtor for calendar years 2017, 2018, and 2019 (the "**Projection Period**"). The Financial Projections were prepared by the Commission and are based on a number of assumptions made by the Commission with respect to the future performance of the Reorganized Debtor's operations. Although the Commission has prepared the Financial Projections in good faith and believes the assumptions to be reasonable, the Church and the Reorganized Debtor can provide no assurance that such assumptions will be realized. As described in detail in the Disclosure Statement, a variety of risk factors could affect the Reorganized Debtor's financial results and must be considered. Accordingly, the Financial Projections should be reviewed in conjunction with a review of the risk factors set forth in the Disclosure Statement and the assumptions described herein, including all relevant qualifications and footnotes.

	<u>Charles Street AME for the Calendar Year Ending,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Revenues	\$ 842,538	\$ 844,475	\$ 860,880
<i>Growth %</i>	<i>2.4%</i>	<i>0.2%</i>	<i>1.9%</i>
<b>Expenses:</b>			
Personnel	171,531	169,090	172,472
Pastoral (incl travel)	145,799	143,700	141,602
Assessments/Annual Conference Expense	93,585	96,114	94,614
Discretionary Pastoral Residency Program	69,797	68,492	70,804
Church Ministries/Community Outreach	64,313	60,475	62,289
Contingency	10,000	9,500	9,500
All Other Operating Expenses	140,153	131,125	133,313
Total Operating Expenses	695,177	678,496	684,594
Net Income Before Debt Service	147,361	165,979	176,286
Estimated Debt Service <sup>(1), (2)</sup>	-	164,859	164,859

*Assumes that the City of Boston Tax Claim is paid from RRC Proceeds, if the Restructured Boston Tax Claim Payments are instead used the figures presented above would change.*

*(1) Assumes emergence of November 1, 2017 and a first debt payment date of January 31, 2018.*

*(2) Subject to change based on final determination of market interest rate.*

**Exhibit D**

**Liquidation Analysis**

## **Liquidation Analysis**

### **Introduction:**

The Bankruptcy Code requires that each holder of an Impaired Claim either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Effective Date of the Plan, that is not less than the value such Holder would receive or retain if the Debtor was liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. The first step in determining whether this test has been met is to determine the dollar amount that would be generated from the liquidation of the Debtor's assets and properties in the context of a chapter 7 liquidation case. The gross amount of cash available would be the sum of the proceeds from the disposition of the Debtor's assets and the cash held by the Debtor at the time of the commencement of the chapter 7 case. Such amount is reduced by the amount of any Claims secured by such assets, the costs and expenses of the liquidation, and such additional Administrative Claims that may result from the termination of the Debtor's business and the use of chapter 7 for the purpose of liquidation. Any remaining net cash would be allocated to creditors in strict priority in accordance with Section 726 of the Bankruptcy Code.<sup>1</sup>

### **Estimate of Net Proceeds:**

Estimates were made of the cash proceeds that might be realized from the liquidation of the Debtor's assets. The liquidation period is assumed to commence on December 31, 2017 and to last 12 months following the appointment of a chapter 7 trustee for the Debtor (the "***Liquidation Period***"). For the purpose of the analysis, the Debtor's balance sheet as of April 30, 2017 was used.

There can be no assurance that the liquidation would be completed in the assumed time frame nor is there any assurance that the recoveries assigned to the assets would in fact be realized. Under section 704 of the Bankruptcy Code, an appointed trustee must, among other duties, collect and convert the property of the estate as expeditiously as is compatible with the best interests of the parties in interest. The liquidation analysis assumes a chapter 7 trustee's sales process will be completed and the proceeds will be distributed within 12 months. During the Liquidation Period, the trustee would sell the Debtor's assets, wind-down operational activities, complete the claims reconciliation process, and make distributions to parties in interest. Depending on the actual circumstances, the Liquidation Period could be significantly longer, in which event wind-down costs would increase and recoveries would likely decrease. Accordingly, there can be no assurance that the values reflected in the liquidation analysis would be realized if the Debtor were, in fact, to undergo such a liquidation, and actual results could vary materially from those set forth below.

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<sup>1</sup> Pursuant to section 303(a) of the Bankruptcy Code, a not-for-profit organization, like the Debtor, cannot be converted nonconsensually to chapter 7.

### **Estimate of Costs:**

The Debtor's cost of liquidation under chapter 7 would include fees payable to a chapter 7 trustee, as well as those fees which might be payable to attorneys, real estate brokers, and other professionals that such a trustee may engage, including the chapter 7 trustee's use of unencumbered cash to pursue the remaining 93A Claim. Further costs of liquidation would include any obligations and unpaid expenses incurred by the Debtor until conclusion of the chapter 7 case.

The liquidation analysis assumes that these costs would be directly chargeable to OneUnited's collateral under section 506(c) of the Bankruptcy Code, other than costs related to the prosecution of the remaining 93A Claim. The liquidation analysis allocates 100% of the costs associated solely with liquidating OneUnited's collateral to such collateral (e.g., real estate broker fees), and otherwise allocates a portion of the other chapter 7 costs on a pro-rata basis to the assumed collateral proceeds and assumed proceeds of unencumbered assets.

It is possible that in a chapter 7 case, the wind-down expenses may be greater or less than the estimated amount. As noted above, such expenses are in part dependent on the length of time of the liquidation.

The wind-down costs in the liquidation analysis include operating expenses and other costs considered likely to be incurred during the Liquidation Period. Significant liquidation activities would include negotiation of the sale of real estate, equipment, and other tangible assets.

### **Distribution of Net Proceeds under Absolute Priority:**

The foregoing types of chapter 7 Administrative Claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to holders of General Unsecured Claims. Under the absolute priority rule, no junior creditor may receive any distribution until all senior creditors are paid in full.

The Debtor believes that in a chapter 7 case, after taking account of the costs of the chapter 7 liquidation, secured creditors, as well as junior creditors with Administrative Claims or Other Priority Claims, would receive a partial recovery. General Unsecured Claims (including Deficiency Claims) would receive a very nominal recovery (less than 0.5%), and most would receive no recovery after accounting for the costs of distribution.

The claim amounts reflected in the Liquidation Analysis are based on the Debtor's estimate of claims which are expected to be incurred as a result of the liquidation and the Debtor's estimate of claims which would exist as of December 31, 2017.

After consideration of the effects of a chapter 7 liquidation on the ultimate proceeds available for distribution to creditors, including (i) increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a chapter 7 trustee and professional advisors to such trustee, and (ii) the increase in Claims which would be satisfied on a priority basis, the Debtor has determined that confirmation of the Plan will provide each creditor with a recovery that is

not less than such creditor would receive pursuant to a liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

**General Assumptions:**

The Liquidation Analysis reflects estimates of the proceeds that might be realized through the liquidation of the Debtor, in accordance with chapter 7 of the Bankruptcy Code. This analysis is based on the Debtor's assets and liabilities as of April 30, 2017.

The Liquidation Analysis is based upon a number of estimates and assumptions that, although developed by and considered reasonable by the Debtor, are inherently subject to significant economic, operational, governmental, and regulatory uncertainties as well as other contingencies beyond the control of the Debtor or its principals. The Liquidation Analysis is also based on assumptions with regard to liquidation decisions that are subject to change. Accordingly, there can be no assurance that the values reflected in this Liquidation Analysis would be realized if the Debtor was, in fact, to undergo such a liquidation, and actual results could vary materially and adversely from those contained herein.

The major assumptions include:

1. The analysis assumes the conversion of the chapter 11 case to a chapter 7 case with the liquidation of the Debtor's assets being finalized over a 12 month period. A chapter 7 trustee would be either elected by creditors or appointed by the Bankruptcy Court to administer the estate. The chapter 7 trustee is independent and would be entitled to make all of his or her own decisions regarding the liquidation of the estate, hiring of professionals, the pursuit of Claims or litigation, the payment of or objection to Claims, and the distribution of any ultimate dividend. The chapter 7 trustee would be compensated in accordance with Section 326 of the Bankruptcy Code.
2. The Liquidation Analysis utilizes the Debtor's balance sheet as of April 30, 2017, and other figures estimated by management. The Debtor does not believe that the assets and liabilities will materially change prior to the assumed liquidation date of December 31, 2017.
3. This Liquidation Analysis assumes that all assets of the Debtor will be liquidated during the 12 month Liquidation Period. The Debtor believes a 12 month Liquidation Period is sufficient to allow for an orderly marketing and closing of sales and a distribution of the proceeds received.
4. It is assumed that assets will be sold for cash or cash equivalents.
5. The amounts reflected in the Liquidation Analysis are based on the Debtor's estimate of Administrative Claims that are expected to be incurred as a result of the liquidation and the Debtor's estimate of Claims which would exist as of December 31, 2017.
6. Administrative claims allocable to the collateral for the OneUnited Church Loan, the collateral for the OneUnited RRC Secured Claim, and unencumbered collateral were allocated as a percentage of the proceeds available to creditors. The Liquidation Analysis



assumes an allocation of 37.5% to the proceeds of the collateral for the OneUnited Church Loan, 59.2% to the proceeds of the collateral for the OneUnited RRC Secured Claim, and 3.3% to the proceeds of unencumbered assets.

Charles Street African Methodist Church of Boston  
Hypothetical Liquidation Analysis  
as of April 30, 2017

<b><u>ASSETS</u></b>	Notes	Collateral Value Subject to OneUnited Church Secured Claim	Collateral Value Subject to OneUnited RRC Secured Claim	Unencumbered Asset Book Value
Cash	A	\$ -	\$ -	\$ 130,000
Restricted Cash	B	\$ -	\$ -	\$ 30,000
Milton Proceeds		\$ 348,000	\$ -	\$ -
RRC Proceeds		\$ -	\$ 2,388,000	\$ -
Storefront Proceeds		\$ 339,000	\$ -	\$ -
Furniture/Fixtures		\$ -	\$ -	\$ 50,000
Church Building		\$ 1,350,000	\$ -	\$ -
5 Elm Hill		\$ -	\$ 375,000	\$ -
Church Parking Lot		\$ -	\$ 450,000	\$ -
<b>Total Proceeds Available for Distribution</b> (minus restricted funds)		\$ 2,037,000	\$ 3,213,000	\$ 180,000
<b><u>TOTAL</u></b>		<b>\$ 5,430,000</b>		

<b><u>ADMINISTRATIVE CLAIMS</u></b>	Notes	Estimated Amount	Allocable to OneUnited Church Loan Collateral	Allocable to OneUnited RRC Secured Claim Collateral	Allocable to General Unsecured Claims
Chapter 7 Trustee Fee	C	\$ 186,150	\$ 69,806	\$ 110,201	\$ 6,143
Trustee's Counsel	D	\$ 400,000	\$ 150,000	\$ 236,800	\$ 13,200
Trustee's Real Estate Brokers	E	\$ 108,750	\$ 67,500	\$ 41,250	\$ -
City of Boston Tax Claim	I	\$ 88,212	\$ -	\$ 88,212	\$ -
Trustee's Special Litigation Counsel	F	\$ 175,000	\$ -	\$ -	\$ 175,000
Real Estate Taxes	G	\$ 49,460	\$ 32,144	\$ 17,316	\$ -
Wind-Down Costs	H	\$ 50,000	\$ 18,750	\$ 29,600	\$ 1,650
Contingency		\$ 15,000	\$ 5,625	\$ 8,880	\$ 495
<b>Total Liquidation Expenses</b>		\$ 1,072,572	\$ 343,825	\$ 532,259	\$ 196,488
<b><u>Net Proceeds Available to Creditors</u></b>		<b><u>\$ 3,284,856</u></b>			

<b><u>ALLOCATION OF PROCEEDS</u></b>	Notes	Total Claim Amount	Value of Recovery	Deficiency Claims, if any	Percentage Recovery in Chapter 7
OneUnited Secured Church Claim	J	\$ 1,720,472	\$ 1,693,175	\$ -	98%
Tremont Secured Claim	K	\$ 451,630	\$ -	\$ 451,630	0%
OneUnited Secured RRC Claim	L	\$ 3,333,000	\$ 2,680,741	\$ 652,259	80%
General Unsecured Claims (including Deficiency Claims)	M	\$ 1,886,889	\$ -	n/a	0%
Other Claims	N	\$ 10,000	\$ -	n/a	0%

## **Conclusion:**

Under the Plan, OneUnited will receive (to the extent OneUnited's claims are not reduced or eliminated by the Church's 93A Claims) (1) a 100% recovery on the OneUnited Church Secured Claim, (2) a 96% recovery on the value of the collateral securing the OneUnited RRC Secured Claim, and (3) a Pro Rata Share of the Unsecured Recovery Pool for the OneUnited Deficiency Claim, estimated at 8.5%. Under the Plan, OneUnited is receiving the same or a higher recovery than it would under chapter 7, due to its 96% recovery on the value of the collateral securing the OneUnited RRC Secured Claim and the partial recovery of the OneUnited Deficiency Claim.

Under the Plan, Tremont will receive (1) a 20-80% recovery on the Tremont Secured Claim and (2) a Pro Rata Share of the Unsecured Recovery Pool for the Tremont Deficiency Claim, estimated at 8.5%. Under the Plan, Tremont is receiving a higher recovery than it would under chapter 7.

Under the Plan, General Unsecured Creditors (including deficiency claims) will receive a Pro Rata Share of the Unsecured Recovery Pool, estimated at 8.5%. Under the Plan, General Unsecured Creditors are receiving a higher recovery than they would under chapter 7.

## **Notes to Chart**

- A. Cash – the Liquidation Analysis assumes no further cash would be generated from operations during the chapter 7 case for distribution. It is assumed that the cash at the end of the actual liquidation would be equal to the cash balance as of April 30, 2017. The Debtor's cash is held in bank accounts and is assumed to be fully recoverable.
- B. Restricted Cash – the Liquidation Analysis assumes any restricted cash would not be available during the chapter 7 case for distribution, due to gift restrictions. It is assumed that the restricted cash at the end of the actual liquidation would be equal to the cash balance as of April 30, 2017.
- C. Chapter 7 Trustee Fee – Section 326(a) of the Bankruptcy Code determines the fee.
- D. Trustee's Counsel – compensation for the chapter 7 trustee's counsel is estimated at \$400,000 given the uniqueness of the assets, namely the Church Building, and the time it would take to sell the properties.
- E. Trustee's Real Estate Brokers' Fees – the Liquidation Analysis assumes the Church Building, 5 Elm Hill, and the Church Parking Lot are sold at their appraised values (\$1.35 million, \$375,000, and \$450,000, respectively) and assumes a broker's fee of 5%.
- F. City of Boston Tax Claim – the Liquidation Analysis assumes the City of Boston Tax Claim will be paid from the RRC Proceeds on December 31, 2017.
- G. Trustee's Special Litigation Counsel – the Liquidation Analysis assumes the Trustee's Counsel will hire Ropes & Gray LLP or another firm as special litigation counsel to continue to litigate the 93A Claims (including appeals). The special litigation counsel is

assumed to receive 33% of any financial recovery obtained through litigation or settlement, plus cash payment of any expenses (including the retention and payment of experts), estimated at \$175,000.

- H. Real Estate Taxes – the Liquidation Analysis assumes the Church will pay the equivalent of the 2017 tax assessment to the City of Boston upon closing of sales of the Church Building, 5 Elm Hill, and the Church Parking Lot (\$32,143.79, \$15,247.37, and \$2,067.66, respectively). This would represent real estate taxes for the period after charitable activities ceased.
- I. Wind-down Costs – the estimates for the wind-down costs in the Liquidation Analysis include operating expenses and other costs considered likely to be incurred during the Liquidation Period. The Liquidation Period is assumed to last 12 months, 11 months for the sale of assets and one additional month for administration to conclude the wind-down. Significant liquidation activities would include, but are not limited to: (i) the sale of real estate, (ii) the sale/liquidation of furniture and fixtures, (iii) closing of books and records; and (iv) the protection and security of assets. It is assumed that the pastor, the bookkeeper, and a secretary would be responsible for the wind-down activities during the Liquidation Period. The wind-down costs also include the cost of professional brokers to liquidate real estate and equipment.
- J. OneUnited Secured Church Claim – the claim includes the prepetition amount asserted by OneUnited in OneUnited’s Proof of Claim, filed on June 1, 2012, minus \$33,091.67 in disallowed default interest<sup>3</sup> and assumes postpetition interest of approximately \$415,000 and postpetition attorney’s fees of \$150,000.<sup>4</sup>
- K. Tremont Secured Claim – the claim includes the principal amount asserted in Tremont’s Proof of Claim, filed on May 14, 2012, and does not include any postpetition interest or attorney’s fees.
- L. OneUnited Secured RRC Claim – the claim includes the prepetition amount asserted by OneUnited in OneUnited’s Proof of Claim, filed on June 1, 2012, minus \$482,463.17 in disallowed default interest<sup>5</sup> and assumes no postpetition interest or attorney’s fees are chargeable to the estate under section 506(b).
- M. General Unsecured Claims – assumes (i) General Unsecured Claims of \$783,000; (ii) Tremont Deficiency Claim of \$451,630; and (iii) OneUnited Deficiency Claim on the OneUnited Secured RRC Claim of \$652,259.

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<sup>3</sup> See *Memorandum of Decision on Debtor’s Objection to Proof of Claim of OneUnited Bank* [Docket No. 370] (the “**First Claim Objection Order**”).

<sup>4</sup> See *Debtor Charles Street A.M.E.’s Fourth Objection to Amended Proof of Claim of OneUnited Bank, Claim No. 10* [Docket No. 999] in which the Church seeks to cap any postpetition attorney’s fees on the OneUnited Secured Church Claim at \$150,000.

<sup>5</sup> See *First Claim Objection Order*.

N. Other Claims – represents an estimate of contract claims, litigation claims, as well as a contingency for potential unidentified claims.