

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

In Re:)	Chapter 11
PETROLEX MANAGEMENT, LLC.)	
)	Case No. 16-41322 (CJP)
Debtor)	
)	

Dated: February 8, 2017

DISCLOSURE STATEMENT

ARTICLE I

A. Status

On July 27, 2016, Petrolex Management LLC (hereinafter referred to together as the “Debtor”) filed a petition for relief under Chapter 11, pursuant to Title 11, United States Code, 1101-1130, known as the Bankruptcy Code (hereinafter referred to as the “Code”), in the United States Bankruptcy Court for the District of Massachusetts, Central Division (the “Bankruptcy Court”). In general, one seeking to reorganize under Chapter 11 of the Code must propose a plan of reorganization to its creditors. Before a plan of reorganization may be implemented, it must be confirmed by the Bankruptcy Court. Some of the requirements for approval include that each class of creditors accepts the proposed plan and that the plan of reorganization be feasible.

Since the filing of its Chapter 11 petition, the Debtor has conducted its affairs as a debtor in possession. As of the date of this Disclosure Statement there has not been formed or appointed in the Debtor's case, as the case may be, any official committee of unsecured creditors, or any trustee or examiner.

B. Plan Description

This Disclosure Statement is filed simultaneously with the Debtor's Plan of Reorganization ("Plan"), which provides for, among other things, the treatment of the four mortgages on the Debtor's commercial building located at 80 Chelmsford Road, Billerica, Massachusetts ("Property") that existed on the petition date as follows: (1) the modification of a loan held by first mortgage creditor Petroleum and Franchise Capital, LLC, as servicer for Petroleum & Franchise Holding, LLC, as successor to Questech Financial, LLC ("PFC"), through an Amended and Restated Note and Security Agreement and other loan documents (the "PFC Amended Loan Documents"), which lower the currently monthly payment over fifty-three (53) installments and provide for a balloon payment on the first day of the fifty-fourth month following the Effective Date and retain PFC's Article 9 UCC financing collateral; (2) the modification and extended recapitalization of the loan held by second mortgage creditor Home Loan Investment Bank ("Home Loan") through modified loan documents (the "Home Loan Modified Loan Documents"), which contain a scaled payment schedule where the initial monthly payments are based on a twenty-five year amortization schedule during the term of the PFC Amended Loan Documents and are thereafter increased to include the payments that were made to PFC to be made to Home Loan and accelerating the payoff of the mortgage to approximately nine (9) years and eleven (11) months and retain Home Loan's Article 9 UCC financing collateral; (3) the unsecured and disputed mortgage and claim held by A. L. Prime Energy Consultant, Inc. ("AL"), for which an alleged claim exists against the Debtor as a guarantor of debt incurred by an entity related to the principals of Debtor, will not be an allowed secured claim or unsecured claim, and the third mortgage attempting to secure such loan is discharged by

the Plan and the Confirmation Order under §1141(c); (4) the unsecured and disputed mortgage and claim held by Yatco Distribution LLC (“Yatco”), for which payment is to be made by the borrower referred to in the loan documents, IMS Petroleum, Inc. -- the operating entity of Debtor (“IMS”), and which is evidenced by a fourth mortgage, which mortgage is likewise discharged by the Plan and Confirmation Order under 1141(c) of the Code. Further, Debtor’s Plan addresses administrative claims, priority tax claims, and general unsecured claims.

See the Plan attached herewith as Exhibit 1 and additional Exhibits for further detail.

A summary of the estimates of the Claims in each class and the estimated recovery for each class is as follows.

Class	Claims and Interests	Status	Voting Rights	Amount of Claim	Estimated Recovery Under Plan
1	Real Estate Taxes	Impaired	Entitled to Vote	\$47,900	100%
2	Secured Claim of PFC	Impaired	Entitled to Vote	\$637,471.40	100%
3	Claim of Home Loan, deemed wholly secured	Impaired	Entitled to Vote	\$1,206,238.68	100%
4	AL Mortgage & Claim Wholly Unsecured	Impaired	Deemed to Reject Plan	\$364,000.00	0%
5	Yatco Mortgage & Claim Wholly Unsecured	Impaired	Entitled to Vote	\$44,772.70	0%
6	Equity Interests of Principals	Not Impaired	Deemed to Accept Plan	N/A	

The descriptions of the claims and the recoveries set forth above are estimates only, are subject to change, and do not constitute admissions by the Debtor. With the exceptions of the allowed Class 2 and Class 3 secured claims of PFC and Home Loan, the Debtor reserves the right to contest other Claims or Interests asserted against it, as well as the right to assert counter-

claims and Causes of Action against, among others, any party other than PFC and Home Loan that asserts a Claim or Interest against the Debtor.

The Debtor believes that the Plan provides for the quickest recovery to creditors and will maximize the return to creditors on their Claims. ACCORDINGLY, THE DEBTOR URGES ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN.

C. Description of Real Estate of Debtor

The Debtor, Petrolex Management LLC, is a single asset real estate entity, which holds title to the Property. The Property consists of a commercial parcel situated on Chelmsford Road, Billerica, MA on approximately one acre of land and which contains a gas station and convenience store, the latter measuring approximately 2,100 square feet. The Property is leased to an operating entity related to the Debtor (IMS Enterprises, Inc.) as more fully discussed in Article III.

D. Purpose of Disclosure Statement

This Disclosure Statement is submitted pursuant to §1125 of the Bankruptcy Code for the purpose of providing creditors of the Debtor with adequate information concerning the Debtor and the Plan so as to enable the creditors to make an informed decision when exercising their right to vote whether to accept or reject the Plan. Further, since the Plan contemplates certain payments being made by the Debtor, this Disclosure Statement is also intended to provide holders of claims against the Debtor with adequate information about the Debtor, to make an informed judgment about the merits of approving the Plan. Capitalized terms used in this Disclosure Statement shall have the meaning assigned to them in the Plan. Terms used herein that are defined in §101 of the Code shall have the meaning assigned to them in that Section.

E. Disclaimers

UPON APPROVAL BY THE BANKRUPTCY COURT AND IN ACCORDANCE WITH THE PROVISIONS OF THE CODE, THIS DISCLOSURE STATEMENT AND ANY EXHIBITS, WILL HAVE BEEN FOUND TO CONTAIN ADEQUATE INFORMATION OF A KIND AND IN SUFFICIENT DETAIL THAT WOULD ENABLE A REASONABLE, HYPOTHETICAL INVESTOR TYPICAL OF A HOLDER OF IMPAIRED CLAIMS OR INTERESTS TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT, HOWEVER, DOES NOT CONSTITUTE A RECOMMENDATION BY THE BANKRUPTCY COURT FOR OR AGAINST ANY FILED PLAN. NO REPRESENTATION CONCERNING THE DEBTOR, INCLUDING THOSE RELATING TO ITS FUTURE BUSINESS OPERATIONS, OR THE VALUE OF ASSETS, ANY PROPERTY, AND CREDITOR'S CLAIMS INCONSISTENT WITH ANYTHING CONTAINED HEREIN HAS BEEN AUTHORIZED. ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN WHICH IS OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION. NEITHER THE DEBTOR NOR ITS REPRESENTATIVES WARRANT OR REPRESENT OMISSIONS. 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 SHALL 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 HEREIN 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 SHALL CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE OF THIS DISCLOSURE STATEMENT.

F. Attachments to Disclosure Statement

Accompanying this Disclosure Statement is a copy of the Plan of Reorganization; annexed as Exhibit 1.

G. Persons Entitled to Vote on Plan

Generally, holders of impaired claims may vote to accept or reject the Plan, but AL shall be deemed to have rejected the Plan as its claim is disallowed and AL does not receive any distribution under the Plan. A claim is generally deemed impaired under §1124 of the Bankruptcy Code when, under the Plan of Reorganization, the claim does not retain its full contractual and legal rights. All Classes of Claims are impaired under the Plan, thus a vote to accept the Plan must be obtained from at least one of these impaired Classes under §1129 of the Code in order for the plan to be confirmed.

ARTICLE II
VOTING AND CONFIRMATION

A. General Requirements

In order to confirm the 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 votes of the creditors; (6) the Plan is “feasible,” meaning there is a reasonable prospect that the Debtor will be able to perform his obligations under the Plan and continue to operate its business without further financial reorganization, and (7) the Plan is in the best interest of all creditors, meaning that creditors will receive pursuant to the Plan more than 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 votes, the Court must make independent findings respecting the Plan’s feasibility and whether it is in the best interest of the Debtor’s creditors before it may confirm the Plan. The Debtor believes that the Plan fulfills all of the statutory conditions of §1129 of the Code, which are more fully discussed below.

B. Classification of Claims and Interest

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

Except as described in Article II.G. below, the Code requires as a condition to Confirmation 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 Bankruptcy Code, may vote, but their votes are not counted in determining acceptance of the Plan.

D. Voting Procedure - Ballots

The Bankruptcy Court has set a deadline of March 17, 2017 for the receipt of ballots.

All creditors entitled to vote on the Plan may cast their votes for or against the Plan by completing, dating, signing and returning the Ballot Form to counsel for the Debtor:

**Gary M. Hogan, Esq.
Baker, Braverman & Barbadoro, P.C.
300 Crown Colony Drive, Suite 500
Quincy, MA 02169**

BALLOTS MUST BE RECEIVED ON OR BEFORE 5:00 P.M. ON MARCH 17, 2017 TO BE COUNTED IN THE VOTING. BALLOTS RECEIVED AFTER THIS TIME WILL NOT BE COUNTED IN THE VOTING UNLESS THE COURT SO ORDERS.

THE DEBTOR RECOMMENDS A VOTE TO “ACCEPT” THIS PLAN.

Each party in interest entitled to vote on the Plan will receive one Ballot for each class of Claim or Interest to which it belongs. Each member of the voting class will be asked to vote for acceptance or rejection of the Plan.

All parties eligible to vote on the Plan are urged to complete and return their Ballots promptly to avoid delay in confirmation of the Plan.

E. The Hearing on the Confirmation of the Plan.

The Bankruptcy Court has scheduled a hearing on the Confirmation of the Plan on March 30, 2017 at 11:00 A.M. The hearing will be held in the United States Bankruptcy Court for the District of Massachusetts, Central Division, Donohue Federal Building 595 Main Street, Room

211, Worcester, MA 01608-2076. At the hearing, the Bankruptcy Court will consider whether the Debtor's Plan will be confirmed.

F. Acceptances Necessary to Confirm Plan.

At the hearing on confirmation of the Plan, the Bankruptcy Court must determine, among other things, whether each impaired class has accepted the Plan. Under §1126 of the Bankruptcy Code, an impaired class is deemed to have accepted the Plan if at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims of class members who have voted to accept or reject the Plan have voted for acceptance of the Plan. Further, unless there is acceptance of the Plan by all members of an impaired class, the Bankruptcy Court must also determine that under the Plan the class members will receive property of a value, as of the effective date of the plan, that is not less than the amount that such class members would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code on the effective date of the plan.

Affidavits in support of confirmation of the Plan shall be due by **March 27, 2017**.

G. Confirmation of the Plan without the Necessary Acceptances.

Under the so-called "cramdown" provision of the Bankruptcy Code, so long as one impaired class of creditors accepts the Plan, the Plan may be confirmed even if it is not accepted by all of the impaired classes. The cramdown provision is set forth in §1129(b) of the Bankruptcy Code and requires, among other things, that the Bankruptcy Court find that the Plan does not discriminate unfairly against, and is fair and equitable with respect to each impaired class which has not accepted the plan.

With respect to secured creditors, the cramdown provision requires either: (i) the retention of the secured creditor's lien and the receipt by the secured creditor of deferred cash

payments totaling not less than the value of the secured creditor's interest in its collateral; (ii) the sale of the secured creditor's collateral and the payment of the proceeds of that sale to the secured creditor; or (iii) the realization by the secured creditor of the "indubitable equivalent" of its claims.

Any objections to confirmation of the Plan are due by **March 24, 2017**.

H. Best Interest of Creditors

Notwithstanding acceptance of the Plan as provided for in the Code by creditors of each class, in order to confirm the Plan, the Bankruptcy Court must independently determine that the Plan is in the best interest of all classes of creditors impaired by the Plan. The best interest 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 such person would receive if the Debtor were liquidated under Chapter 7 of the Code.

ARTICLE III **INFORMATION PERTAINING TO DEBTOR**

A. Debtor and Property Ownership

The Debtor, Petrolex Management LLC is a Massachusetts limited liability company that owns a parcel of commercial real estate located at 80 Chelmsford Road, Billerica, Massachusetts. The commercial property is leased to the operating entity affiliate of the Debtor, IMS Petroleum, Inc. ("IMS"), and on which, IMS operates a gas station, convenience store, and subleases certain space to a "Dunkin Donuts" franchise.

B. Business of Debtor

The Debtor is a single asset real estate entity that earns its income pursuant to an Agreement of Lease between Debtor and IMS dated February 15, 2001, which includes rent received by IMS under a sublease with Capi Donuts, LLC d/b/a Dunkin Donuts (the “IMS Lease”). On the petition date, the IMS Lease provided for a fixed base rent of \$6,200 per month and a fluctuating rent under the sublease based on a percentage of sales at the Dunkin Donuts. In connection with this proceeding, on October 1, 2016, the Debtor and IMS amended the IMS Lease to increase the monthly base rent to \$10,000.00. The Sublease with Capi Donuts provides for a low base rent, but is also based on a percentage of the gross sales of the Dunkin Donuts operation. Historically, the Sublease rent received by the Debtor averages between \$9,600-\$10,600 per month. The Debtor is assuming the IMS Lease, and the Sublease provided for therein, pursuant to the provisions of § 1123(b)(2).

With regard to liabilities, the Debtor owes a significant amount of money to two lenders, each of which holds a mortgage on the property. The first and second mortgages secure direct obligations of the Debtor. In addition, there are two other mortgages on the Property. These third and fourth mortgages secure guaranties by the Debtor of obligations of related entities. Pre-filing, the Debtor had fallen considerably behind in its monthly payment obligations to the second mortgage holder, Home Loan Investment Bank, and the bank instituted foreclosure proceedings against the Property.

The Debtor has sought relief under the Code in order to propose a Plan of Reorganization that will allow the Debtor to modify the payment schedules on the loans secured by first and second mortgages to PFC and Home Loan, respectively, and discharge the mortgage liens of the third and fourth mortgage holders, AL and Yatco.

C. Past Financial Problems

The principal cause of the Debtor filing for the protection afforded by Title 11 of the Bankruptcy Code was the drain on cash flow as a result of the fixed income provision with no increases provided by the Lease with IMS and increasing debt obligations. When Home Loan called its loan and brought suit against Debtor, IMS, and the principals of both companies, and thereafter commenced foreclosure proceedings against the Debtor, the Debtor was forced to seek protection under the Bankruptcy Code and filed the within petition.

D. Post - Petition Operations

Debtor was authorized to use its rents (cash collateral) during the bankruptcy proceeding to continue its day to day operations. Debtor has been able to pay its first mortgage secured creditor (PFC) the contract monthly payments on its note and will continue to do so until Debtor's Plan is confirmed. As of October 25, 2016, Debtor commenced making monthly interest payments to its second mortgage secured creditor (Home Loan) and will continue to do so until Debtor's Plan is confirmed.

Debtor has also worked with Counsel on identifying the various claims against the estate as well as assembling evidence regarding same. Debtor has maintained insurance coverage on the Property. Debtor has negotiated with IMS to amend the lease and provide for a market rate monthly rental, on which it will be able to pay its creditors under the provisions of the Plan. Debtor seeks to discharge the third and fourth mortgages held by AL and Yatco. The Debtor disputes that the AL and Yatco claims are obligations of the Debtor. The Debtor provides for a payment of zero dollars (\$0) to AL and Yatco under the plan, and IMS will make its usual and

customary payments to Yatco outside of the Plan.¹ The third and fourth mortgage liens held by AL and Yatco will be extinguished under §1141(c) of the Code. Last Debtor, through counsel undertook negotiations with PFC and Home Loan in an effort to work out modified payment terms that would work for all parties. The results of these negotiations are the terms and conditions found in this Disclosure Statement and Plan.

E. Payments to Insiders

Insiders of the Debtor have received a reasonable and market salary from IMS, the operating company, consistent with the pre-petition terms and have not received any payments from any other source post-petition, including any funds from the Debtor.

F. Property and Mortgages Description

Debtor owns one parcel of real estate.

1. 80 Chelmsford Road, Billerica, Massachusetts consisting of a commercial building which is encumbered by the following liens:

- a. First Mortgage, with recourse, to Petroleum and Franchise Capital, LLC as servicer for Petroleum & Franchise Holding, LLC, as successor to Questech Financial, LLC (“PFC”), dated February 15, 2001, with a pre-petition loan balance of \$637,471.40 per the proof of claim filed by the bank. The PFC mortgage is recorded with Middlesex North District Registry of Deeds at Book 11354, Page 293. The PFC mortgage secures a loan to Debtor, IMS, Samer Biloune, Dania M. Biloune, Imad E. Massabni and Manal Arabji Massabni as borrowers. PFC is also secured by Article 9 UCC financing collateral against the Debtor.
- b. Second Mortgage, with recourse, to Home Loan Investment Bank (“Home Loan”), dated June 24, 2008, with a pre-petition loan balance of \$1,206,238.68

¹ The amount of the payment made by IMS Enterprises, Inc. (“IMS”) to Yatco depends on the volume of fuel that Yatco delivers to IMS during the calendar month. Yatco is the current fuel supplier for IMS’s gas station. As repayment of the funds secured by the fourth mortgage held by Yatco, IMS pays to Yatco an additional \$0.025 per gallon of fuel delivered. This repayment surplus generally varies between \$1,500 and \$2,000 per month.

per the proof of claim filed by the bank. The Home Loan mortgage is recorded with the Middlesex North District Registry of Deeds at Book 22273, Page 34. This obligation is also secured by a conditional assignment of leases and rents, which is recorded at Book 22273, Page 57. The Home Loan mortgage secures a loan to Debtor and IMS as borrowers. Home Loan is also secured by Article 9 UCC financing collateral against the Debtor.

c. Third Mortgage to A.L. Prime Energy Consultant, Inc. (“AL”), with recourse, dated September 18, 2015, with a pre-petition loan balance of \$364,000 per the Debtor’s schedules (AL has not filed a proof of claim). The Debtor is a guarantor of this debt but not a borrower. The AL mortgage is recorded with the Middlesex North District Registry of Deeds at Book 29436, Page 273.

d. Fourth Mortgage, with recourse, dated April 15, 2016, to Yatco Distribution, LLC (“Yatco”), with a pre-petition loan balance of \$44,772.20 per the proof of claim filed by the creditor. The Debtor is a guarantor of this debt but not a borrower. The Yatco mortgage is recorded with the Middlesex North District Registry of Deeds at Book 29987, Page 186.

ARTICLE IV **DESCRIPTION OF PLAN**

THE FOLLOWING IS A SUMMARY OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN AND THE ATTACHMENTS THERETO.

A. General Description

This is a Reorganization Plan. The principal components of this Plan of Reorganization are to modify the payment of the debts secured by the existing first and second mortgages (in each case to be retained by the mortgagees thereunder) by paying the full amount owed, but by altering the terms and conditions of the notes and spreading out the newly recapitalized loan

amounts over an extended period of time. Also, with respect to the PFC claim, in return for a favorable loan modification, PFC will require the Debtor to execute amended and restated loan documents, which will include a collateral assignment of the sublease between IMS and Dunkin Donuts and the rents therefrom (the “Sublease”) and continuation of its Article 9 UCC financing collateral. The Plan will likewise modify the terms of the note with Home Loan, the second mortgage holder, which will also include a collateral assignment of the Sublease and continuation of its Article 9 UCC financing collateral and will provide for payments of the full amount of the claim, notwithstanding the Debtor’s right to separate the claim into secured and unsecured portions.

The Debtor will extinguish and discharge the third and fourth mortgage liens pursuant to the provisions of §1141(c) of the Code. The Debtor disputes the claim of AL, at least with respect to any Debtor obligations thereunder and AL has not filed a proof of claim by the claims bar date. Accordingly, AL’s claim, which would have been an unsecured claim at best, is disallowed. The Debtor disputes the claim of Yatco, at least with respect to any Debtor obligations thereunder; even if Yatco does have an allowable claim its mortgage lien is wholly unsecured. The Debtor provides for the AL and Yatco claims with zero (0) distribution through the Plan, but full payment to Yatco outside of the Plan, and discharge of their third and fourth mortgage liens. IMS, the borrower under the Yatco loan will make payments to Yatco outside of the Plan as described in footnote 1. It is the Debtor’s intention that the order confirming the Plan shall act as discharges of the AL and Yatco mortgage liens under §1141(c).

The Plan will also provide for the payment of the outstanding real estate taxes on the Property, administrative fees, and U.S. trustee payments.

Upon the entry of an order confirming the Plan, the Debtor shall release all possible claims against PFC and Home Loan through the Effective Date, and Debtor and Home Loan shall file a stipulation of dismissal with prejudice of that certain Adversary Proceeding of the Debtor against Home Loan. Upon entry of an order confirming this Plan, the outstanding execution by Home Loan against IMS, Imad Massabni, and Samer Biloune (Commonwealth of Massachusetts Middlesex Superior Court Civil Docket # MICV2013-04674) will be satisfied, and Home Loan shall file a dismissal of its State court case, which is the subject of the Adversary Proceeding (Commonwealth of Massachusetts Middlesex Superior Court Civil Docket # 1681CV02622).

B. Designation of all Classes of Claims

1. Class I Real Estate Taxes

This Class I claim is the secured tax claim of the Town of Billerica, Massachusetts for unpaid prepetition real estate taxes. While no proof of claim has been filed by the town, Debtor estimates that the claim within this class totals approximately \$47,900.00. This claim is secured by a first position lien against the Debtor's real estate pursuant to Massachusetts General Laws. The Debtor proposes to pay the Town of Billerica the full amount of its claim by making thirty six monthly installments, commencing on the Distribution Date. The remaining payments will be made on or before the same day of the month as the Distribution Date and shall include 5.00% annual interest. The monthly principal and interest payment is estimated to be \$1,435.61. IMS is responsible for this obligation under the IMS Lease and will reimburse the Debtor for these monthly installments as they occur.

2. Class II Secured Mortgage Claim of PFC

This Class II claim consists of the first mortgage Secured Claim of PFC. This is an allowed secured claim. The PFC claim is secured by a mortgage, which PFC shall retain under the Plan, that is recorded with the Middlesex North District Registry of Deeds at Book 11354, Page 293, as assigned on November 20, 2007, with assignments recorded January 4, 2008 in Book 21859, Pages 118 and 120, and it secures the obligations contained in a promissory note from Debtor, IMS, Samer Biloune, Imad E. Massabni (together, the principals), Dania M. Biloune, and Manal Arabji Massabni. The Class II claim is also secured by Article 9 UCC financing collateral. PFC shall receive under the Plan and Confirmation Order a first priority assignment of the IMS Lease and Sublease and the rents therefrom, continuation of its Article 9 UCC financing collateral, and release of all claims against PFC through the Effective Date.

3. Class III Partially Secured Mortgage Claim of Home Loan

This Class III claim consists of the second mortgage claim of Home Loan, which, for purposes of the Plan, shall be deemed to be an allowed secured claim notwithstanding the fact that the Debtor may, pursuant to Sections 506 and 1123 of the Code, bifurcate this claim into secured and unsecured portions based on the value of the collateral securing said claim. The Home Loan mortgage, which Home Loan shall retain under the Plan, is recorded with the Middlesex North District Registry of Deeds at Book 22273, Page 34 and the conditional assignment of leases and rents is recorded at Book 22273, Page 57. The Home Loan mortgage secures the obligations contained in a promissory note from the Debtor and IMS, which obligations are guaranteed by the individual principals of Debtor. The Class III claim is also secured by Article 9 UCC financing collateral. Home Loan shall also receive under the Plan and Confirmation Order a second priority assignment of the Lease and Sublease and the rents

therefrom, continuation of its Article 9 UCC financing collateral, and release of all claims against Home Loan through the Effective Date.

4. Class IV Voidable Mortgage Claim of AL Prime

This Class IV claim consists of the disallowed unsecured claim of AL. AL's third mortgage on the Property is wholly unsecured and dealt with in the plan, and thus the mortgage is extinguished and discharged under §1141(c) of the Code. The AL mortgage is recorded with the Middlesex North District Registry of Deeds at Book 29436, Page 273. The AL mortgage is dated September 18, 2015 and it secures obligations of MBM Energy Group, Inc., Imad Massabni, Samer Biloune, and Ghassan Massabni. The Debtor allegedly executed a guaranty of this obligation, but disputes the validity of this claim and mortgage with respect to the Debtor. Also, AL did not submit a proof of claim by the claims bar date.

5. Class V Voidable Mortgage Claim of Yatco

This Class V claim consists of the unsecured claim and mortgage of Yatco. Yatco's fourth mortgage on the Property is wholly unsecured and dealt with in the plan, and thus the mortgage is extinguished and discharged under §1141(c) of the Code. The Yatco mortgage is recorded with the Middlesex North District Registry of Deeds at Book 29987, Page 186. The Yatco mortgage is dated April 15, 2016 and is guaranteed by Debtor.

6. Class VI Equity Interests of Principals

The claims within this Class consist of the equity interests of the principals of the Debtor.

C. Treatment of Allowed Administrative Claims

Allowed Administrative Claims shall be paid by a partial initial payment from the principals of the Debtor, estimated to be \$27,500, and amortization of the remaining balance in the amount of ten thousand dollars (\$10,000) to bankruptcy counsel, with the initial payment due

on the earlier of the Disbursement Date or the date they are allowed by an Order of the Bankruptcy Court. The \$10,000 in legal fees will be amortized over twenty-four months at an annual interest rate of 5%. The payments contemplated by the Plan shall constitute full satisfaction of allowed Administrative Claims. Administrative Claims include any post-petition, unpaid bills or charges incurred in the ordinary course of business and the fees and expenses allowed to professionals employed upon Court authority to render services to the Debtor during the course of the Chapter 11 Case. Any outstanding United States Trustee quarterly fees are also classified as Administrative Claims, and shall be paid by the Debtor until the case is closed.

One professional engaged during the pendency of this bankruptcy case is Gary M. Hogan, Esquire, Bankruptcy Counsel for the Debtor. Any professional fees incurred by the Debtor subsequent to the filing of the Debtor's Chapter 11 Petition are administrative claims payable by the Debtor pursuant to his Plan of Reorganization.

The Debtor has not, in ordinary course of its business, incurred trade debt as of the date of this Disclosure Statement.

The Debtor expects to be current with respect to all debt to taxing authorities such as real estate taxes due the municipality, which could be considered an administrative claim. As the Debtor contemplated full payment of all debt of this type within thirty (30) days of its incurrence, no special provision is made for the payment of this debt in the Debtor's Plan of Reorganization.

In order to be compensated, all professionals related to this case must apply to the Bankruptcy Court for compensation and will be paid the amount that the Bankruptcy Court allows. This Disclosure Statement was prepared and submitted at a point anticipated to be approximately forty-five (45) days prior to the date proposed for Confirmation and more work by

the Debtor's Bankruptcy Counsel will likely be rendered to the Debtor. Nonetheless, Debtor's Counsel does not expect total professional fees and costs to exceed \$45,000.00.

Normally, fees for professional persons awarded under §330 of the Code, which constitute administrative expenses entitled to priority, would be paid in full after Plan confirmation, unless other arrangements are made between the claimant and the Debtor.

D. Treatment of Secured Tax Claims (Class I)

Allowed secured tax claims will be paid in full. The Debtor proposes to pay the Town of Billerica the amount of \$47,900 in monthly installments over a period of thirty six (36) months, with interest in the amount of five percent (5%), with the first payment being made on the Distribution Date, which funds will be received from IMS pursuant to its reimbursement obligations in the IMS Lease.

E. Treatment of Secured Claim (Class II) PFC – Commercial Mortgage Loan-Impaired

This Class II creditor's claim shall be an Allowed Secured Claim in the amount and calculated as follows: (i) \$526,643.90 (principal balance at 7/27/2016 Petition Date); plus (ii) the amount of accrued interest at contract rate of 11.395% from July 27, 2016 through the Effective Date; plus (iii) \$20,165.34 (late fees); plus, (iv) legal fees, costs and expenses incurred by PFC as a result of the Debtor's bankruptcy filing; less, (v) the total number of adequate protection payments received by PFC during the Chapter 11 case up to and through the Effective Date (hereafter, the "New Principal Balance"). The New Principal Balance is estimated to be \$514,822.13 on the Effective Date.² In full and complete satisfaction, settlement, release and discharge of this Class II Claim, PFC shall receive full payment on this claim with interest in the

² The Effective Date is estimated to be April 1, 2017 and the calculation used to estimate the New Principal Balance for the PFC loan assumes that the Debtor makes adequate protection payments through and including February, 2017.

form and amount set by an amended and restated loan documents, including but not limited to the following:

- 1) Amended and Restated Note and Security Agreement;
- 2) Mortgage Modification Agreement;
- 3) Assignment of Leases and Rents for Petrolex;
- 4) Assignment of Leases and Rents for IMS; and
- 5) Subordination/Intercreditor Agreement with Home Loan Investment Bank
- 6) Release of Claims

all of which documents shall be in form and substance satisfactory to PFC in its sole and absolute discretion. The New Principal Balance shall be paid in fifty three monthly installments of principal and interest in the amount of twelve thousand one hundred eighty nine dollars and fifty eight cents (\$12,189.58) with a balloon payment due on the first day of the fifty-fourth month following the Effective Date, in the estimated amount of fifteen thousand forty-four dollars and 03/00 (\$15,044.03). The outstanding principal balance will bear interest at the pre-petition rate of 11.395%. The PFC loan is currently secured by Article 9 UCC financing collateral, and PFC will continue to be secured thereby in the Amended and Restated PFC Loan Documents. A pro-forma amortization schedule is attached hereto as Exhibit 2.

F. Treatment of Partially Secured Claim (Class III) of Home Loan – Commercial Mortgage Loan-Impaired

This Class III creditor's claim, evidenced by a note and a second mortgage on the Property, is partly secured and partly unsecured as provided for under Section 506(b) of the Code. Consequently, it is an under-secured claim based on the value of the property at \$1,600,000.00, the proof of claim filed by PFC in the amount of \$637,471.40, and the Home Loan claim at \$1,206,238.68.³ Although the Debtor is entitled to bifurcate the claim pursuant to

³ PFC's superior claim and interest in the Property is, as stated above, \$637,471.40, and there is a real estate tax claim with a superior priority to both PFC and Home Loan of about \$49,500.00.

Sections 506 and 1123 of the Code, the Class III claim shall be an Allowed Secured claim, treated as wholly secured, and Home Loan shall retain its mortgage and assignment of leases and rents, and receive full payment on this claim with interest in accordance with an amortization schedule set forth in a post-petition modification of the prepetition loan agreement. The modified note shall have a scaled payment, where the monthly installment payment due for the first 54 months is based on a 25-year amortization schedule and the monthly installment due thereafter will increase to include the monthly payment previously made to PFC, which will fully amortize the loan in approximately nine (9) years and eleven (11) months. This scaled payment schedule will allow the Debtor to satisfy the debt secured by the PFC mortgage before it increases the amount of monthly installments paid to Home Loan. The outstanding principal balance will bear interest at the pre-petition variable rate of prime plus 2.75%, which currently equals 6.25%, and is subject to adjustment every calendar quarter. The first monthly installment shall be due on the first day of the month following the Effective Date, and is estimated to be a fixed monthly payment of \$7,957.19 for the first fifty four (54) payments. The monthly installment shall increase, on the fifty-fifth month following the Effective Date, to \$20,146.77, which is the sum of the payment due under the amended PFC loan documents plus the initial payment amount of \$7,957.19. This payment schedule will be in effect through satisfaction of the Home Loan loan. This payment schedule will result in an estimated payoff approximately nine years and eleven (11) months after the Effective Date.⁴ The Home Loan loan is currently secured by Article 9 UCC financing collateral, and Home Loan will continue to be secured thereby in the Home Loan

⁴ The monthly payments are fixed although the interest rate is variable; accordingly, the payoff schedule is subject to revision based on fluctuations in the interest rate.

Modified Loan Documents. For reference, a pro-forma amortization schedule is attached to hereto as Exhibit 3.

G. Treatment of Disallowed Claims (Class IV) of AL - Commercial Mortgage Loans

This Class IV claim consists of the unsecured and disputed claim of AL, which third mortgage is wholly unsecured after the obligations due to PFC and Home Loan are accepted as allowed claims. The third mortgage is to be discharged under §1141(c) of the Code. The Debtor disputes this claim and AL did not submit a proof of claim by the claims bar date. Accordingly, the claim shall be disallowed under §502(a) of the Code. The holder of the Class IV claim will not retain its mortgage or other security, nor will it receive any distribution under the Plan. The order confirming the Debtor's plan shall discharge the AL Mortgage pursuant to §1141(c).

H. Treatment of Unsecured Claims (Class V) of Yatco

This Class V claim consists of the unsecured mortgage of Yatco, which fourth mortgage is wholly unsecured after the obligations due to PFC and Home Loan are accepted as allowed claims. The fourth mortgage is to be discharged under §1141(c) of the Code. The holder of the Class 5 claim will not retain its mortgage or other security, nor will it receive any distribution under the Plan. The borrower, IMS, will make payments to the Class 5 claimant in accordance with the terms of the Yatco loan documents, thus providing full payment to Yatco on its claim outside of the Plan. The order confirming the Debtor's plan shall discharge the Yatco Mortgage pursuant to §1141(c).

I. Treatment of Equity Interests (Class VI)

This Class VI claim consists of Equity Interests in the Debtor. The holder of the Equity Interests contained in Class VI will retain their equity in the Debtor as all allowed claims will be paid in full on payment schedules as set forth above and in the Plan.

J. Plan Funding Components

The funding for the Plan will come from proceeds of the Lease and from a payment from IMS to Debtor in the amount of one thousand one hundred dollars (\$1,100.00) per month for contribution to the PFC and Home Loan monthly installments of principal and interest, for which IMS is a co-borrower. The contribution payments shall be made until the PFC loan is paid off. A pro-forma cash flow projection is attached hereto as Exhibit 4.

K. Disbursement Provision

The Debtor intends to utilize his current Bankruptcy Counsel, Baker, Braverman, and Barbardoro to act as Disbursement Agent for all payments to be made under the Plan other than payments to PFC and Home Loan, which shall be paid by the Debtor and/or the guarantors of those Allowed Secured Claims. The distributions for administrative claims will be made on the Plan Confirmation Date or shortly thereafter, except for the ten thousand dollars (\$10,000) in legal fees that shall be amortized over two years, and pursuant to any orders of the Court approving the payment of these fees. The distributions as set forth above will commence on the Distribution Date as defined in the plan, which means no later than thirty (30) days following the Effective Date as defined in the Plan as the first day of the first full month following the entry of a Final Order confirming this Plan and full execution of the PFC and Home Loan loan documents, unless an earlier date is provided for in the Plan.

L. Retention by Debtor

Upon Confirmation, all property of estate shall revert in Debtor.

M. Administrative Expenses and Other Post Petition Claims

All administrative expenses obligations incurred by the Debtor in the ordinary course of business in the Chapter 11 case that are unpaid shall be paid in full at the time of Confirmation,

except as provided herein for amortization of \$10,000 in legal fees for Debtor's bankruptcy counsel.

N. Trustees Fees

The Debtor will be responsible for timely payment of fees incurred pursuant to 28 U.S.C. §1930 (a)(6) until the close of the case. After confirmation and until the case is closed, the Debtor will serve the United States Trustee with a quarterly financial report for each calendar year quarter or portion thereof that the case remains open. The quarterly financial report shall include the following:

1. A statement of all disbursements made during the course of the quarter, 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;
3. Debtor's projections as to its continuing ability to comply with the terms of the Plan;
4. A description of any other factors which may materially affect the Debtor's ability to consummate the Plan; and
5. Estimated date when an application for final decree will be filed with the Court or in the case of the final quarterly report, the date the decree was filed.

ARTICLE V **LIQUIDATION VALUATION / ANALYSIS**

To calculate what the unsecured creditors would receive if the Debtor were 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 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 non-exempt assets of the Debtor. In a Chapter 7, this would likely be a no asset case. Debtor submits that the market value of the real estate at the time of this Disclosure Statement is approximately \$1,600,000.00 for the Property with liabilities exceeding \$2,800,000.00. Thus, the property does not contain any equity. Besides the Property and the leases thereon, Debtor possesses no other assets and there would be no funds available for unsecured creditors in the event of liquidation. If the property were liquidated by auction, Debtor submits that after payment of the first mortgage secured claim, a portion of the second mortgage secured claim, and tax claims, there would be no proceeds for distribution to any other creditors. Consequently, Debtor believes that all claimants will receive at least as much under this Plan on account of such claim or interest property of a value, as of the Effective Date of the Plan, as they would if the Debtor's case were converted to a Chapter 7 liquidation on such date.

Liquidation Analysis

As of the drafting of this Disclosure Statement the Debtor estimates that the value of its assets and liabilities are as follows:

Assets:

Real Estate:	\$1,600,000.00
Reduction for forced sale conditions (10%)	-\$160,000.00
Total Assets if Liquidated:	\$1,440,000.00

Liabilities:

Administrative claims (estimated and subject to Court approval):	\$ 45,000.00
Secured claims:	
Town of Billerica tax (Class I)	\$ 47,900.00
PFC – Commercial Loan (Class II)	\$637,471.40
Home Loan – Commercial Loan (Class III)	\$1,206,238.68
AL – Commercial Loan (Class IV)	\$364,000.00

Yatco – Commercial Loan (Class V)	\$ 44,772.70
Total Liabilities:	\$2,345,382.78
Less Total Assets if Liquidated:	\$1,440,000.00
<u>Net Loss:</u>	<u>-\$905,382.78</u>

It is clear that all Creditor Classes will receive at least as much under this Plan on account of such claim or interest property of a value, as of the Effective Date of the Plan, as they would if the Debtor's case were converted to a Chapter 7 liquidation on such date. Further, any amount of Liquidation Value available would be diminished by the costs and expenses of the foreclosure, as well as other administrative expenses that would be incurred by the Debtor's hypothetical Chapter 7 Estate.

The Debtor's costs of liquidation under Chapter 7 would include the compensation of the Chapter 7 Bankruptcy Trustee, as well as of Counsel and of other professionals retained by the Trustee. All unpaid expenses incurred by the Debtor during his Chapter 11 case (such as compensation for attorneys, financial advisors and accountants) which are allowed in the Chapter 7 proceeding, together with litigation costs and claims arising from the operation of the Debtor during the pendency of the Chapter 11 reorganization and Chapter 7 liquidation expenses would be entitled to priority over the unsecured creditors. These claims would be treated as Administrative Claims and must be paid in full out of the liquidation proceeds before any sums would be available to pay general unsecured pre-petition claims.

The Debtor believes that the Plan is in the best interest of all creditors. Thus, a conversion to Chapter 7 with the additional costs noted above would provide no greater return to unsecured creditors than the Plan would provide.

ARTICLE VI
FEASIBILITY

The Bankruptcy Code requires as a condition to Confirmation that the Bankruptcy Court find liquidation of the Debtor or the need for further reorganization is not likely to follow after Confirmation. The Plan's distributions to creditors depend on the rental stream and reimbursement of triple-net expenses under the IMS Lease and the sub-lease with Dunkin Donuts. Based on historic data, the Debtor sincerely believes that it can meet all payments and comply with all components of the Plan's requirements. The AL Mortgage and Yatco Mortgage will be discharged pursuant to §1141(c). Although the Class I, Class II, and Class III Creditors are extending the amortization periods of their loans, they are receiving a market or above-market interest rate and their risks are minimized because IMS and the Debtor increased the monthly rental due under the IMS Lease and Home Loan will be elevated to a first mortgage position when the PFC loan balance is paid off approximately four years after the Effective Date.

The Debtor believes it will have sufficient funds to allow for full payment of all the Administrative Claims, the secured claims, and the secured tax claims as provided for in the Plan. A pro-forma cash flow statement is attached hereto as Exhibit 4.

ARTICLE VII
CONDITION PRECEDENT TO EFFECTIVE DATE

Execution of the Amended and Restated PFC Loan Documents and the Home Loan Modified Loan Documents, which documents shall be in form and substance satisfactory to PFC and Home Loan, shall be a condition precedent to the Effective Date of this Plan.

ARTICLE VIII
CONCLUSION

The Debtor respectfully suggests that the proposed Plan of Reorganization is feasible and in the best interest of each class of creditor. The Plan is the result of efforts by the Debtor to fund a comprehensive and fair Plan. The only alternative to the proposed Plan of Reorganization is the immediate liquidation of the Debtor's assets, which Debtor believes could greatly reduce the dividend to all Claim Holders. Therefore, the Debtor believes that the proposed Plan is clearly preferable to liquidation.

DATED: February 8, 2017

Respectfully submitted,
Petrolex Management LLC, Debtor,
By its Attorney,

/s/ Gary M. Hogan

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