

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS

In re:)
Hanging Hook, Inc.,)
Debtor)
_____)

CHAPTER 11
CASE NO. 17-41271-EDK

THIRD AMENDED DISCLOSURE STATEMENT

I. INTRODUCTION

A. General

This is the Third Amended Disclosure Statement (“Disclosure Statement”) submitted by Hanging Hook, Inc. which is a Chapter 11 Debtor. The Plan of Reorganization will be referred to collectively in this Disclosure Statement and should be read in conjunction with each other and will collectively be referred to as the “Plan and Disclosure Statement” of the “Debtor”. Portions of the Plan and Disclosure Statement which refer solely to the Plan of Reorganization will be referred to as the “Plan”. The Disclosure Statement contains a description of (1) the Debtor, (2) his income and expenses and (3) his expectations for future income. It also discusses the valuation of the Debtor’s assets and alternatives to the Plan. Also included is a detailed description of the treatment and payment provisions for all creditors of the Debtor.

The Debtor filed its petition under Chapter 11 of Title 11 of the United States Code on July 12, 2017. The Chapter 11 case was entered and is pending in the United States Bankruptcy Court in the District of Massachusetts, (hereinafter the “Court”). During the case, the Debtor has continued to serve as Debtor-in-Possession under Sections 1107 and 1108 of the Code.

Pursuant to §1125 of the Code, this Disclosure Statement is being sent to all holders of claims against the Debtor so that it may solicit votes for the Plan and creditors may be provided with information concerning the Plan, the Debtor and the prospect of future viability.

Hanging Hook, Inc. owns one piece of real estate. The property is income generating with residential tenants. The property is located at 259 Main Street in Rutland, Massachusetts. The property has four apartments. All four of the apartments currently have tenants.

From cash on hand and future revenues, the Debtor proposes to pay its administrative creditors and secured property claims to the extent of the value of the collateral securing the claims. The Debtor does not know of any unsecured creditors. The payments shall commence on the "Effective Date" of the Plan, which the Debtor anticipates will be January 15, 2019.

The Debtor's sole stockholder, Ronald Papierski, will provide funds from the rental property he owns next to the Debtor's 259 Main Street, Rutland, Massachusetts property as necessary to support the Debtor's property. Both properties share a common ingress and egress and are managed together. Papierski, an insider of the Debtor, handles the lawn care, snow shoveling and general upkeep labor of the Debtor's property and will, as necessary, use the Debtor's funds for such purposes.

Pursuant to Bankruptcy Code §1141(d)(5) the Debtor will not be discharged from any debt provided for in the Plan until completion of all payments unless the Bankruptcy Court, upon notice and after a hearing, determines that cause exists to discharge the individual Debtor upon confirmation.

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

Accompanied with this Disclosure Statement and marked as Exhibit A is a copy of the filed Second Amended Chapter 11 Plan of Reorganization. This Chapter 11 Plan serves as a

detail/outline of the treatments contained in the Disclosure Statement. Copies of the Debtor's Financial Projections for the life of the plan are annexed to this Disclosure Statement and marked as Exhibit B. The financial history of the Debtor while in bankruptcy is attached as Exhibit C. A liquidation analysis is annexed hereto and marked as Exhibit D.

II. THE PLAN

A. Payment of Administrative Claims

Administrative Claims will be paid in cash according to the payment provisions provided in the plan. Ordinary trade debt incurred by the Debtor in the course of the Chapter 11 case will be paid on an ongoing basis in accordance with the ordinary business practices and terms between the Debtor and his creditors. The payments contemplated by the Plan will be conclusively deemed to constitute full satisfaction of Allowed Administrative Claims.

Administrative Claims include any post-petition fees and expenses allowed to professionals employed upon Court authority to render services to the Debtors during the course of the Chapter 11 case.

In this case, the sole professional employed by the Debtor was Ehrhard & Associates, P.C. as counsel to the Debtor. In order to be compensated, all professionals will have to apply to the Court for compensation and they will be paid the amount which the Court allows. Counsel for the Debtor anticipates filing a fee application for administrative fees and expenses in an expected amount of approximately \$25,000.00, of which \$8,000.00 is being held by counsel on retainer leaving a balance to the Debtor of \$17,000.00. The Debtor will pay the allowed fees of Ehrhard & Associates, P.C. in equal monthly installments for a period of twelve (12) months beginning on the effective date. It is anticipated that the monthly amount to be provided to

Ehrhard & Associates, P.C. is \$1,416.67. This Plan and Disclosure Statement was prepared and submitted approximately sixty (60) days prior to the date anticipated for Confirmation and considerably more work by the professionals for the Debtor may have been rendered by the time of Confirmation. All fees are subject to approval of an Application for Compensation.

B. Designation and Payment of Classes of Claims

Class One: Secured Claim of Town of Rutland, on 259 Main Street, Rutland, Massachusetts

The Class One Claim holder filed a Proof of Claim asserting a property tax lien in the amount of \$340,401.40 on real property owned by the Debtor located at 259 Main Street in Rutland, Massachusetts. The Class One Claim holder shall retain its existing statutory security interest in such property. The Debtor on his Schedule A valued the property at \$399,900.00. The Debtor is going to continue paying the Class One Claim holder under the current requirements for paying quarterly property tax bills to the Class One Claim holder which such payment currently \$1,420.00 per quarter. Additionally, the Debtor will continue to pay the quarterly water and sewer charges for the property which average approximately \$820.00 per quarter.

Additionally, The Debtor will make eighty-four (84) monthly distributions in the amount of \$4,052.40 each to the Class One Claim holder. This sum amounts to a total payout of 100% of the asserted tax lien amount.

The Class One Claimant is impaired to the extent that prepetition arrearage is included in its secured claim and the holder of such Class One Claim is entitled to vote to accept or reject the Plan.

Class Two: Secured Claim of 24 Trauma, LLC

Obligations to 24 Trauma, LLC arose prior to the formation of the Debtor. But the Debtor's obligation to this creditor arises from the execution and attachment that the creditor received on the Debtor's property located at 259 Main Street in Rutland, Massachusetts. 24 Trauma, LLC provided clean up services in one of the units at 259 Main Street and asserted that it was still owed payment for such services.

In full and complete satisfaction, settlement, release and discharge of the Class Two Claim holder, the Debtor will make twelve (12) monthly distributions in the amount of \$313.08. This sum amounts to a total payout to the Class Two creditor of \$3,575.00 for a 100.00% payout of its asserted lien amount as recorded at the Worcester Registry of Deeds.

The Class Two Claim holder is impaired and therefore is entitled to vote to accept or reject the Plan.

Treatment of Executory Contracts and Unexpired Leases.

The Debtor has four residential units in its property located at 259 Main Street in Rutland, Massachusetts. Three of these units are tenants-at-will. The other unit is currently under a one-year lease. The third floor apartment's lease expires in July of 2019.

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 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.

Avoidance Actions

The Debtor does not know of any avoidance actions that the Debtor may take against any person or entity.

C. Means for Implementation of the Plan

Upon Confirmation, all property of the 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 his income post-Confirmation.

The Debtor estimates that on the Effective Date the first monthly payment will be \$5,782.15 {calculation: \$313.08 (24 Trauma, LLC for first 12 months only) + \$1,416.67 (Ehrhard & Assoc. for first 12 months only) + 4,052.40 (Town of Rutland) = \$5,782.15}. The payment after the first twelve months will only be \$4,052.40 each month.

The Debtor expects to have sufficient cash on hand to make the payments required on the Effective Date from its rental income and contributions from its owner.

All quarterly disbursement fees arising under 28 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. All Quarterly Fees which accrue post-Confirmation shall be paid in full on a timely basis by the Debtor prior to the Debtor’s case being closed, converted or dismissed.

D. Provisions for the Execution of the Plan

1. In order to participate in the distribution under this Plan a Proof of Claim must be filed with the Bankruptcy Court on or before the Bar Date established by the Court unless scheduled by the Debtor as liquidated in amount, not disputed and not contingent in which event the Claim will be allowed as scheduled.
2. “Confirmation” shall mean the date upon which the Bankruptcy Court enters an Order Confirming the Plan under Section 1129 of the Code.
3. “Effective Date” shall mean 30 days following the first business day following the last day on which an appeal from an Order of the Court Confirming the Debtor’s Plan of Reorganization may be taken under applicable law and no such appeal has been taken or, if any appeal has been taken, the first business day following the date upon which all appeals have been exhausted and the Plan may be put into effect, whichever is later. For purposes of distribution hereunder, the phrase “paid upon the Effective Date” shall mean on the Effective Date or within a reasonable period thereafter so as to allow the writing and mailing of dividend checks.
4. As of the Confirmation, the property of the estate created under Section 541 of the Code shall be vested in Hanging Hook, Inc. free and clear of any and all claims except as

otherwise provided in the Plan of Reorganization or in the Order of the Bankruptcy Court Confirming the Plan.

5. A Chapter 11 Plan of Reorganization by the Debtor may be modified at any time after confirmation before completion of payments regardless if substantially consummated, provided that the plan as modified meets the requirements of sections 1122 and 1123 of the Bankruptcy Code; 11 U.S.C. §1127(b).

6. The Order confirming the Plan will be a judicial determination of the discharge of the liabilities of all claims against the Debtor, except as may be otherwise provided for in this Plan.

III. INFORMATION PERTAINING TO THE DEBTOR

A. Description of the Debtor's Financial Affairs

The Debtor filed its Chapter 11 Bankruptcy due to actions taken by the Town of Rutland in the Massachusetts Land Court. The Town of Rutland was attempting to take ownership of real estate located at 259 Main Street in Rutland, Massachusetts through the tax taking process. The Debtor asserts that the failure to pay property taxes over the years is just as much, if not more, the fault of the Town of Rutland. The Debtor has no mortgage liens on its property at 259 Main Street and the rental income and contributions from the owner of the Debtor provide more than enough income to sustain a Plan of Reorganization.

Hanging Hook, Inc. was incorporated in the state of Massachusetts on July 7, 2017. Hanging Hook, Inc. took possession of the property it owns located at 259 Main Street in Rutland, Massachusetts on July 12, 2017.

Hanging Hook, Inc. owns one piece of real estate. The property is income generating with residential tenants. The property is located at 259 Main Street in Rutland, Massachusetts. The property has four apartments. All four of the apartments currently have tenants. The first floor apartment's tenant is currently a tenant-at-will paying \$1,095.00 per month. The second floor apartment's tenant is currently a tenant-at-will paying \$1,300.00 per month. The third floor apartment's tenant is currently on a one-year lease paying \$1,350.00 per month which expires in July of 2019. The East apartment's tenant is currently a tenant-at-will paying \$895.00 per month.

Performance of Debtor During the Pendency of this Bankruptcy

The Debtor's revenue stream exclusively originates from the rental payments it receives from the four units in its building. As a reminder, the Debtor is a company that owns one single piece of real estate. The Debtor's expenses, exclusive of any bankruptcy administrative costs, are solely related to upkeep and maintenance of the real estate located at 259 Main Street in Rutland, Massachusetts.

The bankruptcy was filed in July of 2017. Its rent roll (i.e. its revenue) has been exceptionally consistent since the filing. The revenue procured has consistently approximated \$4,000.00. Indeed, as the attached Exhibit C reveals, the revenue has been \$4640.00 since June of 2018. The previous twelve months had at times a slight dip in revenue only because one of the apartment units was vacant for a short period of time. But even with such vacancy, the rent roll never dipped below \$3,400.00 per month.

The Debtor's expenses have been very consistent and low. The Debtor's only expenses during the bankruptcy have been for local real estate property taxes to the Town of Rutland (Massachusetts), U.S. Trustee Quarterly Fees, labor for upkeep, management and utilities. The

property taxes are only paid quarterly as are the U.S. Trustee Fees. The Trustee Fees have approximated \$650.00 per quarter. The property taxes equate with approximately \$473.00 per month. The utility bills are paid as due. Labor costs for upkeep, as by definition, are paid when labor is done. The Debtor has not incurred any outstanding post-petition obligations (beyond bankruptcy attorney fees) as it has met its obligations as they come due or within a very short period thereafter.

Accordingly, the Plan of Reorganization is submitted in a timely manner together with the Disclosure Statement. The Debtor seeks to confirm same in an expeditious manner in order to commence repayment of the secured debts and restructured unsecured debt. Confirmation of the Plan is in the best interests of creditors. If the Debtor were to file for Chapter 7 relief there would be a dividend paid to the General Unsecured Creditors which is equal to or less than the 100.00% dividend which would be paid under this Plan of Reorganization if there were any unsecured creditors. This bankruptcy case has no unsecured creditors. Most importantly, a Chapter 7 liquidation would most likely force a sale of the real estate at a sale price less than the amount of the town of Rutland tax lien, thereby providing no dividend to unsecured creditors if there were any. For that reason, the Plan as proposed is in the best interest of the creditors.

The property of the Debtor located at 259 Main Street in Rutland, Massachusetts currently may owe an obligation to the Massachusetts Department of Environmental Protection for a small oil spill near the back parking lot of the property. There is no danger to the public in any way. The cost to remediate the DEP concerns is expected to be less than \$9,000.00.

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 Bankruptcy 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 Bankruptcy 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 “cram-down” is available under §1129(b) of the Bankruptcy 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 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 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 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 Interest 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 Debtors were liquidated under Chapter 7 of the Code. Please see the discussion of liquidation value below.

Even if a plan is not accepted by all impaired classes, it may still be confirmed. The Code contains provisions for confirmation of a plan where at least one impaired class of claims has accepted it. These “cram-down” provisions are set forth in §1129(b) of the Code.

A plan of reorganization may be confirmed under the cram-down provisions if, in addition to satisfying the usual requirements of §1129 of the Code, it (i) “does not discriminate unfairly” and (ii) “is fair and equitable,” with respect to each class of claims that is impaired under, and has not accepted, the plan. As used by the Code, the phrases “discriminate unfairly” and “fair and equitable” have narrow and specific meanings unique to bankruptcy law.

The requirement that a plan of reorganization not “discriminate unfairly” means that a dissenting class must be treated equally with respect to other classes of equal rank. The Debtor believes that its Plan does not “discriminate unfairly” with respect to any class of Claims.

The “fair and equitable” standard differs according to the type of claim to which it is applied. In the case of secured creditors, the standard is met if the secured creditor retains its lien and is paid the present value of its interest in the property which secures the secured creditor’s claim. With respect to unsecured creditors, the standard is met if the unsecured creditor receives payment in the full amount of its claim or, in the event that it receives less than the full amount of its claim, no junior class receives or retains any interest in property of the Debtor, except that in the cases of Chapter 11 plans of reorganization filed by individuals, the “absolute priority rule” does not apply as described by 11 U.S.C. §1129(b)(2)(B)(ii).

V. LIQUIDATION VALUATION

To calculate what creditors would receive if the Debtor's assets were 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 unsecured creditors would be reduced by (a) the claims of secured creditors to the extent of the value of their collateral and (b) by the costs and expenses of liquidation as well as other administrative expenses of the Debtor's estate. The Debtor's costs of liquidation under Chapter 7 would include the compensation of trustees, as well as counsel and of other professionals retained by the trustee; disposition expenses; all unpaid expenses incurred by the Debtor during the Chapter 11 case (such as compensation for attorneys) which are allowed in the Chapter 7 proceedings; 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 scenario for the Debtor is fully set forth in Exhibit D. The Debtor estimates that its unsecured creditors would receive equal to or less in the event that its case was to be converted to a Chapter 7 and its non-exempt assets liquidated. The Plan provides for a

dividend of 100.00%. 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.

The Debtor 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 “Debt Discharge Amount.”

In general, the Internal Revenue Code (“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 the discharge. The Debt Discharge Amounts may arise with respect to creditors who will receive 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 unscheduled claims fail to timely file a Proof of Claim and have their claims discharged on the Confirmation Date pursuant to §1141 of the Bankruptcy Code. No income from the discharge of indebtedness is realized to the extent that payment of the liability being discharge 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 the 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 interest 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 or advance 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 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 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 anticipates that it will be able to sustain its revenue stream going forward as it sees no decrease in its rental income or other income. This revenue stream over the life of its Plan will allow it to make the payments required by the Plan. The Debtor filed its Chapter 11 Bankruptcy due to legal actions being taken against it by the Town of Rutland. The

Debtor's rental income, along with contributions from the Debtor's owner as discussed above, provide more than enough income to support the Plan.

The financial projections verify that the payments contemplated in the Plan of Reorganization are feasible for the Debtor. Please reference Exhibit B for a detailed analysis of the Debtor's feasibility based upon the income and expenses generated by the Debtor. The Debtor will act as its own Disbursing Agent under the Plan.

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 MATERIAL 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 creditors, 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 the order confirming the Plan, the 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. The Confirmation of the Plan does not discharge the Debtor if the Plan provides for the liquidation of all or substantially all 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. DEBTOR'S RECOMMENDATION

Failing confirmation of the Chapter 11 Plan, the Debtor's Chapter 11 case would be converted to a case under Chapter 7 in which a Trustee in bankruptcy would be appointed to take charge and liquidate its non-exempt assets. The Debtor believes that liquidation would yield a smaller distribution for the unsecured creditors than that yielded through its proposed Plan if there were any unsecured creditors.

The Debtor is convinced that the Chapter 11 Plan of Reorganization is in the best interest of all creditors. The Debtor strongly urges each creditor to consult with its own counsel in evaluating its claim and in determining how to vote.

Respectfully submitted,
Hanging Hook, Inc.
By its attorney,
/s/ James P. Ehrhard
James P. Ehrhard, Esq.
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