

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MASSACHUSETTS**

In Re:	)	
	)	
NADLER AND DARWISH, LLC	)	<b>CHAPTER 11</b>
	)	<b>CASE NO. 16-12820-MSH</b>
DEBTOR	)	
	)	

**DISCLOSURE STATEMENT**

- I. INTRODUCTION
- A. General

This is the Disclosure Statement for the above noted Debtor, Nadler and Darwish, LLC (the “Debtor”). This Disclosure Statement contains a description of (1) the Debtor, (2) the operation of its business, and (3) its expectations for future operations. It also discusses the valuation of the Debtor’s assets and alternatives to the Plan. On July 24, 2016 (the “Petition Date”) the Debtor filed a voluntary petition for relief under Title 11, United States Code, known as the Bankruptcy Code (the “Code”). On July 28, 2016, the United States Trustee filed an Emergency Motion to Dismiss Case due to the Debtor’s failure to provide evidence of general liability and casualty insurance on the Property. On August 1, 2016, a hearing was held on the United States Trustee’s Motion to Dismiss and the Debtor’s Opposition to the United States Trustee’s Motion to Dismiss at which time the Court entered an Order granting the United States Trustee’s Motion to Dismiss.

On August 29, 2016, the Debtor filed a Motion to Vacate the Dismissal of the Chapter 11 as the Debtor has acquired the requisite insurance to protect the Property and property of the estate and the risk to the public. On August 31, 2016, the Court entered an Order vacating the dismissal and reinstating the Chapter 11 proceeding which was entered on the Docket on September 1, 2016. The Chapter 11 case is pending in the United States Bankruptcy Court for the District of Massachusetts in Boston, Massachusetts (the “Court”).

During the case, the Debtor has maintained its business operating as a building owner and property manager as well as other enterprises while a Debtor-in-Possession under Sections 1107 and 1108 of the Code. Pursuant to Section 1125 of the Code, this Disclosure Statement in support of the Debtor’s Plan of Reorganization is being sent to all holders of claims against the Debtor so that the Debtor may solicit votes for the Plan and creditors may be provided with information concerning the Plan, the Debtor and the prospect of future operations. All references herein to the Plan and the Disclosure Statement are as it may be amended from time to time. The Plan provides for the Debtor to retain its building located at 967-975 North Main Street, Randolph, Massachusetts (the “Property” or “Premises”) while restructuring its obligations to its creditors.

**THE PLAN IS A LEGALLY BINDING ARRANGEMENT AND SHOULD BE READ IN ITS ENTIRETY. ACCORDINGLY, SOLICITED PARTIES MAY WISH TO CONSULT WITH THEIR ATTORNEYS REGARDING THE CONTENTS OF THE PLAN AND DISCLOSURE STATEMENT.**

B. Attachments

Available on request are the following: Leases for each of the tenants of the Debtor and Tax Returns for Nurses R Use for 2015.

II. THE PLAN

A. Payment of Administrative Claims.

Administrative Claims include any post-petition fees and expenses allowed to professionals employed upon Court authority to render services to the Debtor during the course of the Chapter 11 case. Administrative Claims owed to Counsel to the Debtor shall be paid upon entry of an Order of the Bankruptcy Court upon filing of an Application for Compensation.

B. Payment of Tax Claims.

1. Priority Tax Claims: Priority Claims, as scheduled or as filed and allowed by the Court, of whatever kind or nature will be paid in monthly installments with interest over a five year period from the Petition Date. As of the Petition Date, there are no other known or filed priority claims. The Debtor has filed all tax returns which are due and there are no sums owed. To the extent that any claims are asserted, these claims shall be paid in full in equal monthly installments commencing 60 days after the Effective Date within the five years from the Petition Date with interest on the outstanding balance as provided in Section 6621 of the Internal Revenue Code with respect to federal tax claims or in accordance with applicable law with respect to state tax claims.

2. Real Estate Tax Claims: At the time of the filing, there were Real Estate tax claims owed by the Debtor to the Town of Randolph in the sum of \$62,000. The claim of the Town of Randolph will be paid in monthly installments with interest over a five year period from the Effective Date of Confirmation. The monthly payment is contemplated to be \$1,023.

C. Fees of the United States Trustee

Administrative expenses shall include all quarterly fees owing to the U.S. Trustee through the filing of the Application for Final Decree. The Debtor is current upon its

Quarterly Fee payments and the balance projected to be due upon Confirmation is \$650.00 which shall be paid to the U.S. Trustee upon the Effective Date of Confirmation. Pursuant to the provisions of 28 U.S.C. §1930 as amended by Pub. L. No. 104-99 (1996), the Debtor shall provide the United States Trustee with Post-Confirmation monthly operating reports and make quarterly payments of the United States Trustee's fees until the case is closed. The Debtor will be responsible for timely payment of fees incurred pursuant to 28 U.S.C. §1930(a)(6). Upon the Effective Date the Debtor will file an Application for Final Decree or, the Debtor will serve the United States Trustee with a monthly financial report for each month (or portion thereof) the case remains open. The monthly financial report shall include the following:

- a. A statement of all disbursements made during the course of the month, whether or not pursuant to the plan;
- b. 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;
- c. The Debtor's projections as to his continuing ability to comply with the terms of the plan;
- d. A description of any other factors which may materially affect the Debtor's ability to consummate the plan; and
- e. An estimated date when an application for final decree will be filed with the Court (in the case of the final monthly report, the date the decree was filed).

D. Ordinary Course Business Obligations

Post-petition claims shall be paid in the course of business. The Debtor incurred no post-petition obligations and there are no post-petition liabilities due.

E. Designation and Payment of Classes of Claims

Class One: Claims Mechanics Cooperative Bank. Class One consists of the Allowed Secured Claim of Mechanics Cooperative Bank (hereafter "Mechanics"), pursuant to a Note known as Loan #0125900854 dated June 5, 2012 and thereafter modified by the Commercial Loan Note Modification Agreement dated July 11, 2014 (hereafter "Note One"). The claim is secured by a first mortgage upon the property located and known as 967-975 North Main Street, Randolph, Massachusetts (the "Property"). According to the appraisal dated June 30, 2016 which was commissioned by Mechanics (the "Appraisal"), the Property had a value "As Is" of \$1,300,000.

At the Petition Date, Note One secured by the first mortgage was the sum of \$862,529.02 Post-petition, Mechanics applied the payments received on account of the fire insurance proceeds, the sum of \$55,897.50 bringing Note One current through August, 2016. As of August 2016, the new outstanding balance on Note One was the sum of \$743,218.12.

The terms of Note One provides for a maturity date of July 11, 2039 the obligation to be paid with the interest of six percent (6 %) through June 5, 2017 with adjustments to be made for the next five (5) years to a rate equal to the then current Federal Home Loan Bank of Boston Five Year Classic Advance Rate plus 3.30 % per annum, but in no event less than 5.75% per annum.

The Plan provides for payment in accordance with the Note One in the sum of \$4,100 commencing on the Effective Date. The Debtor shall pay interest only upon Note One until the Effective Date. Upon confirmation of the Plan, Note One shall be deemed in good standing as if there had been no default. Mechanics shall send monthly statements to the Debtor reflecting the payments throughout the proceedings and the sums due from and after the Effective Date of Confirmation. The Class One claimant is impaired.

Class Two: Claims Mechanics Cooperative Bank. Class Two consists of the Allowed Secured Claim of Mechanics Cooperative Bank (hereafter "Mechanics"), pursuant to a Note known as Loan #0131900864 dated June 5, 2012 and thereafter modified by the Commercial Loan Note Modification Agreement dated July 11, 2014 (hereafter "Note Two"). The claim is secured by a second mortgage upon the property located and known as 967-975 North Main Street, Randolph, Massachusetts (the "Property"). According to the appraisal dated June 30, 2016 which was commissioned by Mechanics (the "Appraisal"), the Property had a value "As Is" of \$1,300,000.

At the Petition Date, Note Two was outstanding in the sum of \$851,267.09. Post-petition, Mechanics applied the payments received on account of the fire insurance proceeds, the sum of \$44,128.51 bringing Note Two current through August, 2016. As of August 2016, the new outstanding balance on Note Two was the sum of \$770,338.59. The Class Two claimant is undersecured and shall have an Allowed Secured Claim in the sum of \$556,781.90. The balance of the claim in the sum of \$213,556.69 is unsecured and shall be provided for in Class Three below.

The Class Two Claimant shall paid with the interest at six percent (6 %) through June 5, 2017 with adjustments to be made for the next five (5) years to a rate equal to the then current Federal Home Loan Bank of Boston Five Year Classic Advance Rate plus 3.30 % per annum, but in no event less than 5.75% per annum with a maturity date of July 11, 2039. The Class Two Claimant shall be paid the sum of \$3,587.00 commencing on the Effective Date. Upon confirmation of the Plan, Note Two shall be deemed in good standing as if there had been no default. Mechanics shall send monthly statements to the Debtor reflecting the payments throughout the proceedings and the sums due from and after the Effective Date of Confirmation. The Class Two Claimant is impaired.

Class Three: Class Three consists of all Unsecured Claims, as scheduled or as filed and allowed by the Court, against the Debtor of whatever kind or nature which are not included in any other Class hereof, including without limitation, the claim of Mechanics in the unsecured amount of \$213,556.69, the claims as scheduled or as filed by the Bar Date established as well as any claims based on the rejection of executory contracts or unexpired leases, and claims for damages to person or property based on strict liability, negligence or breach of a warranty, express or implied, relative to services rendered or products delivered by the Debtor, which sums are not anticipated. The Bar date for filing claims will expire on November 30, 2016. Thereafter, the Debtor will be able to further define its unsecured claim amounts. The general unsecured debt as scheduled by the Debtor or as provided by the Plan treatment of Mechanics is in the approximate sum of \$215,000<sup>1</sup>.

The Debtor will pay the total of \$21,500.00 to the Class Three Claimants in four (4) annual installments of \$5,375.00 with an initial distribution of \$5,375.00 on the Effective Date following confirmation of the Plan to be distributed pro rata among the unsecured claims in Class Three and thereafter, on the anniversary of the Effective Date of Confirmation for an additional three (3) installments. The Debtor estimates that these payments will result in a dividend of approximately ten percent (10 %). Class Three is impaired.

Class Four: Class Four consists of any Equity Interest as of the filing date which the Debtor had in property of the Estate, as scheduled or as filed and allowed by the Court, of whatever kind or nature which is not included in any other Class hereof. The Debtor believes that the assets have no present value. The Class Four claimants rare Jean Louis and Adler Jean Louis shall retain their equity interests by contribution of new value in the sum of \$15,000.00 which sums shall be payable on Confirmation of the Plan.

F. Treatment of Executory Contracts and Unexpired Leases.

The Plan does not propose to reject any executory Agreements. The Debtor may file a motion or amend this Plan to reject other executory contracts and leases prior to Confirmation. Subject to the requirements of Section 365 of the Bankruptcy Code, all executory contracts or unexpired leases of the Debtor that are not rejected, have not been rejected by order of the Bankruptcy Court or are not the subject of a motion to reject pending 90 days after the Confirmation Date will be deemed assumed. If any party to an executory contract or unexpired lease which is deemed assumed pursuant to the Plan objects to such assumption, the Bankruptcy Court may conduct a hearing on such objections on any date which is either mutually agreeable to the parties or fixed by the Bankruptcy Court. All payments to cure defaults that may be required by Section 365(b)(1) of the Bankruptcy Code will be made by the Debtor. In the event of a dispute regarding the amount of any such payments or the ability of the Debtor to provide for adequate assurance of future

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<sup>1</sup> The Debtor has listed the unsecured claimants as either unknown or \$1.00 on its Schedule F.

performance, the Debtor will make any payments required by Section 365(b)(1) of the Bankruptcy Code after the entry of a Final Order resolving such dispute.

All proofs of Claim with respect to Claims arising from the rejection of executory contracts or unexpired leases must be filed with the Bankruptcy Court within thirty (30) days from and after the date of entry of an order of the Bankruptcy Court approving such rejection or such Claims will be barred. A creditor whose claims arise from rejection of executory contracts and unexpired leases will be treated as an unsecured creditor.

#### G. Means for Implementation of the Plan

On Confirmation, all property of Debtor, tangible and intangible, including, without limitation, licenses, furniture, fixtures and equipment, will revert, free and clear of all claims and interests except as provided herein, to the Debtor. The Debtor will pay the claims described above from its operations post-Confirmation. The Debtor estimates that on the Effective Date the funds to be distributed are approximate \$25,000.00 to satisfy the first payment due to the Class One and Class Two creditors, the initial distribution to the Town of Randolph and the initial dividend distribution payment to the general unsecured claimants, sums due, if any to the United States Trustee and payment of the administrative claims of counsel to the Debtor. The Debtor expects to have sufficient cash on hand to make the payments required on the Effective Date through the contribution of new value by the equity interest holders as well as rental revenue from the tenants who will occupy the Debtors premises.

All quarterly disbursement fees, arising under 23 U.S.C. §1930 (“Quarterly Fees”), accrued prior to confirmation shall be paid in full, on or before the date of confirmation of the Debtor’s plan, by the Debtor or any successor to the Debtor. All Quarterly Fees which accrue post-confirmation shall be paid in full on a timely basis by the Debtor or any successor to the Debtor prior to the Debtor’s case being closed, converted or dismissed.

#### H. Provision for Disputed Claims

The Debtor may object to the allowance of any Claims within 90 days of the Effective Date by filing an objection with the Bankruptcy Court and serving a copy thereof on the holder of the Claim in which event the Claim objected to will be treated as a Disputed Claim under the Plan. If and when a Disputed Claim is finally resolved by allowance of the Claim in whole or in part, the Debtor will make any payments in respect of such Allowed Claim in accordance with the Plan.

### III. INFORMATION PERTAINING TO THE DEBTOR

A. Debtor’s Operations: The Debtor is engaged in actions which include serving as a building contractor for the repair of the premises damaged by fire and actions to be the

property manager of the tenants who will operate in the Debtors' premises and as project manager in seeking tenants for the Property which is not currently subject to lease agreements. These actions were necessitated by the requirement that the Debtor find replacement revenues following the Mechanic efforts to foreclose upon the Property and the setting off of the fire insurance proceeds needed to repair the Property for occupancy. As can be noted by the operating reports submitted on a monthly basis, the Debtor has had relative success, notwithstanding the difficult relationship with the secured lender.

The Debtor worked during the reorganization period to repair the Property and is in the process of completing the renovations whereupon, the tenants previously contracted for to occupy the premises will locate into the premises. It is contemplated that the tenants will move into the premises on or about the Confirmation Date. At the same time, the Debtor is seeking additional tenants for the premises such that rental income can be improved and expanded. The reorganization of the Debtor can be accomplished with the rental income, as well as the expectation that it will be capable of renting the remaining space in the Property to third parties. Once the reconstruction of the Property is completed, the revenues will be sufficient to satisfy the ongoing obligations to the creditors. The information with regard to the tenants is as follows:

**Projected Income:**

Tenant 1: Nurses R Us, Inc.	\$ 8,500
Tenant 2: Sarah V. Boston School, Inc.	\$ 5,000
Tenant 3: Randolph Adult Day Care Center, Inc.	<u>\$ 6,500</u>
Total Monthly Rental Revenue	<u>\$20,000</u>

**Projected Expenses**

First Mortgage	\$4,100
Second Mortgage	\$3,587
Real Estate Taxes	\$2,500
ADT	\$ 495
Utilities	\$ 450
Insurance	\$ 500
Cleaning	\$ 420
Legal and Accounting	\$1,000
Salary/Administration	\$1,600
Maintenance /Repairs/Build out	<u>\$2,000</u>
Total Projected Monthly Expenses	<u>\$3,348</u>

**Plan Payments**

Real Estate Arrears	\$1,023
Class Three payments	<u>\$ 500</u>
Total Plan Payment	<u><b>\$1,523</b></u>
<b>Net Income</b>	<u><b>\$1,825</b></u>

B. Officers, Directors and Shareholders. Erna Jean Louis is the sole Member and Manager of the Debtor. Ms. Jean Louis is not compensated by the Debtor and there is no expectation that she will be compensated pending completion of the payments to administrative claimants or creditors under the Plan

**IV. VOTING AND CONFIRMATION**

A. General Requirements In order to confirm a Plan, the Code requires that the Bankruptcy Court make a series of determinations concerning the Plan, including that: (1) the Plan has classified Claims in a permissible manner; (2) the Plan complies with the technical requirements of Chapter 11 of the Code; (3) the proponent of the Plan has proposed the Plan in good faith; (4) the disclosures concerning the Plan as required by Chapter 11 of the Code have been adequate and have included information concerning all payments made or promised by the Debtor in connection with the Plan; (5) the Plan has been accepted by the requisite vote of creditors, except, as explained below, to the extent that “cramdown” is available under Section 1129(b) of the Code; (6) the Plan is “feasible” (that is, there is a reasonable prospect that the Debtor will be able to perform its obligations under the Plan and continue to operate its business without further financial reorganization, except if the Plan contemplates a liquidation of the Debtor’s assets); and (7) the Plan is in the “best interests” of all creditors (that is, that creditors will receive at least as much under the Plan as they would receive in a Chapter 7 liquidation). To confirm the Plan, the Bankruptcy Court must find that all of these conditions are met. Thus, even if the creditors of the Debtor accept the Plan by the requisite number of votes, the Bankruptcy Court must make independent findings respecting the Plan’s feasibility and whether it is in the best interests of the Debtor’s creditors before it may confirm the Plan. The Debtor believes that the Plan fulfills all of the statutory conditions of Section 1129 of the Code. The statutory conditions to confirmation are more fully discussed immediately below.

B. Classification of Claims and Interests: The Code requires that a plan of reorganization place each creditor’s claim in a class with other claims which are “substantially similar.” The Debtor believes that the Plan meets the classification requirements of the Code.

C. Voting: As a condition to Confirmation, the Code requires that each impaired class of claims accept the Plan. The Code defines acceptance of a Plan by a class of claims as acceptance by holders of two-thirds in dollar amount and a majority in number of claims of



that class, but for that purpose the only ballots counted are those of the creditors who are allowed to vote and who actually vote to accept or to reject the Plan. Persons who are considered “insiders,” as that term is defined in Section 101 of the Code, may vote, but its vote is not counted in determining acceptance of the Plan.

Classes of claims that are not “impaired” under the Plan are deemed to have accepted the Plan. Acceptances of the Plan are being solicited only from those persons who hold Allowed Secured and Unsecured Claims that are impaired under the Plan. An Allowed Claim is “impaired” if the legal, equitable, or contractual rights attaching to the Allowed Claims of the class are modified, other than by curing defaults and reinstating maturity or by payment in full in cash. A claim to which an objection is filed is not an Allowed Claim. However, the Court may allow such a claim for purposes of voting on the Plan. If you have not received an objection to your claim prior to Confirmation of the Plan and you have received a ballot for purposes of voting on the Plan, then most likely your claim is an Allowed Claim. If you have a question, you should consult your own attorney.

D. Best Interests of Creditors: Notwithstanding acceptance of the Plan by creditors of each class, in order to confirm the Plan the Bankruptcy Court must independently determine that the Plan is in the best interests of all classes of creditors impaired by the Plan. The “best interests” test requires that the Bankruptcy Court find that the Plan provides to each member of each impaired class of claims a recovery which has a value at least equal to the value of the distribution which each such creditor would receive if the Debtor was liquidated under Chapter 7 of the Code. Please see the discussion of liquidation value below.

## V. LIQUIDATION VALUATION

To calculate what creditors would receive if the Debtor was to be liquidated, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the Debtor’s assets if the Chapter 11 case were converted to a Chapter 7 case under the Code and the assets were liquidated by a trustee in bankruptcy (the “Liquidation Value”). The Liquidation Value would consist of the net proceeds from the disposition of the assets of the Debtor augmented by the cash held by the Debtor.

The Liquidation Value available to general creditors would be reduced by (a) the claims of secured creditors to the extent of the value of its collateral, and (b) by the costs and expenses of the liquidation, as well as other administrative expenses of the Debtor’s estates. The Debtor’s costs of liquidation under Chapter 7 would include the compensation of trustees, as well as of counsel and of other professionals retained by the trustees; disposition expenses; all unpaid expenses incurred by Debtor during the Chapter 11 case (such as compensation for attorneys) which are allowed in the Chapter 7 proceeding; litigation costs; and claims arising from the operation of the Debtor’s business during the pendency of the Chapter 11 reorganization and Chapter 7 liquidation cases.

Once the percentage recoveries in liquidation of secured creditors, priority claimants, general creditors and equity security holders are ascertained, the value of the distribution available out of the Liquidation Value is compared with the value of the property offered to each of the classes of Claims under the Plan to determine if the Plan is in the best interests of each creditor and equity security holder.

The liquidation valuation of a business is often a contested issue in a Chapter 11 case. Two methods of valuation widely used are the so-called “auction” method and the “going concern” method. Using the auction approach, assets tend to be valued as though they were sold at a public auction and not in use at the time of the sale. The auction method is widely used with tangible personal property such as trucks, trailers and tractors, assets which you can touch and feel and which are easily valued as a function of the initial purchase price and subsequent depreciation from use. The latter approach, the going concern method, tends to value assets based upon its contribution to earnings. The going concern method tends to be used with assets that tend not to suffer a decline from use such as accounts of a utility, maintenance contracts and the like. The table of estimated amounts suggests a likely liquidation

Real Estate:

967-975 North Main Street, Randolph, Massachusetts	Fair Market Value	\$1,300,000*
	Liquidation Value	\$ 780,000*

\*Per the Appraisal dated June 30, 2016

Total Amount of Recorded Liens per Proofs of Claim or Schedule D

Town Of Randolph	Real Estate Taxes	\$62,000
Mechanics Cooperative Bank	First Mortgage	\$743,218
Mechanics Cooperative Bank	Second Mortgage	\$770,338
	Total Net Equity for Real Property:	\$0
Chapter 11 Administrative claims		\$30,000
Available Chapter 7:		\$0

The Debtor estimates that its unsecured creditors would receive a dividend of 0 % in liquidation. The Plan provides a dividend of approximately 10%. The Debtor believes that the Plan is in the best interests of all creditors. Thus, a conversion to Chapter 7 with the additional costs noted above would provide less of a return to the creditors.

VI. FEDERAL INCOME TAX CONSEQUENCES

Implementation of the Plan may result in federal income tax consequences to holders of Allowed Claims. Tax consequences to a particular creditor may depend on the particular circumstances or facts regarding the claim of the creditor. No tax opinion has been sought or will be obtained with respect to any tax consequences of the Plan, and the following disclosure (the “Tax Disclosure”) does not constitute and is not intended to constitute either a tax opinion

or tax advice to any Person. Rather, the Tax Disclosure is provided for informational purposes only. Because the Debtor intends to continue its existence and business operations, it will receive a discharge with respect to its outstanding indebtedness. Actual debt cancellation in excess of the fair market value of the consideration -- stock, cash or other property -- paid in respect of such debt will hereinafter be referred to as a "Debt Discharge Amount."

In general, the IRC provides that a taxpayer who realizes a cancellation or discharge of indebtedness must include the Debt Discharge Amount in its gross income in the taxable year of discharge. The Debt Discharge Amounts may arise with respect to Creditors who will receive, in partial satisfaction of their Claims, including any accrued interest, consideration consisting of or including cash. The Debtor's Debt Discharge Amount may be increased to the extent that unsecured Creditors holding unsecured claims fail to timely file a Proof of Claim and have their Claims discharged on the Confirmation Date pursuant to section 1141 of the Bankruptcy Code. No income from the discharge of indebtedness is realized to the extent that payment of the liability being discharged would have given rise to a deduction.

If a taxpayer is in a case under the Bankruptcy Code and a cancellation of indebtedness occurs pursuant to a confirmed plan, however, such Debt Discharge Amount is specifically excluded from gross income (the "Bankruptcy Exception"). The Debtor intends to take the position that the Bankruptcy Exception applies to it. Accordingly, the Debtor believes it will not be required to include in income any Debt Discharge Amount as a result of Plan transactions.

Section 108(b) of the IRC, however, requires certain tax attributes of the Debtor to be reduced by the Debt Discharge Amount excluded from income. Tax attributes are reduced in the following order of priority: net operating losses and net operating loss carry-overs; general business credits; minimum tax credits; capital loss carry-overs; basis of property of the taxpayer; passive activity loss or credit carry-overs; and foreign tax credit carry-overs. Tax attributes are generally reduced by one dollar for each dollar excluded from gross income, except that general tax credits, minimum tax credits, and foreign tax credits are reduced by 33.3 cents for each dollar excluded from gross income. An election can be made to alter the order of priority of attribute reduction by first applying the reduction against depreciable property held by the taxpayer in an amount not to exceed the aggregate adjusted basis of such property. The Debtor does not presently intend to make such election. If this decision were to change, the deadline for making such election is the due date (including extensions) of the Debtor's federal income tax return for the taxable year in which such debt is discharged pursuant to the Plan.

The federal tax consequences of the plan to a hypothetical investor typical of the holders of claims or interests in this case depend to a large degree on the accounting method adopted by that hypothetical investor. A "hypothetical investor" in this case is defined as a general unsecured creditor. In accordance with federal tax law, a holder of such a claim that uses the accrual method and who has posted its original sale to the Debtor as income at the time of the product sold or the service provided hypothetically should adjust any net operating

loss to reflect the dividend paid by the Debtor under the Plan provided that holder previously deducted the liability to the Debtor as a “bad debt” for federal income tax purposes. Should that holder lack a net operating loss, then in accordance with federal income tax provisions, the holder should treat the dividend paid as ordinary income, again provided the holder previously deducted the liability to the debtor as a “bad debt” for federal income tax purposes. If the accrual basis holder of the claim did not deduct the liability as a “bad debt” for federal income tax purposes, then the dividend paid by the Debtor has no current income tax implication. A holder of a claim that uses a cash method of accounting would, in accordance with federal income tax laws, treat the dividend as income at the time of receipt.

**THE DEBTOR MAKES NO REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO ANY CREDITOR. EACH PARTY AFFECTED BY THE PLAN SHOULD CONSULT HER, HIS OR ITS OWN TAX ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO A CLAIM.**

VII. FEASIBILITY

The Bankruptcy Code requires as a condition to Confirmation that the Bankruptcy Court find that liquidation of the Debtor or the need for further reorganization is not likely to follow after Confirmation. The Debtor depends on recurring monthly revenue from its tenants and it has prepared financial projections and related schedules which are attached hereto as Exhibit A. Those projections show that the Debtor is capable of operating well into the future and generating sufficient funds to perform its obligations in the Plan and continuing without the need for further financial reorganization.

VIII. DISCLAIMERS

**THE CONTENT OF THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT AS PROVIDING ADEQUATE INFORMATION TO CREDITORS SO THAT THEY MAY HAVE SUFFICIENT INFORMATION TO VOTE ON THE PLAN. NO REPRESENTATIONS CONCERNING THE DEBTOR, INCLUDING THOSE RELATING TO ITS FUTURE BUSINESS OPERATIONS, OR THE VALUE OF ITS ASSETS, ANY PROPERTY, AND CREDITORS' CLAIMS, INCONSISTENT WITH ANYTHING CONTAINED HEREIN HAVE BEEN AUTHORIZED. THE DEBTOR DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS COMPLETE OR WITHOUT OMISSIONS. THE BANKRUPTCY COURT'S APPROVAL OF THIS PLAN OF REORGANIZATION AND DISCLOSURE STATEMENT DOES NOT CONSTITUTE A RECOMMENDATION FOR OR AGAINST THE PLAN.**

**THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN, AND NOTHING CONTAINED IN IT WILL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON HOLDERS OF CLAIMS.**

**THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THIS DATE UNLESS ANOTHER TIME IS SPECIFIED, AND NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THIS DISCLOSURE STATEMENT WILL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SINCE THE DATE OF THE DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WAS COMPILED.**

**IX. EFFECT OF THE ORDER CONFIRMING THE PLAN.**

To understand the full effect of an order confirming the Plan you should read Section 1141 of the Code. The following is a summary of that section.

A. The provisions of the confirmed Plan bind the Debtor, any entity issuing securities under the plan, any entity acquiring property under the Plan, and any creditor, equity security holder, or general partner in the debtor, whether or not the claim or interest of such creditor, equity security holder, or general partner is impaired under the Plan and whether or not such creditor, equity security holder, or general partner has accepted the Plan.

B. Except as otherwise provided in the Plan or the order confirming the Plan, the confirmation of the Plan vests all of the property of the estate in the Debtor.

C. Except as otherwise provided in the Plan or in the order confirming the Plan, after confirmation of the Plan, the property dealt with by the Plan is free and clear of all claims and interests of creditors, equity security holders, and of general partners in the Debtor.

D. Except as otherwise provided in the Plan, or in the order confirming the plan, the confirmation of the Plan discharges the debtor from any debt that arose before the date of such confirmation. There may be other exceptions set forth in Section 1141.

E. The confirmation of the Plan does not discharge a debtor if the Plan provides for the liquidation of all or substantially all of the property of the estate, the Debtor does not engage in business after consummation of the plan; and the Debtor would be denied a discharge if the case were a case under chapter 7.

X. CONCLUSION

The Debtor avers that this Disclosure Statement contains information sufficient for holders of Claims to make an informed judgment in exercising their right to vote on the Plan. The Plan is the result of an effort by the Debtor to provide creditors with a meaningful dividend. An alternative to the Plan is liquidation which will, in all likelihood, reduce significantly the return to creditors on its Allowed Claims. The Debtor believes that the Plan is clearly preferable to liquidation.

Respectfully submitted,  
Nadler and Darwish  
By:

/s/ Erna Jean Louis  
Erna Jean Louis, Member

By its attorney,

/s/ Nina M. Parker  
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DATED: October 24, 2016