

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

In re:

CAJ SOUTHWAY PLAZA LLC,

Debtor.

Chapter 11
Case No. 18-12631-JNF

**DISCLOSURE STATEMENT WITH RESPECT TO
DEBTOR'S CHAPTER 11 PLAN OF REORGANIZATION**

Dated: October 5, 2018

CAJ SOUTHWAY PLAZA LLC,

By its attorneys,

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I. Introduction

The debtor, CAJ Southway Plaza LLC (the “Debtor”) provides this Disclosure Statement With Respect To Debtor’s Chapter 11 Plan Of Reorganization (the “Disclosure Statement”) to all of the Debtor’s known creditors in order to supply the information you will need in exercising your right to vote upon the Debtor’s Chapter 11 Plan of Reorganization dated October 5, 2018 (the “Plan”), proposed by the Debtor under Chapter 11 of the United States Bankruptcy Code. A copy of the Plan is attached to this Disclosure Statement as Exhibit “A”.

A ballot for your use in voting to accept or reject the Plan is enclosed. Instructions for completing and returning the ballot are printed on the ballot itself.

NO REPRESENTATIONS CONCERNING THE DEBTOR OR THE PLAN ARE AUTHORIZED OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

Except where specifically stated otherwise, the information contained in this Disclosure Statement is based upon information supplied by the Debtor. Although this Disclosure Statement describes the Plan in summary and in detail, it is recommended that you review the Plan for a definitive understanding of its terms.

Pursuant to this Disclosure Statement, the Debtor recommends that creditors vote to accept the Plan by completing and returning the enclosed ballot. Because a liquidation of the Debtor would likely provide the unsecured creditors with a smaller dividend, or no dividend, there is no alternative to the Plan that will provide creditors with better treatment.

A. Purpose of This Document

This Disclosure Statement describes: (i) the Debtor and the significant events which occurred during its Chapter 11 case; (ii) the manner in which the Plan proposes to treat Claims against the Debtor; (iii) who can vote on or object to the Plan; (iv) why the Debtor believes that the Plan is feasible and how the treatment of Claims under the Plan compares to the treatment of claims in the event of liquidations of the Debtor; and (v) the effect of confirmation of the Plan.

B. Deadlines for Voting and Objecting: Date of Plan Confirmation Hearing

The Bankruptcy Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. *Time and place of hearing to confirm the Plan.*

The hearing at which the Bankruptcy Court will determine to confirm the Plan will take place on _____ **(Eastern Standard Time)**, before the Honorable Joan N. Feeney, in the United States Bankruptcy Court, located at the J. W.

McCormack Building, 5 Post Office Square, 12th Floor, Boston, Massachusetts.

2. Deadline for voting to Accept or Reject the Plan

If you are entitled to vote to accept or reject the Plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to counsel to the Debtor, David B. Madoff, Esq., Madoff & Khoury LLP, 124 Washington Street, Suite 202, Foxborough, Massachusetts 02035. In order for a ballot to be considered, it must be received by counsel to the Debtor no later than **4:30 p.m. (Eastern Standard Time) on _____**. See Section IX below for a discussion of voting eligibility requirements.

3. Deadline for objecting to Confirmation of the Plan

Objections to confirmation of the Plan must be filed with the Bankruptcy Court and served on counsel to the Debtor by _____, **at 4:30 p.m. (Eastern Standard Time)**.

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact counsel to the Debtors, David B. Madoff at the address set forth above.

II. Summary of the Plan

The Debtor is a single asset real estate limited liability company that owns and operates an approximately 106,000 square foot retail shopping center in Fall River, Massachusetts known as Southway Plaza (or, the "Property"). Southway Plaza has approximately 12 retail tenants, including Cardi's, Domino's, and The Threading Place. Ocean State Job Lot is subject to a Lease through 2020 and continues to pay rent, but has recently vacated.

Under the Plan, the Debtor will sell the Property to Lykos Properties, LLC, whose sole member is the son of the current owner of the Debtor. The purchase price will be sufficient to pay the secured creditors in full, in cash, on the Effective Date, whether or not the Debtor is successful in reducing their claims as part of the claim objection process. The buyer will also assume the unsecured debt, and pay it in full, in equal monthly installments over 24 months. The sale of the shopping plaza is subject to financing to be provided by The Cape Cod Cooperative Bank, as more fully described below.

III. Description of the Debtor

A. The Debtors' Business Prior to the Chapter 11

As noted above, the Debtor is a single asset real estate limited liability company that owns and operates an approximately 106,000 square foot retail shopping center in Fall River, Massachusetts known as Southway Plaza. Southway Plaza has approximately 12 retail tenants, including Cardi's, Domino's, and The Threading Place. Ocean State Job Lot is subject to a Lease through 2020 and continues to pay rent, but has recently vacated.

The Debtor is solely owner by Joanne Lucas, who purchased the Property in 2013 for the purchase price of \$10,850,000, using approximately \$4,000,000 of her own funds and a loan from the predecessor of JPMBB 2013-C15 Rhode Island Avenue, LLC ("RIA LLC"), in the original principal amount of \$7,600,000. RIA LLC asserts a secured claim in the approximate amount of \$8.9 million.

Until recently, the Debtor also counted Benny's among its tenants. However, with the closing of all Benny's locations, the Debtor has been left with a significant vacancy. The Debtor has been able to fill the vacancy with a new proposed tenant, Planet Fitness, with certain contingencies. The Debtor's Chapter 11 case was precipitated by an impending foreclosure sale of the Property by RIA LLC.

B. Summary of Debtors' Assets

The following is a summary of current assets and liabilities:

Assets:

Real property:	\$11,400,000 ¹
Cash:	\$ 5,000
Total:	\$11,405,000

¹ This valuation is based on a recent Appraisal performed by BCL Real Estate Services LLC for the Cape Cod Cooperative Bank. The Appraisal will be available to creditors upon request to counsel for the Debtor.

Liabilities:

Based upon the Debtor's records and the proofs of claim filed in its Chapter 11 case, the Debtor's liabilities can be summarized as follows:

Administrative Claims (Non-Professional fees)	0.00
Professional Fees (Net of Retainer)	10,000.00
Secured Claims	8,978,598.97
Priority Claims	0.00
General Unsecured Claims	67,000.00
Total (Subject to Objections to Claims)	9,055,598.97

IV. The Chapter 11 Case

On July 10, 2018 (the "Petition Date"), the Debtor filed voluntary petitions under Chapter 11 of the Bankruptcy Code in this Court. Pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code, the Debtor continues to manage its business and financial affairs as a debtor-in-possession. No creditors' committee was appointed in the case.

As noted above, this Chapter 11 case was precipitated by an impending foreclosure sale of the Property by RIA LLC.

It was always the Debtor's intention to refinance the Property, and use personal funds, to repay RIA LLC in full. Joanne Lucas and her family have decided that, in lieu of a refinancing, the Debtor would sell the Property to Lykos Properties, LLC, which is owned by Ms. Lucas's son, Aristides G. Kappatos. He will purchase the Property with a gift of equity from Ms. Lucas and a loan from The Cape Cod Cooperative Bank ("Cape Cod Coop"). Attached hereto is a letter of intent from Cape Cod Coop outlining the terms of the loan in the total amount of \$7,800,000. The remainder of the cash portion of the purchase price, needed to fund the Plan is approximately \$1.2 million. These funds will come from: (a) personal funds of Ms. Lucas (\$700,000); (b) a personal loan to the Buyer from Naem Tawadrous (\$250,000); and (c) the proceeds from a contract with Associated Energy Development for the installation of solar panels on the Property (\$250,000 to \$500,000).²

² A copy of the solar contract will be available from counsel for the Debtor upon request.

IV. Classification of Claims and Their Treatment
Under the Plan

The following is a description of the Debtor's liabilities, and their treatment under the Plan. In summary, the order of payment of claims shall be:

- A. Administrative Claims (Unclassified)
- B. Secured Claims
- C. Prepetition Priority Claims (except tax claims) (Class 2)
- D. Prepetition Secured and Priority Tax Claims (Class 3)
- E. General Unsecured Claims (Classes 4)
- F. Equity and Beneficial Interests (Class 5)

A. Administrative Claims.

Administrative claims under 503(b) include expenses incurred during the Chapter 11 case, including fees of professional persons, United States Trustee Quarterly Fees, and other expenses. Holders of Allowed Claims for administrative expenses that have been incurred in the ordinary course of the Debtors' business shall be paid in the ordinary course of business, including the United States Trustee Quarterly Fees. All other holders of Allowed Claims for administrative expenses shall be paid the full amount of such Allowed Claim in cash on the Effective Date, unless a different treatment is mutually agreed upon by the claimant and the Debtors.

The following is an estimate of the known Administrative Claims against the Debtors, with the estimated amount of such claims:

Professional Fees

Payment to professionals shall be made first from retainers held by the professionals, and then in accordance with the Budget. The estimated fees of professionals in this case are as follows:

There is one claim for professional services in these proceedings: (i) Madoff & Khoury, LLP, counsel to the Debtors ("Counsel") whose claim is estimated to be in the amount of \$25,000.00. Counsel is holding a retainer in the amount of \$15,000.00, which will be applied against any fee which is ultimately allowed to Counsel. All professional fees are subject to approval by the Bankruptcy Court.

All administrative claims relating to expenses incurred during the Debtor's reorganization

case, on account of the employment of Professional Persons, as defined in Article I, above, at least through and including thirty (30) days prior to the first date scheduled for the Confirmation Hearing, shall be made the subject of applications for allowance of fees and reimbursement of expenses ("Fee Applications") which shall be filed on or before _____ at 4:30 p.m. Any such Fee Application may include a request for payment of anticipated fees and expenses through the Effective Date of the Plan to the extent such fees and expenses can be reasonably determined.

A. Classes 1A and 1B – Secured Claims

A claim is "secured" when a creditor holds a lien on particular assets ("collateral") to assure payment of the claim. In general, proceeds from any sale of collateral must be applied first to the repayment of any claims secured by the collateral. If the amount of the claim exceeds the value of the collateral, then the claim is considered to be a "secured claim" under bankruptcy law only to the extent of value of the collateral.

Each of the following, Classes 1A and 1B, constitutes a separate class:

Class 1A – Allowed Claim of RIA LLC

RIA LLC asserted a claim against the Debtor, as of the Petition Date, in the amount of \$8,892,598.97. This obligation arises out of a certain promissory note dated September 10, 2013, in the original principal amount of \$7,600,000 (the "RIA Note"). The RIA Note is secured by a mortgage granted by the Debtor encumbering the Property, a UCC-1 Financing Statement, as well as an assignment of leases and rents regarding such property.

The Debtor intends to pay RIA LLC the full amount of its Allowed Claim on the Effective Date, from the proceeds of the sale of the Property. The Debtor believes that the RIA LLC Claim is overstated, and intends to object to the claim. However, pending a resolution of the objection, the Debtor will pay the full amount of the undisputed portion of the Claim to RIA LLC, and pay the remainder into escrow.

Class 1A is unimpaired.

Class 1B – Allowed Claim of Desrosiers Excavating and Landscaping LLC

CAJ listed Desrosiers on its Schedule D with a disputed claim in the amount of \$86,000.00 for unpaid snow plowing services. Desrosiers holds a judicial attachment on the Property to secure that claim. Desrosiers has yet to file a proof of claim.

The Debtor intends to pay Desrosiers the full amount of its Allowed Claim on the Effective Date, from the proceeds of the sale of the Property. The Debtor believes that the Desrosiers Claim is overstated, and intends to object to the claim. However, pending a resolution of the objection, the Debtor will pay the full amount of the undisputed portion of the

Claim to RIA LLC, and pay the remainder into escrow.

Class 1B is unimpaired.

Class 2 – Priority Claims (Non-Tax)

Class 2A is comprised of all holders of non-tax Allowed Claims entitled to priority. Section 1129(a)(9)(A) of the Code requires, with respect to priority claims that, except to the extent the holder of such priority claim has agreed to a different treatment of such claim, on the effective date of the plan, holders of such claims “receive on account of such claim cash equal to the allowed amount of such claim.” Under the Plan, holders of Allowed Class 2 claims, if any, will receive cash payment in the full amount of their claims on the effective date. The Debtor believes that there are no such non-tax priority claims.

Class 2 is unimpaired.

Class 3 – Priority Tax Claims

Priority claims also include certain tax claims, as set forth in Section 507(a)(8) of the Bankruptcy Code. The treatment of priority and secured tax claims is set forth in Section 1129(a)(9)(C) and (D) of the Code.

The Debtor does not believe that there are any Class 3 Priority Tax Claims.

The holders of Allowed Class 3 Claims, if they exist, shall each receive monthly payments over a period of five years from the Petition Date of a total value equal to the allowed amount of each such Claim, including appropriate interest pursuant to Section 511 of the Bankruptcy Code, IRC Sections 6621 and 6622 (as to the IRS claim), and Massachusetts General Laws Ch. 62C, Section 32(a) (as to the claims of the Commonwealth of Massachusetts). The payment to the holders of Allowed Class 3 Claims shall commence on the later of: (i) the seventh (7th) day of the first full month after the Effective Date; or (ii) the date on which such Claim is Allowed.

Class 3 is unimpaired.

Class 4 – Allowed General Unsecured Claims

Unsecured claims not entitled to priority under the Bankruptcy Code are called “general unsecured claims”. If you loaned money without collateral or supplied goods or services to the Debtors prior to the Petition Date (i.e., January 24, 2018), and you have not been paid, then you probably hold a general unsecured claim. Holders of general unsecured claims also include secured creditors whose claims exceed the value of their collateral.

In order to be allowed, a general unsecured claim must either be set forth in a proof of

claim properly filed with the Bankruptcy Court on or before deadline established by the Bankruptcy Court, namely, May 1, 2018, or listed by the Debtors in their Schedules Of Assets And Liabilities filed with the Bankruptcy Court as an obligation other than a liability that is disputed, unliquidated or contingent. Even a properly filed or scheduled claim may still be disallowed if an objection to the claim is filed and granted by the Bankruptcy Court. The objection procedure is described below in Section VI.

Class 4 is comprised of all holders of Allowed general unsecured claims against the Debtor. This class includes trade claims owed by the Debtor and any portion of a claim of a taxing authority not entitled to treatment as secured or priority claim. The Debtor estimates that there will be approximately \$67,000.00 in allowed Class 4 claimants. Based upon the estimated amount of Allowed Class 4 claimants and the anticipated collection of the Collected Proceeds, it is estimated that each holder of an Allowed Class 4 Claim shall be paid, in full settlement and satisfaction of such Claim, deferred cash payments equal to 100 percent of such Allowed Claim over 24 months from the Effective Date. The holders of Allowed Class 4 Claims will be paid in equal quarterly installments without interest, unless a different treatment is agreed to by the creditor.

Class 4 is impaired.

Class 5 – Equity Interests

Class 5 is comprised of all equity interests in the Debtor. Joanne Lucas is the sole holder of equity interests in the Debtor. Holder of equity interests shall receive no distribution under the Plan on account of such interests.

Class 5 is impaired

VI. Claims Objections

No claim will be paid unless it is allowed by the Bankruptcy Court. If you filed a proof of claim before the deadlines established by the Court, then your claim will be automatically allowed unless a Debtor or another interested party files a written objection with the Court before the time periods set forth below. Similarly, even if you did not file a proof of claim, if your claim is listed in the Schedules of Liabilities filed by the Debtor as an obligation that is not disputed, unliquidated or contingent, then your claim will be automatically allowed unless an objection is filed with the Court before the deadlines set forth below.

If an objection to your claim is filed, a copy of the objection will be sent to you. You will also receive a notice specifying the deadline for you to file a written response to the objection, as well as the date, time and place of the hearing regarding the merits of your claim. If your claim is then allowed, you will be entitled to receive a distribution on account of your Allowed Claim as provided by the Plan.

In order to ensure that there are funds available to make the appropriate distribution on

account of disputed claims that are ultimately allowed (in whole or in part), the Plan provides for the Debtor to hold in reserve the pro-rata amount to which such holder would be entitled if its claim were allowed in the full amount asserted. If a claim to which an objection has been filed is allowed by the Court, the holder will receive the amount to which it is entitled. If the claim is allowed in a reduced amount or disallowed, then the reserved funds not necessary to pay the claim will go back to the Debtor.

A. Objections to Pre-Petition Claims

All claims that arose prior to the dates on which each of the Debtor's bankruptcy petitions were filed and are either (i) listed on the Debtor's Schedules and not listed as disputed, contingent or unliquidated, or (ii) the subject of a timely filed Proof of Claim, shall be allowed in full, unless such claim is objected to within 30 days of the Effective Date of the Plan.

Claims based upon the rejection of an executory contract or unexpired lease shall not be deemed timely filed and shall be disallowed unless a proof of claim has been filed by the later of the Bar Date or 30 days after the entry of an order rejecting such executory contract or unexpired lease.

B. Bar Date for and Objection to Post-Petition Claims

Any claim entitled to priority under Code Section 503(b), except for claims of Professional Persons, shall be forever barred unless it is the subject of a proof of claim filed with the Bankruptcy Court and served by the Administrative Claim Bar Date on or before _____ **at 4:30 p.m.** Such proof of claim will be allowed in full unless such claim is objected to within 30 days of the Effective Date of the Plan.

VII. Implementation of the Plan

A. Consummating the Plan

On the Effective Date, the Debtor shall commence making payments under the Plan and according to the Budget. All property of the Debtor, including property of the estate under 11 U.S.C. Section 541, shall be vested in the Debtor free and clear of any claims, liens and encumbrances, except for the liens granted hereunder or to be retained under the Plan.

B. Distributions

a. Delivery of Distributions. Distributions, deliveries, and any notice to holders of Allowed Claims will be made at (i) the addresses set forth in any proof of claim filed by the holders of such Allowed Claims or, if none, at the address set forth in the Debtor's Schedules, or (ii) at the addresses set forth in any written notices of address changes delivered to and received by the Debtor after the Effective Date. If any Distribution is returned as undeliverable, no further distributions to the holder will be made unless and until the Debtor is notified of the

holder's then current address, at which time all returned Distributions will be made to the holder without interest. All claims for undeliverable Distributions must be made to the Debtor on or before one hundred and twenty (120) days from the date of mailing or other form of delivery of such Distribution. After that date, all unclaimed property shall be repaid to the Debtors and the Claim of any holder with respect to such property will be discharged and forever barred.

b. Time Bar to Cash Payments. Checks issued by the Debtor in respect of Allowed Claims will be null and void if not cashed within 90 days of the date of their issuance. Requests for reissuance of any check shall be made to the Debtor by the holder of the Allowed Claim with respect to which the check originally was issued. Any claim in respect of such a voided check must be made on or before one hundred and twenty (120) days after the date of issuance of the check (unless extended in the sole and exclusive discretion of the Debtor). After that date, all claims in respect of void checks will be discharged and forever barred and the cash, including interest earned thereon, if any, shall be distributed in accordance with the terms of this Plan.

c. De Minimis Distributions. No cash payment of less than ten dollars (\$10.00) will be made by the Debtors to any creditor unless a request is made in writing to the Debtors to make such a payment within 45 days after the date that such payment became due.

C. Discharge

Except as otherwise provided in the Plan or the Confirmation Order, upon the Effective Date, pursuant to Section 1141(d)(1) of the Bankruptcy Code, the Debtor shall be discharged and released of and from any and all debts, liabilities of Claims arising on or before the Confirmation Date, including, without limitation, all principal and interest, and whether or not (a) a proof of claim or interest is filed or deemed filed under Section 501 of the Bankruptcy Code, (b) such Claim or Interest is Allowed under Section 502 of the Bankruptcy Code, or (c) the holder of such Claim or Interest has accepted the Plan.

Nothing in the Plan shall discharge or release the obligations of non-Debtor guarantors to creditors of the Debtors.

D. Other Duties and Responsibilities of the Debtor

In addition to the various obligations and duties of the Debtor described elsewhere in the Plan, the Debtor shall have the following specific duties and powers:

- a. preparation and filing of all required tax returns including the right to request a determination of tax liability as set forth in Bankruptcy Code Section 505. All 2017 state and federal tax returns for the Debtor have been filed or shall be filed by the date set for the hearing on confirmation of the Plan;
- b. preservation or liquidation of assets or the distribution of proceeds of assets;

- c. payment of post-confirmation fees due to the Office of the United States Trustee;
- d. filing of status reports with the Bankruptcy Court or other parties in interest; and
- e. filing a motion for Final Decree;

E. Obligations to the United States Trustee

The Debtor will be responsible for timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a)(6). After confirmation, 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. Debtor's projections as to their continuing ability to comply with the terms of the plan;
- d. a description of any other factors which may materially affect the Debtors' 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).

F. Postpetition Management of the Debtor

Joanne Lucas, Manager of the Debtor, will continue in that capacity. Ms. Lucas does not intend to receive any compensation from the Debtor. Since the Property will have been sold, her only responsibility will be to complete the Debtor's responsibilities under the Plan.

VIII. Executory Contracts and Unexpired Leases

The Bankruptcy Code permits the rejection of executory contracts and unexpired leases that are burdensome to the Debtors' estates. As of the Effective Date, all executory contracts and unexpired leases, except those expressly rejected by prior Court order, shall be deemed assumed.

Any claim for damages arising from the rejection of an executory contract or unexpired lease shall, upon allowance, be a Class 4 general unsecured claim against the estate. Proof of such Claim must be filed by the later of the Bar Date or 30 days after entry of an order rejecting

such executory contract or unexpired lease, or the claimant shall be forever barred from asserting such Claim.

IX. Acceptance and Confirmation of the Plan

The bankruptcy law provides that any class of creditors or stockholders whose rights are "impaired" (that is, not fully honored) under a proposed plan of reorganization has the right, as a class, to accept or reject the plan. Each member of the class may vote on this decision. A class of creditors accepts the Plan if more than one-half of the ballots that are timely received from members of the class, representing at least two-thirds of the dollar amount of claims for which ballots are timely received, are voted in favor of the Plan.

Only Class 4 is impaired and may therefore vote to accept or reject the plan. Classes 1A, 1B, 2 and 3 are unimpaired and may not vote.

Included in the same envelope containing this document is a ballot by which you may vote to accept or reject the Plan. Instructions for completing and returning the ballot are found on the ballot itself. **IN ORDER FOR YOUR VOTE TO COUNT, IT MUST BE RECEIVED BY THE UNDERSIGNED COUNSEL NOT LATER THAN 4:30 P.M. (EASTERN STANDARD TIME) ON _____.**

The Debtor's Plan will be confirmed if it meets the requirements set forth in the Bankruptcy Code. Among these requirements are:

- The Plan must have been accepted by at least one impaired class of creditors.
- If any class rejects the Plan, the Bankruptcy Court must find that the Plan is fair and equitable to, and does not unfairly discriminate against, such class.
- If any creditor does not accept the Plan, the Bankruptcy Court must determine that the Plan provides such creditor with at least as great a distribution as the creditor would receive in a Chapter 7 liquidation. The Debtor's management believes that, as illustrated in the liquidation analysis set forth below, this requirement has been established. In fact, the Plan provides that holders of Allowed Class 4 unsecured claims will receive more under the Plan than in a liquidation, where such creditors would not receive any dividend.
- The Bankruptcy Court must determine that confirmation of the Plan is not likely to be followed by the need for liquidation (except as contemplated by the Plan) or further reorganization. Debtor's management asserts that, as set forth in the Budget and based upon the actions undertaken by the Debtor during the Proceedings, confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

Assuming that the Plan is otherwise confirmable, the Debtor reserves the right to seek

confirmation even if one or more classes vote to reject the Plan. The Bankruptcy Code contains provisions for confirmation of a plan where at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in Section 1129(b) of the Bankruptcy Code. A plan of reorganization may be confirmed under the cramdown provisions if, in addition to satisfying the usual requirements of Section 1129 of the Bankruptcy 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.

In addition, the Debtor reserves the right, in order to resolve any objection to confirmation of the Plan or otherwise, to modify the Plan without further notice or disclosure, so long as the modification does not adversely change the treatment of any creditor who has not accepted the modification.

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 their Plan does not "discriminate unfairly" with respect to any class of Claims.

X. Alternatives to the Plan: Liquidation

If the Plan is not confirmed, the only viable alternative would be a liquidation of the Debtor's assets. To calculate what creditors would receive if the Debtors 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 Bankruptcy 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.

The Liquidation Value available to general unsecured creditors would be reduced by (a) the unpaid prepetition priority claims, and (b) by the costs and expenses of the liquidation, as well as other administrative expenses of the Debtor's Chapter 11 and Chapter 7 estates. The Debtor's costs of liquidation under Chapter 7 would include the compensation of a trustee, as well as of 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 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.

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.

However, in this proceeding, as noted above, all of the Debtor's property will be sold. If the Plan were not confirmed, the only alternative would be a liquidation in a Chapter 7 proceeding, or a foreclosure by RAI LLC, which historically would produce a lower purchase price than what is proposed in the Plan.

XI. Best Interests Test

As general unsecured creditors will receive or retain under the Plan, on account of such claims, a dividend which is substantially greater than the dividend such creditors would receive in a liquidation scenario, it is evident that the Plan satisfies the best interest test under Section 1129(a)(7) of the Bankruptcy Code.

Section 1129(b)(2)(B)(ii) of the Bankruptcy Code is known as the Absolute Priority Rule. It provides that a plan cannot be confirmed if all classes of creditors do not vote in its favor, and unless the plan provides that: "the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property." Therefore, if a debtor retains property that has some value under the plan, where creditors are not receiving payment in full, the plan could violate the Absolute Priority Rule.

In this Plan, the principal is not retaining her interest in the equity in the Debtor. Also, since the business has no net value, the Debtor is not violating the Absolute Priority Rule.

XII. Feasibility

The Plan is based on the liquidation of the Debtor's remaining assets and the equitable distribution of the proceeds in accordance with the provisions of the Plan. Therefore, the Plan satisfies the provisions of Section 1129(a)(11) of the Code.

XIII. Federal Income Tax Consequences

It is not practicable to present a detailed explanation of the possible federal or state income tax consequences of the Plan on holders of Allowed Claims, and the Debtor expresses no opinion as to the tax consequences. All parties affected by the Plan are urged to seek advice from their own tax professionals. However, set forth below is a brief summary of some of the federal tax consequences of the Plan on creditors.

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 their existence and business operations, they 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 Internal Revenue Code (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 Debtors' 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 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 Debtors 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 Debtors do 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 Debtors' 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 Debtors 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 Debtors under the Plan provided that holder previously deducted the liability to the Debtors 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 Debtors 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.

XIV. Disclaimers

THE CONTENT OF THIS PLAN AND 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 THEIR FUTURE BUSINESS OPERATIONS, OR THE VALUE OF THEIR 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 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.

XV. Conclusion

The Bankruptcy Court has determined 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 full payment of their allowed claims, and thus urges you to vote to accept the Plan.

A BALLOT IS ENCLOSED WITH THIS PLAN AND DISCLOSURE STATEMENT. YOU SHOULD VOTE TO ACCEPT OR REJECT THE PLAN ON THAT BALLOT AND RETURN IT TO:

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Respectfully submitted this 5th day of October, 2018.

CAJ SOUTHWAY PLAZA LLC

By: /s/ Joanne Lucas
Joanne Lucas, Manager

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