UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND

In re:	)	
	)	
DENNIS EDWARDS	)	Case No. 15-17473
	)	(Chapter 11)
	)	
Debtor	)	
	)	

DEBTOR'S DISCLOSURE STATEMENT
PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE
(SEPTEMBER~~AUGUST~~ 30, 2016)

I. INTRODUCTION

DENNIS EDWARDS (the "Debtor"), by undersigned counsel, John D. Burns, Esquire, and The Burns Law Firm, LLC, submits this Disclosure Statement (the "Disclosure Statement"), as amended, pursuant to § 1125 of the Bankruptcy Code of 2005, as amended (the "Bankruptcy Code"), to all holders of Claims[1] against or interests in the Debtor, as a prerequisite to soliciting acceptances to the Debtor's Plan of Reorganization (the "Plan"), or as may have been amended, which has been filed with the Clerk of the United States Bankruptcy Court for the District of Maryland (the "Bankruptcy Court").

The purpose of this Disclosure Statement is to furnish adequate information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtor and the condition of the Debtor's books and records, that would enable a hypothetical reasonable investor typical of the holders of Claims against or interests in the Debtor to make an informed judgment about the Plan. Therefore, as addressed more fully below, the information contained herein has not yet been approved by the Bankruptcy Court as "adequate information"

[1] Unless otherwise defined herein, to the extent possible the capitalized terms used herein shall have the respective meaning assigned in the Plan and such definitions are incorporated herein in the Plan description section.

within the meaning of the Bankruptcy Code.

Accompanying this Disclosure Statement, or as previously filed, are copies of: (a) the Plan, as amended, which is attached and incorporated herein as **Exhibit 1;** (b) the balance sheet supporting the liquidation analysis of the Debtor (effective as of an assumed date of 12/16), to be incorporated herein as **Exhibit 2;** (c) a *pro forma* statement of income and expenses over five (5) years (effective as of an assumed date of 12/16) to support the treatment of Classes of Claims under the Plan over the term of projected Cash Distributions as **Exhibit 3** (d) a projected statement of monthly cash flows for the 2016 Base Year as **Exhibit 3A**; (e); a business projection of cash flows to isolate that stream of income as **Exhibit 3B**; (f) a summary reconciliation of financial information between projections, 12 months of MOR's; tax return of 2015 and normalized tax return for 2015 as **Exhibit 3C**; (g) a summary of MOR's from 07/15-06/16 as **Exhibit 3D**; (h) a summary of the 2015 tax return as **Exhibit 3E**; (i) a summary of the 2015 business tax return normalized as **Exhibit 3F**; (j) a complete statement of footnotes to the projected financial statements (Exhibits 2-3F) as **Exhibit 4**; (k) a summary of depreciation expenses used in tax calculations for 2015- 2020 as **Exhibit 5;**(l) a Schedule of Projected Income to Tax Income as **Exhibit 6**; (m) a complete set of accountancy worksheets for the foregoing as **Exhibit 7**; (n) assorted vendor statements as to income as **Exhibit 8**; (o) the Debtor's most recent Operating Report as **Exhibit 9**; and (p) a Ballot for acceptance or rejection of the Plan ("Ballot") to be incorporated herein as **Exhibit 10**. Revisions to the Exhibit 3 to accommodate the Consent achieved by and between Debtor and Bally's; Boardwalk and Marina as set forth below is attached hereto and shall be known as the "Revised Exhibit 3".

After carefully reviewing the Plan, this Disclosure Statement and all the Exhibits annexed hereto, please indicate your vote on the enclosed Ballot. Please vote and return your

Ballot to the following address: John D. Burns, Esquire, The Burns Law Firm, LLC, 6303 Ivy Lane; Suite 102, Greenbelt, MD 20770. YOU MAY FAX THE BALLOT TO 301.441.9472 PROVIDED YOU PREFACE YOUR FACSIMILE WITH A COVER SHEET IDENTIFYING THE ***CASE NAME, NUMBER AND IDENTIFYING YOURSELF BY NAME*** AND COMPANY AFFILIATION, IF ANY. PLEASE NOTE THAT UNRECOGNIZABLE OR UNIDENTIFIED FACSIMILES ARE DISCARDED WEEKLY. YOU MAY ALSO PDF YOUR SIGNED BALLOT (ALL PAGES REQUIRED) TO THE FOLLOWING EMAIL ADDRES: INFO@BURNSBANKRUPTCYFIRM.COM WITH SIMILAR IDENTIFYING INFORMATION AS WAS REQUIRED IN THE FACSIMILE INSTRUCTIONS.

NO REPRESENTATION CONCERNING THE DEBTOR, THE VALUE OF OF PROPERTY, OR THE PLAN, ARE AUTHORIZED BY THE DEBTOR UNLESS SET FORTH IN THIS DISCLOSURE STATEMENT. **ACCORDINGLY, NO REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN, OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD BE RELIED UPON IN EXERCISING THE RIGHT TO VOTE OR NOT TO VOTE ON THE ACCEPTANCE OF THE PLAN AND ANY SUCH REPRESENTATION OR INDUCEMENT SHOULD BE REPORTED IMMEDIATELY TO THE DEBTOR'S COUNSEL.** THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. NO REPRESENTATION IS MADE THAT FINANCIAL SYNOPSES ANNEXED HERETO OR RELIED UPON HEREIN ARE PREPARED IN ACCORDANCE WITH GAAP. THE RECORDS KEPT BY THE DEBTOR ARE NOT WARRANTED OR REPRESENTED TO BE WITHOUT INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE

ACCURATE. THE DEBTOR BELIEVES THAT THE PLAN PROVIDES THE GREATEST AND EARLIEST POSSIBLE RECOVERY TO ITS CREDITORS. THE DEBTOR THEREFORE BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF ALL CREDITORS. THE PLAN AND DISCLOSURE STATEMENT ARE COMPLEX INSOFAR AS THEY CONSTITUTE A LEGALLY BINDING COMMITMENT BETWEEN CREDITORS AND THE DEBTOR. ACCORDINGLY, CREDITORS AND PARTIES-IN-INTEREST ARE URGED TO SEEK LEGAL COUNSEL IF UNSURE OF THE EFFECT OF THE PLAN AND DISCLOSURE STATEMENT.

CREDITORS MAY WISH TO OBTAIN THE ADVICE OF COUNSEL AND THE ADVICE OF AN ACCOUNTANT OR INVESTMENT ADVISOR AS TO THE RISKS AND TAX IMPLICATIONS IMPLICATED BY THE PLAN.

THE PLAN PROVIDES CERTAIN ADDITIONAL RISKS TO CREDITORS IN THAT WHILE PROJECTIONS AND ASSUMPTIONS HAVE BEEN PREPARED WITH GREAT CARE, THE PAYMENT ON ALLOWED CLAIMS IN THIS CASE IS CONTINGENT UPON APPROVAL OF THE DEBTOR'S PLAN. MOREOVER, THIS DISCLOSURE STATEMENT IS NOT A STATEMENT OF COURT APPROVED REPRESENTATIONS. The description of the Plan in this Disclosure Statement is a summary only, and creditors and other parties in interest are urged to review this entire Disclosure Statement and its Exhibits, the detailed description of the Plan contained herein, and the Plan itself which is annexed hereto for a full understanding of the Plan's provisions.

II. STANDARD AT LAW:

1. Basis for Adequate Information:

A disclosure statement must contain "adequate information" as is defined and set forth

in Section 1125(a) of the Code: This means "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan."

Moreover, recognizing the practicalities of Chapter 11, the drafters of Title 11 reserved that "adequate information need not include such information about any other possible or proposed plan and in determining whether a disclosure statement provides adequate information, the court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information." 11 U.S.C. § 1125(a) (2015). As such, the Code presents inherent flexibility as to the contents of a disclosure statement as they pertain to the unique facets of the debtor in question, such as size of business, complexity of operations and of course, nature of the reorganization at hand.

A long standing "benchmark" for determining the adequacy of information presented within a Disclosure Statement is found at Judge Drake's seminal opinion, in *Metrocraft*, wherein the Bankruptcy Court drew from substantial sources to produce a nineteen (19) factor list:

> Relevant factors for evaluating the adequacy of a disclosure statement may include: (1) the events which led to the filing of a bankruptcy petition; (2) a description of the available assets and their value; (3) the anticipated future of the company; (4) the source of information stated in the disclosure statement; (5) a disclaimer; (6) the present condition of the debtor while in Chapter 11; (7) the scheduled claims; (8) the estimated return to creditors under a Chapter 7 liquidation; (9) the accounting method utilized to produce financial information and the name of the accountants responsible for such information; (10) the future management of the debtor; (11) the Chapter 11 plan or a summary thereof; (12) the estimated administrative expenses, including attorneys' and accountants' fees;

> (13) the collectability of accounts receivable; (14) financial information, data, valuations or projections relevant to the creditors' decision to accept or reject the Chapter 11 plan; (15) information relevant to the risks posed to creditors under the plan; (16) the actual or projected realizable value from recovery of preferential or otherwise voidable transfers; (17) litigation likely to arise in a nonbankruptcy context; (18) tax attributes of the debtor; and (19) the relationship of the debtor with affiliates.

See, In re Metrocraft, 39 B.R. 567, 568 (Bankr. N.D. Ga. 1984).

Each of these as may be applicable is addressed herein, and appropriately referenced by footnote so that the reader may track each reference:

III. HISTORY AND BACKGROUND:

1. *Basis for Filing and Factual Predicates:*

On or about May 26, 2015 (the "Petition Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code of 2005, as amended (the "Code"). The Debtor is a crabber and has had some very minor real estate leasing on his own properties at the very bottom peninsula of Piney Point in St. Mary's County, MD. The Debtor is financially unsophisticated and a simple buyer/seller of crabs. He has a high school education, no formal finance training, and could not even identify his own address at a recent motion for relief from stay hearing. Yet, he is being compelled to file financial statements of complexity commensurate with a significant corporate going concern in an event of over-kill that is perhaps a first in the history of this Bankruptcy Court.

The Debtor's financial demise is an account of wild land speculation coupled with heady times in the first decade of this millennium. Coupled with this was the financial hubris by a financial institution, PNC or its predecessor in interest Mercantile Southern Maryland Bank, which issued very shaky and speculative loans herein. The Debtor has testified that he was advised at all times by PNC or its predecessor that the loans would pay themselves from the

profits from the real estate investment that was then at hand. The Debtor fervently believes he was deceived by PNC or its predecessor into surrendering his own significant real properties to fortify the collateral underlying a very shaky real estate loan that was then pending.

In 2006, the Debtor induced by his realtor friend Tom Harmon, set up two single purpose limited liability companies; Essex Woods, LLC ("Essex") and Forest Hall, LLC ("Forest") for the purpose of acquiring several tracts of real property. The purpose of the acquisition was future development of the property in the sunset of the fast moving property development bubble that hit the United States in the years following the new millennium. The Debtor contemplated expedient housing developments could be put on the lots that were the subject of the loans which would produce over $50,000.000.00 in profits.

Thus, in 2006, a loan was obtained from PNC or its predecessor for $3,350.000.00 that the Debtor signed as the maker because was informed that the loan would be paid from the Forest and/or Essex properties which secured it. A further loan was obtained from PNC and its predecessor in the amount of $1,450,000.00 which the Debtor also signed as maker.

At no time was there ever any contemplation that the 2006 loans would be secured by the Debtor's own real properties, but rather it would only be secured by and paid from the Essex and Forest properties when sold after development, and interest would be carried through the loan term until the development was complete and the loan extinguished.

The properties were not susceptible to development as the market soon teetered in 2007 and experienced an all out crash in 2009, which has only begun to subside by the Petition Date. To fulfill debt service PNC or its predecessor then engaged in a series of loan extensions and forbearances that maintained currency on the terms of the 2006 loans to the extent possible. However, in 2007, the Debtor was asked to pledge his own personal properties and to expand his

liabilities. These were all efforts to enhance the position of PNC or its predecessor in all available assets while the Debtor was being informed orally that PNC or its predecessor would never collect against the Debtor; but rather the loans would "pay themselves" from the developed investment properties. The Debtor, who again is remarkably naïve and lacks financial acumen, believed what PNC or its predecessor told him without question. Mr. Harmon had no assets, and was not a serious subject of collection by PNC or its predecessor.

Depressed from the failing real estate markets, and having prematurely lost his wife, the Debtor began gambling and lost significant unsecured sums on uncovered markers because he was an exceptionally poor gambler. The Debtor's seafood business likewise suffered.

Then bad became worse. Rather than "pay themselves" from investment properties and further extensions on interest and costs, PNC began to sell off properties held by the Debtor in various other limited liability companies. Loan extensions continued – as PNC waited until a time would arise where remaining real property values would increase to a point where maximum advantage could be exercised from a sweeping sale of all collateral. That time arose in 2015, and the foreclosure effort was swift and unanticipated. As of the Petition Date, PNC filed proofs of claim for $10,028,015.00. [Cl. Dkts. 6, 7] All derived from the two aforementioned 2006 promissory notes for $480,000.00. This is *after* the sale of other properties of the Debtor, owned by other limited liability companies. Confessed judgments were entered against the Debtor such that PNC could ramp up its interest to the statutory rate and ensure that it had locked down any other properties in St. Mary's County, MD. The Debtor filed for protection pursuant to Chapter 11, as did Forest and Essex in separate cases.

2. *Post-Petition Operations:*

The Debtor commenced his bankruptcy case with a severe heart attack and low

grade stroke. He was hospitalized for the first several weeks and then intermittently through December, 2015. The Debtor recovered slowly, but his initial expectations of a turn-around in the real property markets in 2015 was more evident of a fizzle which slowly rises, than a return of Champagne corks of 2000 and the first several years of this prior decade. This health-mandated "frolic and detour" in the case cost the Debtor thousands of dollars in his seafood and nascent crab brokerage commerce, which enlarged his already evident financial problems. The Debtor is a widower and his daughter of 8 years old is supported by him. This is not pursuant to any DSO tribunal issued decree; but rather what the Debtor needs to pay in order to ensure his daughter has support to live.

The Debtor spent much time attempting to market and sell the Essex and Forest properties. Several realtors were explored, and one was ultimately chosen, NAI Michaels. A significant offer in prospect was communicated to PNC; however, no possible sale or development of the Essex and Forest properties would satiate the now rolling foreclosure machine which was launched against the Debtor in late 2015.

In early 2016, it became evident that the Forest and Essex properties although saleable were going to have to be surrendered to foreclosure, given that PNC simply would not work with any property developer or proposal advanced to it. Motions for relief from stay were filed and lamentably consented to by Forest and Essex. The Debtor understands that the Forest and Essex properties have been foreclosed upon at a fraction of the value that a particular investor was willing to bring to the table for PNC earlier in this case. Thus, a sizeable deficiency claim exists by virtue of the proofs of claim of PNC in this case. The anticipated yield from all foreclosures by PNC after a prospective ratification is approximately $1,000,000.00 which is far less than the Debtor had in prospect under the letter of intent and prospects for offers, which

sales were chilled by the actions of PNC in filing Motions for Relief From Sale once PNC learned that the affiliates of the Debtor were attempting to obtain buyers for these properties.

The Debtor has also elected to surrender his personal properties to PNC in the Plan – other than his principal residence - simply because the Debtor is a realist and cannot afford to cash flow sufficiently without other income sufficiently to provide debt service to PNC sufficiently to retain these other properties. The Debtor has been provided with a motion for relief from stay which was recently litigated in early 2016. It was taken *sub curia* after a full day of evidence, expert testimony and lay testimony on the elements of Section 362(d)(1), (2) and as they relate to the Debtor's principal residence which Debtor as noted wishes to retain.

Despite hopeful suggestions by the Bankruptcy Court on the record that the parties find some way to resolve matters, including property value enhancements, interest rate changes, or term adjustments, the Debtor's further adequate protection proposals have not been well received by PNC. Debtor has been informed by PNC that litigation is the only way the matters will be resolved – indeed PNC would not even deposit the Debtor's adequate protection checks absent a direction by the Bankruptcy Court at the last disclosure statement hearing to do so despite having inaccurately suggested at the motion for relief from stay trial that the Debtor never tendered a payment on the credit facilities. PNC has not modified any claim for treatment in this case to give effect to payments made by the Debtor, and is forcing the Debtor to bear the brunt of "punishment" litigation because PNC is acting contrary to its own economic interests in this case, and has done so for some time now.

To the contrary of PNC, three judgment creditors who have elected to exercise commercial reasonableness with the Debtor and his obligations to them have resolved all disputes over the judgments obtained against the Debtor; namely, Bally's; Boardwalk and

Marina who have restructured their claims so that a reasonable portion is secured and may be paid and satisfied through the Plan while the balance is unsecured and remains within the Allowed Unsecured Claims Class. The Amended Exhibit 3 details this modest change to the Debtor's restructuring.

IV. PLAN OF REORGANIZATION

The following is a brief summary of the Plan of Reorganization of the Debtor filed with the Clerk of the United States Bankruptcy Court for the District of Maryland contemporaneous herewith. All statements made below are general in nature and are qualified in their entirety by reference to the complete terms of the Plan attached hereto and incorporated herein as **Exhibit 1.** Creditors, parties-in-interest and Equity Interest Holders are encouraged to read the entire Plan and consult with their respective counsel, accountants, business advisors and each other in order to fully understand the Plan. For purposes of the Plan, Definitions are provided as follows. The Plan is addressed in the context of the Plan Summary below, with a claims summary, a treatment summary, and a plan execution and means section.

"Class 1 Claim" shall consist of the Disputed Secured Claims of PNC Bank, NA [Cl. Dkts. 6, 7] for $5,535,856.60 and $4,491,210.82 in the Real Property and any other collateral or proceeds from foreclosure sales conducted, of which $450,000.00 (Court Order) is stipulated to be an Allowed Secured Claim in the Residence, subject to a rent addition for $20,825.00 ($2,725.00 per month from June, 2015 to February, 2016, less $1,000.00 property insurance paid and $2,700.00 non-payment of rent - $900.00 per month – for three months by one tenant). Accordingly, the Allowed Secured Claim is ***$470,825.00***. There are no written leases and this is a month to month oral license with all occupants. The remainder is a Disputed Unsecured Claim in the amount ***$9,577,190.00,*** **such Unsecured Claim to be reduced after the**

anticipated proceeds of foreclosure on properties liquidated are realized following ratification, presently anticipated to be in excess of $1,000.000.00.

"Class 2 Claim" shall consist of the Allowed Secured Claim of Suntrust Bank in the amount of ***$37,925.78*** [Cl. 1] in the 2009 Cadillac Escalade.

"Class 3 Claim" shall consist of the Americredit Financial Services Allowed Secured Claim in the amount of ***$46,077.67*** [Cl. 3] in the 2015 Chevrolet Silverado.

"Class 4 Claim" shall consist of the Citizen's One Auto Finance fka Citizen's Auto Finance Allowed Secured Claim in the amount of ***$8,007.52*** [Cl. 5] in the 2010 Ford and 2011 GMC 2500.

~~"Class 5 Claim" shall consist of the Bally's Park Place Judgment Disputed Secured Claim in the amount of ***$120,979.74*** [Sch. D] against the Residence.~~

"Class 5 Claim" shall consist of the Bally's Park Place Judgment Disputed Secured Claim in the amount of ***$120,979.74*** [Sch. D] against the Residence. The Allowed Secured Claim shall be $3,333.33 by agreement and the Deficiency Claim shall be $117,646.41.

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~~"Class 6 Claim" shall consist of the Boardwalk Regency Corp. Disputed Secured Claim in the amount of ***$50,855.96*** [Sch. D.] against the Residence.~~

"Class 6 Claim" shall consist of the Boardwalk Regency Corp. Disputed Secured Claim in the amount of ***$50,855.96*** [Sch. D.] against the Residence. The Allowed Secured Claim shall be $3,333.33 by agreement and the Deficiency Claim shall be $47,522.63.

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~~"Class 7 Claim" shall consist of the Marina Associates Disputed Secured Claim in the amount of ***$75,624.69*** [Sch. D] against the Residence.~~

"Class 7 Claim" shall consist of the Marina Associates Disputed Secured Claim in the amount of ***$75,624.69*** [Sch. D] against the Residence. The Allowed Secured Claim shall be

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$3,333.33 by agreement and the Deficiency Claim shall be $72,291.36.

"Class 8 Claim" shall consist of the Unsecured Claims against the Debtor; namely, Disputed Deficiency Claim PNC Bank, NA ***$9,577,190.00***; [Cl. 6, 7]; Allowed Unsecured Claim Quantum 3 Group, LLC ***$1,162.82*** [Cl. 4]; Disputed Unsecured Claim American Collections E ***$585.00*** [Sch. F]; Disputed Unsecured Claim Bank of America ***$63,620.****00* [Sch. F]; Disputed Unsecured Claim Chase Card ***$57,431.00*** [Sch. F]; Disputed Unsecured Claim Chase Card ***$18,031.00*** [Sch. F]; Enhanced Recovery Co. Disputed Unsecured Claim ***$10,175.36*** [Sch. F]; Ken Dixon Chevrolet Disputed Unsecured Claim ***$2,150.27*** [Sch. F]; Disputed Unsecured Claim John B. Norris III ***$5,500.00*** [Sch. F]; Palisades Collection Disputed Unsecured Claim ***$3,001.05*** [Sch. F]; Portfolio Recovery Disputed Unsecured Claim ***$7,314.00*** [Sch. F]; Robert Beakley Allowed Unsecured Claim ***$5,175.68*** [Sch. F]; and St. Mary's Hospital Disputed Unsecured Claim ***$746.94*** [Sch. F]. Bally's Park Place $117,646.41 [9019(a) Motion]; Boardwalk Regency Corp. $47,522.63; and Marina Assoc. $72,291.36 . Total Face Amount of Unsecured Claims ***$10,019,491.00, subject to reduction based upon foregoing disputes.***

~~Total Face Amount of Unsecured Claims ***$9,782,031.00, subject to reduction based upon foregoing disputes.***~~ ***Further Disputed Claims arising from Schedules set forth above are disallowed pursuant to Section 1111(a) and the Notice issued pursuant to Local Rule 2081-1 on August 4, 2015 [Dkt. 41].***

"Class 9 Interests" shall consist of the Equity Interests in the Debtor.

The Debtor has not designated any Class of Claims under §§ 507(a)(2), or 507(a)(8) pursuant to § 1123(a)(1) of the Bankruptcy Code. The Plan contemplates that all Allowed Administrative Expense Claims shall be accorded treatment and payment as provided for by the Bankruptcy Code and as otherwise addressed by this Plan, including accrued fees to

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counsel for the Debtor. Debtor's counsel holds in escrow $45,417.28 and has accrued fees and costs of $58,103.00 and the accountant has $7,555.00 in escrow and $19,555.00 in fees and costs. Fee applications shall be due in 90 days following the Effective Date. Finally, any unpaid quarterly fees due and owing to the Office of the United States Trustee shall be satisfied in full on the Effective Date, and any prospective quarterly fees to the Office of the United States Trustee shall be paid as and when due. None are apparent as owing to the UST at present.

Treatment is as follows:

Class 1 Claim is Impaired (PNC Bank, NA). In full and complete satisfaction of the Class 1 Claim, the Debtor shall pay the sum of $2,248.00 per month from December, 2016-January, 2026 with a balloon of $381,840.20 less adequate protection payments made in the case to be calculated prior to the Confirmation Order payable in the 121st month. This results from assumptions involving a value of $450,000.00 on the Residence and a value of $20,825.00 on rents unpaid from surrendered properties which is being capitalized to the collateral base herein, and an amortization of this sum on a 30 year assumption at 4.0%, as disclosed in Section 2.1, with a deduction that will be calculated at the time of the balloon of any adequate protection payments previously paid on the Secured Claim.

Subject to the use of any necessary Revenues, Cash Distributions from Cash Flow shall be in the priority of payments required by Title 11 and as demonstrated in greater detail by the pro forma(s) which shall adjoin the Disclosure Statement to the Plan to be dedicated to this Class of Claims. Accordingly, Class 1 Claim is not receiving all Cash Distributions from Cash Flow, but rather only those Cash Distributions which are more fully set forth in the pro forma(s) referenced. To the extent the Debtor's use of Revenues to fund any unanticipated, necessary and ordinary operating expenses causes the Debtor to pay the Class 1 Claim in arrears of the

projected return set forth in the pro forma(s) as discussed in the definition of Reserves above, the Debtor will need become current with the Cash Distributions contemplated within the pro forma(s) to the Class 1 Claim within two (2) months from the shortage, or a default may be appropriate under the Plan.

Treatment of the Class 1 Claim as provided in this Plan shall entitle the Class 1 Claim to receive on account of its Allowed Secured Claim money or money's worth equivalent to the present value amount of its Allowed Secured Claim, of a value, as of the Confirmation Date, of at least the value of Class 1 Claimholder's interest in the collateral securing its Allowed Secured Claim, and for the realization by the Class 1 Claimholder of the indubitable equivalent of its Allowed Secured Claim. Should the Class 1 Claim as a Secured Creditor elect treatment under Section 1111(b)(2) of the Code, treatment shall be provided in accordance with the requirements thereof. Finally, treatment of the Class 1 Claim may be based upon Cash Distributions arrived at by agreement. Upon payment in full of the Class 1 Claim through and in accordance herewith, the lien of the Class 1 Claimholder against the collateral, or any other property shall be released.

Class 2 Claim is Impaired (Suntrust Bank). In full and complete satisfaction of the Class 2 Claim, the Debtor shall pay ***$37,925.78*** in periodic installments pursuant the loan documents, and shall cure all past due amounts pre-petition and post-petition pursuant to a consent Order that is issuing from the Bankruptcy Court by the following means. The Debtor has defaulted on the Class 2 Claim; and is in the process of seeking a third party who can negotiate a reinstatement of the default or purchase the commercial paper at a negotiated price from SunTrust Bank.

Subject to the use of any necessary Revenues, Cash Distributions from Cash Flow

shall be in the priority of payments required by Title 11 and as demonstrated in greater detail by the pro forma(s) which shall adjoin the Disclosure Statement to the Plan to be dedicated to this Class of Claims. Accordingly, Class 2 Claim is not receiving all Cash Distributions from Cash Flow, but rather only those Cash Distributions which are more fully set forth in the pro forma(s) referenced. To the extent the Debtor's use of Revenues to fund any unanticipated, necessary and ordinary operating expenses causes the Debtor to pay the Class 2 Claim in arrears of the projected return set forth in the pro forma(s) as discussed in the definition of Reserves above, the Debtor will need become current with the Cash Distributions contemplated within the pro forma(s) to the Class 2 Claim within two (2) months from the shortage, or a default may be appropriate under the Plan.

Treatment of the Class 2 Claim as provided in this Plan shall entitle the Class 2 Claim to receive on account of its Allowed Secured Claim money or money's worth equivalent to the present value amount of its Allowed Secured Claim, of a value, as of the Confirmation Date, of at least the value of Class 2 Claimholder's interest in the collateral securing its Allowed Secured Claim, and for the realization by the Class 2 Claimholder of the indubitable equivalent of its Allowed Secured Claim. Should the Class 2 Claim as a Secured Creditor elect treatment under Section 1111(b)(2) of the Code, treatment shall be provided in accordance with the requirements thereof. Finally, treatment of the Class 2 Claim may be based upon Cash Distributions arrived at by agreement. Upon payment in full of the Class 2 Claim through and in accordance herewith, the lien of the Class 2 Claimholder against the collateral, or any other property shall be released.

Class 3 Claim is Impaired (Americredit Financial Services). In full and complete satisfaction of the Class 3 Claim, the Debtor shall pay ***$46,077.67*** in periodic installments

pursuant the loan documents, and shall cure all past due amounts pre-petition and post-petition pursuant to a consent Order that is issuing from the Bankruptcy Court or under the Plan.

Subject to the use of any necessary Revenues, Cash Distributions from Cash Flow shall be in the priority of payments required by Title 11 and as demonstrated in greater detail by the pro forma(s) which shall adjoin the Disclosure Statement to the Plan to be dedicated to this Class of Claims. Accordingly, Class 3 Claim is not receiving all Cash Distributions from Cash Flow, but rather only those Cash Distributions which are more fully set forth in the pro forma(s) referenced. To the extent the Debtor's use of Revenues to fund any unanticipated, necessary and ordinary operating expenses causes the Debtor to pay the Class 3 Claim in arrears of the projected return set forth in the pro forma(s) as discussed in the definition of Reserves above, the Debtor will need become current with the Cash Distributions contemplated within the pro forma(s) to the Class 3 Claim within two (2) months from the shortage, or a default may be appropriate under the Plan.

Treatment of the Class 3 Claim as provided in this Plan shall entitle the Class 3 Claim to receive on account of its Allowed Secured Claim money or money's worth equivalent to the present value amount of its Allowed Secured Claim, of a value, as of the Confirmation Date, of at least the value of Class 3 Claimholder's interest in the collateral securing its Allowed Secured Claim, and for the realization by the Class 3 Claimholder of the indubitable equivalent of its Allowed Secured Claim. Should the Class 3 Claim as a Secured Creditor elect treatment under Section 1111(b)(2) of the Code, treatment shall be provided in accordance with the requirements thereof. Finally, treatment of the Class 3 Claim may be based upon Cash Distributions arrived at by agreement. Upon payment in full of the Class 3 Claim through and in accordance herewith, the lien of the Class 3 Claimholder against the collateral, or any other

property shall be released.

Class 4 Claim is Impaired (Citizen's One Auto Finance fka Citizen's Auto Finance). In full and complete satisfaction of the Class 4 Claim, the Debtor shall pay ***$8,007.52*** in periodic installments pursuant the loan documents, and shall cure all past due amounts pre-petition and post-petition pursuant to a consent Order that is issuing from the Bankruptcy Court.

Subject to the use of any necessary Revenues, Cash Distributions from Cash Flow shall be in the priority of payments required by Title 11 and as demonstrated in greater detail by the pro forma(s) which shall adjoin the Disclosure Statement to the Plan to be dedicated to this Class of Claims. Accordingly, Class 4 Claim is not receiving all Cash Distributions from Cash Flow, but rather only those Cash Distributions which are more fully set forth in the pro forma(s) referenced. To the extent the Debtor's use of Revenues to fund any unanticipated, necessary and ordinary operating expenses causes the Debtor to pay the Class 4 Claim in arrears of the projected return set forth in the pro forma(s) as discussed in the definition of Reserves above, the Debtor will need become current with the Cash Distributions contemplated within the pro forma(s) to the Class 4 Claim within two (2) months from the shortage, or a default may be appropriate under the Plan.

Treatment of the Class 4 Claim as provided in this Plan shall entitle the Class 4 Claim to receive on account of its Allowed Secured Claim money or money's worth equivalent to the present value amount of its Allowed Secured Claim, of a value, as of the Confirmation Date, of at least the value of Class 4 Claimholder's interest in the collateral securing its Allowed Secured Claim, and for the realization by the Class 4 Claimholder of the indubitable equivalent of its Allowed Secured Claim. Should the Class 4 Claim as a Secured Creditor elect treatment under Section 1111(b)(2) of the Code, treatment shall be provided in accordance with the

requirements thereof. Finally, treatment of the Class 4 Claim may be based upon Cash Distributions arrived at by agreement. Upon payment in full of the Class 4 Claim through and in accordance herewith, the lien of the Class 4 Claimholder against the collateral, or any other property shall be released.

~~Class 5 Claim is Impaired (Bally's Park Place). In full and complete satisfaction of the Class 5 Claim, the Debtor shall pay nothing on this Disputed Claim pending lien avoidance pursuant to 11 U.S.C. § 522(f)(2) against the Residence; and it is anticipated that should a lien avoidance judgment be entered; it will serve as an Allowed Unsecured Claim to the extent Class 5 files a timely amended claim pursuant to Fed. R. Civ. P. 3002(c)(2).~~

Class 5 Claim is Impaired (Bally's Park Place). In full and complete satisfaction of the Class 5 Claim, the Debtor shall $3,333.00 on this Allowed Secured Claim by consent of the Class 5 Claimant pending lien avoidance pursuant to 11 U.S.C. § 522(f)(2) against the Residence; and it is anticipated that should a lien avoidance judgment be entered; the balance as set forth in Section 2.5 will serve as an Allowed Unsecured Claim in the Deficiency Claim pursuant to Fed. R. Civ. P. 3002(c)(2).

~~Class 6 Claim is Impaired (Boardwalk Regency Corp.). In full and complete satisfaction of the Class 6 Claim, the Debtor shall pay nothing on this Disputed Claim pending lien avoidance pursuant to 11 U.S.C. § 522(f)(2) against the Residence; and it is anticipated that should a lien avoidance judgment be entered; it will serve as an Allowed Unsecured Claim to the extent Class 6 files a timely amended claim pursuant to Fed. R. Civ. P. 3002(c)(2).~~

Class 6 Claim is Impaired (Boardwalk Regency Corp.). In full and complete satisfaction of the Class 6 Claim, the Debtor shall pay $3,333.00 on this Allowed Secured Claim pending lien avoidance pursuant to 11 U.S.C. § 522(f)(2) against the Residence; and it is

anticipated that should a lien avoidance judgment be entered; the balance as set forth in Section 2.6 will serve as an Allowed Unsecured Claim to the extent Class 6 files a timely amended claim pursuant to Fed. R. Civ. P. 3002(c)(2).

~~Class 7 Claim is Impaired (Marina Associates). In full and complete satisfaction of the Class 7 Claim, the Debtor shall pay nothing on this Disputed Claim pending lien avoidance pursuant to 11 U.S.C. § 522(f)(2) against the Residence; and it is anticipated that should a lien avoidance judgment be entered; it will serve as an Allowed Unsecured Claim to the extent Class 7 files a timely amended claim pursuant to Fed. R. Civ. P. 3002(c)(2).~~

Class 7 Claim is Impaired (Marina Associates). In full and complete satisfaction of the Class 7 Claim, the Debtor shall pay $3,333.00 on this Allowed Secured Claim pending lien avoidance pursuant to 11 U.S.C. § 522(f)(2) against the Residence; and it is anticipated that should a lien avoidance judgment be entered; the balance as set forth in Section 3.7 will serve as an Allowed Unsecured Claim to the extent Class 7 files a timely amended claim pursuant to Fed. R. Civ. P. 3002(c)(2).

Class 8 Claims are Impaired (Unsecured Claims). In full and complete satisfaction, discharge and release of the Class 8 Claims, the Allowed Unsecured Claims shall receive Cash Distributions from Cash Flow anticipated to represent well less than 1% of the Allowed Unsecured Claims commencing on the earlier of the Effective Date, or the availability of funds necessary to fund the Claims Distribution Fund, in Pro Rata distribution on their Allowed Amount over 60 months from the Effective Date in adjustable monthly installments. The Class 8 Claims shall receive $731.66 per month as a base line distribution for 60 months, which may increase should Reserves exist; however, this $731.66 per month shall act as a minimum Cash Disbursement for Allowed Unsecured Claims.

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Subject to the use of any necessary Revenues, Cash Distributions from Cash Flow shall be in the priority of payments required by Title 11 and as demonstrated in greater detail by the pro forma(s) which adjoin the Amended Disclosure Statement to the Plan. Accordingly, Class 8 Claims are not receiving all Cash Distributions from Cash Flow, but rather only those Cash Distributions which are more fully set forth in the pro forma(s) referenced.

To the extent the Debtor's use of Revenues to fund any unanticipated, necessary and ordinary operating expenses causes the Debtor to pay the Class 8 Claims in arrears of the projected return set forth in the pro forma(s) as discussed in the definition of Reserves above, the Debtor will need become current with the Cash Distributions contemplated within the pro forma(s) to the Class 8 Claims within two (2) months from the shortage, or a default may be appropriate under the Plan.

The Class 9 Interests are Impaired (Equity Interests). The Equity Interests shall extinguish upon the Confirmation Date. No Equity Interest holder shall receive or retain any interest in property of the estates on account of any pre-petition interest. However, the Equity Interests shall receive new interests in the reorganized Debtor in consideration of new value and money and money's worth contributed as new value. The Debtor will contribute his Booz Hamilton retirement exempt account in the amount of $16,789.79 as new value to the extent the Debtor is required to pledge new value in this case respective to a failure of 11 U.S.C. § 1129(a)(8)

The Administrative Expense Claims/Priority Claims. In full and complete satisfaction, discharge and release of the Administrative Expense Claims, The Debtor shall satisfy the Allowed Amount of all Administrative Expenses as provided for in 2.10.

Any Class of Claims entitled to timely elect treatment pursuant to

§ l l l l(b)(2) of the Bankruptcy Code shall receive treatment as required by law. Further, nothing in this Plan shall be deemed to preclude any Class of Claims entitled to elect treatment pursuant to § 1111(b)(2) of the Bankruptcy Code from timely making such election.

The Debtor's schedules and statement of financial affairs represent prima facie evidence as to the Claims which have been scheduled, except to the extent amended or in the event an objection to Claim is filed, irrespective of its description in the schedules and/or statement of financial affairs. To the extent any proof of claim filed by an Allowed Claim Holder alters or amends the Claim of such entity or person, the Debtor may file an Objection to Claim which shall place such Disputed Claim into litigation, producing a potentially Disallowed Amount, irrespective of the schedules and statement of financial affairs.

This Plan is a reorganizing plan under § 1129(a) and (b) of the Bankruptcy Code and is materially premised upon Cash Distributions from the Claims Distribution Fund to Classes of Claims in accordance with the priorities and terms identified in Articles III and IV of the Plan to be derived from crabbing and associated activities. The Plan term is 60 months from the Effective Date.

Except as otherwise specifically provided in this Plan, upon the Confirmation Date, title to all remaining property of the Debtor's Chapter 11 estate, including, but not limited to, monies contained in the Claims Distribution Fund shall vest in the Debtor in accordance with §§ 1141(a), (b) and (c) of the Bankruptcy Code, free and clear of all liens, claims or other interests in such property, and Debtor or counsel if requested shall serve as the disbursing agent. Upon entry of a Notice of Completion of Plan Payments, a discharge shall be entered in favor of the Debtor pursuant to §§ 524 and 1141(d)(1) of the Bankruptcy Code.

Unless otherwise ordered by the Bankruptcy Court, all Cash Distributions

contemplated by the Plan shall only occur on or subsequent to the Effective Date. All Cash Distributions under the Plan shall be paid in the manner generally set forth in Article III of the Plan. Upon the Effective Date, as noted the Debtor shall act as disbursing agent in respect of all Cash Distributions required under the Plan.

Notwithstanding anything to the contrary in the Plan, pursuant to the defined Disputed Claims Procedure, all Cash Distributions necessary to satisfy the Allowed Claim of any Disputed Claim will be held by the Debtor to the extent of available Cash Distributions pending resolution of the Disputed Claim by the Court. Should a Disputed Claim become an Allowed Claim in whole or in part, then as soon as practicable in the Debtor's judgment following entry of an Order of the Bankruptcy Court adjudicating the previously Disputed Claim or by agreement with the holder of the Disputed Claim, the Debtor shall release to the Allowed Claim such Cash Distributions as would be required on its Allowed Amount pro rata to the other Allowed Claims within its appropriate Class of Claims.

V. LIQUIDATION ANALYSIS

In order for the Court to confirm the Plan, it must make a finding that each Class of Creditors will receive at least as much under the Plan as they would if this case were to be converted to a case under Chapter 7 of the Bankruptcy Code and the assets were liquidated by a Chapter 7 Trustee. By hypothetical comparison, under Chapter 7 of the Bankruptcy Code, creditors will receive less than they would receive under the present plan because of the Trustee's statutory commission (11 U.S.C. § 326), which imposes the additional administrative expenses a Trustee would incur (attorneys fees, costs, commission.

Debtor will be paying Creditors holding Allowed Claims a greater return than would a liquidation effort would provide. The Debtor has annexed hereto a balance sheet which is

purposed at demonstrating the value of all assets, contrasted with liabilities, and the resultant short fall which is negative equity herein. The Debtor has further annexed hereto a projection of cash flows for all 5 years of the Plan and a monthly breakdown of such gross receipts, personal and business expenses and then Plan Cash Disbursements over the first year by month. Extensive further documentation has been annexed which compares the projection to the tax returns and the monthly operating reports and reconciles the previous questions which were presented in objections. Thus, the projections which have been submitted herewith in connection with the extensive footnotes explain in great detail how the tax returns, the monthly operating reports and the projected plan reorganization harmonize and how the Debtor's plan is feasible due to a growing revenue base. The Debtor has also supplied various vendor contracts which demonstrate the factual basis for the additional gross receipts. Growth rates are justified by the new contracts annexed and the Debtor's lack of comparatively larger expenses given a brokerage business model. Risk factors here would include a health impairment, or a seasonal hurricane or a drop off in crab/seafood prices, which as to the latter have steadily increased in the Delmarva area for the past 5 years by an unabated pace on both wholesale and retail basis. Debtor can utilize his son to pick up slack – and does from time to time in the business model.

The Debtor's balance sheet for a comparative liquidation demonstrates assets of $612,504.00 and liabilities of $9,727,526.00 evincing a face insolvency of $9,115.022.00. There is no question that the Debtor's Plan is better for the estate than liquidation. After satisfaction of the Thomas Road residence value against the PNC loan – even assuming the Court's fixed value of $450,000.00 – after satisfaction of professional fees in escrow, and after the repossession of the vehicles herein, and excluding the retirement account, the mere sum of $27,232.00 would be left to satisfy unsecured claims of $9,782,031.00 (which is estimated $1,000,000.00 lower on the

balance sheet due to anticipated credits from foreclosure sales on other properties which are not yet ratified). This amount of $27,232.00 would have further deficiency claims likely from the vehicle lenders after firesale liquidation of the vehicles and not to mention the ever present minimum 5% commission of anticipated $27,891.00 (exceeding the available asset pool) to be afforded to a Chapter 7 Trustee for such unproductive sales which produce nothing of real value to anyone in the case. Unsecured Claims receive no distribution in a liquidation.

The Debtor's plan projection in contrast shows net cash flows to Allowed Unsecured Claims of $43,900.00 over 60 months which is a baseline distribution as a minimum. The other creditors receive their return on secured claims as presented over the plan term and beyond for Class 1 PNC. Debtor's business income raises from $96,000.00 to $131,000.00 over 5 years. Business expenses are steady at $23,580.00 to $24,600.00 over the Plan term. Personal Expenses are steady at $22,200.00 to $27,120.00 over the Plan term.

VI. CRAMDOWN

Under § 1129(b) of the Bankruptcy Code, if one or more classes of impaired claims or interests do not accept the Plan, the Bankruptcy Court may confirm the Plan only if the Bankruptcy Court finds that the Plan was accepted by at least one non-insider impaired class and does not discriminate unfairly against, and is fair and equitable as to, all non-accepting impaired classes. This is referred to as a cram down. The second criteria requires the Bankruptcy Court to find that, with respect to classes of secured claims, the holders of the secured claims retain their liens, such that each holder of such a claim receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the Effective Date of the plan, of at least the value of such holder's interest in the estate's interest in such property,

and that each holder of such a claim realize the indubitable equivalent of such claim; and, with respect to classes of Unsecured Claims, unless all members of a non-accepting, impaired class receive payment in full of their Allowed Claims, no class that is junior in priority to the non-accepting Impaired Class shall receive anything under the Plan. The third criteria is that all requirements of § 1129(a) of the Bankruptcy Code be met other than § 1129(a)(8) of the Bankruptcy Code.

IF ANY CLASS OF ALLOWED CLAIMS REJECTS THE PLAN, THE DEBTOR WILL SEEK TO CONFIRM THE PLAN PURSUANT TO THE CRAMDOWN METHOD PROVIDED BY SECTION 1129(b) OF THE BANKRUPTCY CODE. THE TREATMENT AFFORDED CREDITORS IN EACH CLASS IN THE EVENT OF A "CRAMDOWN" WILL BE AS INDICATED HEREIN. Any effort by the Debtor to confirm the Plan pursuant to the cramdown method likely will involve complex litigation which, regardless of the outcome, may impose substantial administrative expenses on the property of the estate, requiring a longer term of repayment for Creditors holding Allowed Claims than presently contemplated.

VII. VOTING ON THE PLAN AND CONFIRMATION

Prior to approval of this Disclosure Statement by the Bankruptcy Court, by prior Court Order, a copy has been mailed to all creditors, all parties-in-interest entitled to vote pursuant to § 1126 of the Bankruptcy Code, and within the manner specified by Court Order exempting the Debtor from Bankruptcy Rule 3017(d), accompanied by a ballot. Pursuant to § 1126(a) of the Bankruptcy Code, any holder of an Allowed Claim or an Allowed interest may accept or reject the Plan. However, approval or rejection of the Plan is measured by Classes of Claims and interests rather than by each Claim holder or interest holder. A Class of Claims or interests which is not impaired by the Plan conclusively is presumed to have accepted the Plan.

Accordingly, no Class of Claims which is unimpaired by the Plan need submit a ballot for voting.

Pursuant to §1128 of the Code and Bankruptcy Rule 2002(b), the Court shall conduct a hearing to consider confirmation of the Plan on twenty eight (28) days notice to creditors and parties in interest, unless shortened by order of the Bankruptcy Court. A party-in-interest may object to the confirmation of the Plan. The date by which objections must be filed to the confirmation of the Plan and by which votes must be submitted shall be established at a date and in a manner as determined by the Bankruptcy Court, and circulated by a form of Order either concurrent herewith or separately.

VIII. FEDERAL INCOME TAX CONSEQUENCES

THE DISCUSSION OF FEDERAL INCOME TAX CONSEQUENCES SET FORTH BELOW IS LIMITED TO THE GENERAL TAX CONSEQUENCES AFFECTING CREDITORS AS A RESULT OF THE DISCHARGE OF INDEBTEDNESS WITHOUT PAYMENT UNDER THE PLAN. EACH CREDITOR OR EQUITY SECURITY HOLDER SHOULD CONSULT THEIR OWN TAX ADVISOR TO DETERMINE THE TREATMENT AFFORDED THEIR RESPECTIVE CLAIMS OR INTERESTS BY THE PLAN UNDER FEDERAL TAX LAW, THE TAX LAW OF THE VARIOUS STATES AND LOCAL JURISDICTIONS OF THE UNITED STATES AND THE LAWS OF FOREIGN JURISDICTIONS.

BECAUSE OF CONTINUAL CHANGES BY THE CONGRESS, THE TREASURY DEPARTMENT AND THE COURTS WITH RESPECT TO THE ADMINISTRATION AND INTERPRETATION OF THE TAX LAWS, NO ASSURANCE CAN BE GIVEN THAT FOLLOWING INTERPRETATIONS WILL NOT BE

CHALLENGED BY THE INTERNAL REVENUE SERVICE, OR, IF CHALLENGED, THAT SUCH INTERPRETATIONS WILL BE SUSTAINED.

NO STATEMENT IN THIS DISCLOSURE STATEMENT SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE. THE DEBTOR AND ITS COUNSEL DO NOT ASSUME ANY RESPONSIBILITY OR LIABILITY FOR THE TAX CONSEQUENCES A CREDITOR OR EQUITY SECURITY HOLDER MAY INCUR AS A RESULT OF THE TREATMENT AFFORDED THEIR CLAIM OR INTEREST UNDER THE PLAN.

The principal income tax consequences for a creditor of the Debtor relates to the ability to deduct a portion of its claim against the Debtor in the event the creditor does not receive full payment of the Allowed Amount of its Claim as contemplated under the Plan. Section 166 of the Internal Revenue Code of 1986, as amended, ("IRC") (relating to the deductibility of bad debts) generally provides as follows:

1. totally worthless business bad debt is deductible only in the tax year in which it becomes worthless;

2. partially worthless business bad debt is deductible in an amount not in excess of the part charged off on the taxpayer's books within the taxable year; and

3. in the case of a taxpayer other than a corporation, a nonbusiness bad debt which becomes completely worthless during the taxable year is deductible as a short-term capital loss and is subject to the limitations imposed on the deductibility of such losses.

For purposes of IRC §166, a "non-business debt" means a debt other than (i) one created or acquired in connection with the taxpayer-creditor's trade or business or (ii) the loss from the worthlessness of which was incurred during the operation of the taxpayer-creditor's

trade or business.

Pursuant to Treas. Reg. §1.166-2(c), as a general rule, bankruptcy is generally an indication of the worthlessness of at least a part of an unsecured and unpreferred debt. In bankruptcy cases, a debt may become worthless before settlement in some instances; and in others, only when a settlement in bankruptcy has been reached. In either case, the mere fact that bankruptcy proceedings instigated against the debtor are terminated in a later year, thereby confirming the conclusion that the debt is worthless, shall not authorize the shifting of the deduction under IRC §166 to such year. Pursuant to Treas. Reg. §1.166-1(d) (2) (ii), only the difference between the amount received in distribution of assets of a bankrupt and the amount of the claim may be deducted under IRC §166 as a bad debt.

Generally, taxpayers are entitled to a bad debt deduction with respect to accounts receivable only if the taxpayer has recognized as income the accounts receivable in the year in which the bad debt deduction is claimed or a prior taxable year. Thus, bad debt deductions for worthless or partially worthless accounts receivable are normally available only to accrual method taxpayers. Likewise, worthless debts arising from unpaid wages, salaries, fees, rents and similar items of taxable income are not allowed as a deduction as a bad debt unless the income such items represent has been included in the return of income for the year for which the deduction as a bad debt is claimed or for a prior taxable year.

Further, the availability of the bad debt deduction under IRC §166 is not available for losses governed by IRC §165, including, without limitation, losses incurred on a bond, debenture, note or certificate or other evidence of indebtedness, issued by a corporation or by a government or political subdivision thereof, with interest coupons or in registered form. The deductibility of losses for debts evidenced by a "security", as defined in IRC §165(g), is

governed by IRC §165.

Business bad debts deductible under IRC §166 may generally be deducted using either the specific charge-off method or, if certain requirements are met, the nonaccrual-experience method. Under the specific charge-off method, specific business bad debts that become either partially or totally worthless during the tax year may be deducted in the manner permitted by IRC §166.

If a deduction is taken for a bad debt which is recovered in whole or part in a later tax year, the taxpayer may have to include in gross income the amount recovered, except, under limited circumstances, the amount of the deduction that did not reduce taxes in the year deducted.

IX. AVOIDABLE TRANSFERS/OBJECTIONS TO CLAIMS

The Debtor has investigated the existence of any avoidable transfers pursuant to §§ 544, 547, 548 and 549 of the Bankruptcy Code. The Debtor has concluded that none exist that would provide a justifiable economic return to the estate.

X. MISCELLANEOUS

The Confirmation Order shall bind all Creditors holding Allowed Claims, and shall constitute both an injunction against any action by any and all Creditors against the Debtors or property of the estate that existed on the Confirmation Date. The Confirmation Order shall be *res judicata* as to any Claims which were presented or which could have been presented by any Creditor here, or the continued prosecution of such Claims, even if such rights were procured by an Order terminating the automatic stay prior to the Confirmation Order. Such prior Orders are void after entry of the Confirmation Order. All holders of Claims shall retain, and the Plan shall in no way limit, any recourse rights to the extent they may pursue recovery for all or part of their

Claims against persons liable with the Debtor. THE DEBTOR SHALL NOT be obligated to serve any transferee of an original Claim holder on the Petition Date pursuant to Fed. R. Civ. P. 25(c), other than as may be required as to PNC.

Respectfully Submitted,

----/s/ John D. Burns-------

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