

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND

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| In re: |) | |
| |) | |
| THE FREE GOSPEL CHURCH OF |) | Case No. 15-18209 (Lead Case) |
| THE APOSTLES' DOCTRINE |) | Chapter 11 |
| Debtor |) | |
| In re: |) | |
| |) | |
| F.G. DEVELOPMENT CORP. |) | Case No. 15-18210(JointlyAdministered) |
| Second Debtor |) | (Chapter 11) |
| |) | |
| |) | |

DISCLOSURE STATEMENT
FILED BY THE FREE GOSPEL CHURCH OF THE APOSTLES' DOCTRINE AND
F.G. DEVELOPMENT CORP. IN SUPPORT OF DEBTORS JOINT PLAN OF
REORGANIZATION [DKT. 186] OF APRIL 14, 2017
(May 10, 2017)

I. INTRODUCTION

THE FREE GOSPEL CHURCH OF THE APOSTLES' DOCTRINE (the "Debtor"), by undersigned counsel, John D. Burns, Esquire, and The Burns Law Firm, LLC, and F.G. DEVELOPMENT CORP. (the "Second Debtor") by undersigned counsel Frank Morris, Esquire, (collectively, the Debtor and Second Debtor shall be known as the "Debtors") submit this Disclosure Statement, as Amended (the "Disclosure Statement"), pursuant to § 1125 of the Bankruptcy Code of 2005, as amended (the "Bankruptcy Code"), to all holders of Claims¹ against or interests in the Debtors, as a prerequisite to soliciting acceptances to the Debtors' Plan of Reorganization (the "Plan"), as amended, which has been filed with the Clerk of the United States Bankruptcy Court for the District of Maryland (the "Bankruptcy Court").

¹ Unless otherwise defined herein, to the extent possible the capitalized terms used herein shall have the respective meaning assigned in the Plan.

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 Debtors and the condition of the Debtors' books and records, that would enable a hypothetical reasonable investor typical of the holders of Claims against or interests in the Debtors 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" within the meaning of the Bankruptcy Code.

Filed or to be filed in connection with this Disclosure Statement are copies of:

(a) the Plan dated 04/14/17 [Dkt. 186], which is attached and incorporated herein as **Exhibit 1**; (b) the liquidation analysis of the Debtors (the "Liquidation Analysis" or "Balance Sheet"), to be incorporated herein as **Exhibit 2**; (c) The Debtors' Operating Reports from two months prior to the filing hereof – *by reference only to the docket; counsel will send electronic copies to any party in interest who contacts the undersigned's office*) to be incorporated herein as **Exhibit 3 [Dkts. 178; 172 (Debtor); 177; 176 (Second Debtor)]**; (d) a *pro forma* statement of anticipated distributions under the Plan, to be incorporated herein collectively as **Exhibit 4**; (e) a Ballot for acceptance or rejection of the Plan AS TO EACH DEBTOR ("Ballot") to be incorporated herein as **Exhibit 5**; After carefully reviewing the Plan, this Disclosure Statement and all the Exhibits annexed hereto, please indicate your vote on the enclosed. 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.

YOU MAY ALSO SUBMIT YOUR BALLOT BY ELECTRONIC MAIL TO THE FOLLOWING: INFO@BURNSBANKRUPTCYFIRM.LLC AS AN ATTACHMENT SPECIFYING IN THE SUBJECT MATTER LINE “**BALLOT SUBMITTED.**” EMAILS WITHOUT SUBJECT MATTER DESIGNATIONS WILL NOT LIKELY PASS THROUGH THE SPAM FILTER AND WILL NOT BE PROCESSED.

NO REPRESENTATION CONCERNING THE DEBTORS, THE VALUE 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 DEBTORS ARE NOT WARRANTED OR REPRESENTED TO BE WITHOUT INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE. THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE GREATEST AND EARLIEST POSSIBLE RECOVERY TO ITS CREDITORS. THE DEBTORS THEREFORE BELIEVE 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 DEBTORS. ACCORDINGLY, CREDITORS AND PARTIES-IN-INTEREST ARE URGED TO SEEK LEGAL COUNSEL IF UNSURE OF THE EFFECT OF THE PLAN AND DISCLOSURE STATEMENT.

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 DEBTORS' 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. HISTORY AND BACKGROUND:

Basis for Filing and Factual Predicates:

In 1962, Dr. Ralph E. Green ("Dr. Green") formed the Free Gospel Church of The Apostles' Doctrine. The ministry has been vital to the community, and has built a large platform for religious observance and spiritual renewal in Prince George's County and beyond. Through a major renovation project on the border of the District of Columbia and the state of Maryland, Apostle and Founder, Dr. Green with Senior Pastor, Dr. Shirley M. Green ("Mrs. Green") established the "Free Gospel Deliverance Temple," the Debtor's headquarters in 1990. Currently, Antoniette Green serves as Pastor for the Debtor and is the decision

maker and point of contact for the Debtors' cases. ("Pastor Green").

The Debtor ascribes that over 35,000 people have been baptized, received the Holy Spirit, and there are many great testimonies of healings and miraculous deliverances through the Free Gospel Churches. Accordingly, the Debtors contend that their ministry and outreach efforts are a great community resource.

Free Gospel Church has an active program of community service and outreach. Community Development is a separate nonprofit organization established by the church that ministers to children, families at risk, and single-parent households. Services include food, clothing, a computer lab for workforce development, summer meals, and an active senior program. Also among the church activities there is an extensive prison and outreach ministry involved in over several institutions in the Washington Metropolitan area, and a Foreign Missions program which supports ministries around the globe.

The Debtor has assisted with the establishment of ministries in Wallace, North Carolina; Culpeper, Virginia; Leonardtown, Maryland; Lexington Park, Maryland; Bryans Road, Maryland; and King George, Virginia. In 1986, OBICA, (Open Bible Institute for Christian Apologetics) was established. OBICA, thru Logos Bible College in Jacksonville, Florida, and this entity awards Associate, Masters, and Doctorate degrees in Biblical studies.

In the early 1980's F.G. Development Corp. became a subsidiary of Free Gospel Church for the primary purpose of providing parking to the church and to improve the community by providing space for various businesses. In its early inception, it was the vision of Dr. Green to house businesses that would train at risk teens in various trades.

However, challenges arose when the Debtors reached their fiscal and spiritual height in the late 1990's. Dr. Green, the guiding force behind the expansion and perforce of

the Church as a conceptual model, fell seriously ill. Thereafter, the cohesion of the Church was challenged when in the mid-2000's the real estate market sharply corrected and this prevented the Church from selling assets in order to balance its budget. Debt posed a new problem as operations and expansions were leveraged on extraordinary levels relative to returns from operations.

In 2011, there was another detrimental blow to the ministry with a church split. A church split is comprised of a key person in leadership that leaves the church to begin their own ministry, and takes a vital portion of the membership with them. All of these events contributed to a substantial loss of membership and financial support, which inevitably left the church in in the position of a serious cash flow insolvency. The Debtors elected in the face of forced foreclosures to file petitions for relief under Chapter 11 on June 9, 2015 (the "Petition Date").

Post Bankruptcy Events:

Although the Debtors cases are separated by ownership of different properties and thus have different functions, they operate as a whole under Pastor Green's direction. The Debtor operates the Church or Temple which has its religious organization and constituency that supports the operations through tithes and other contributions. The Second Debtor owns commercial real estate and has a lease on cell towers relative to the very limited operations. Most properties owned by the Debtors have been described as poorly maintained and are in need of significant work.

The Schedules filed by the Debtors are largely inaccurate and still need substantial revision to reflect which entity owns which properties and what those properties consist of and how this fits with the debt levels assumed by the Debtors years ago. Matters

are complicated by the tax records; which for example demonstrates for the Church parcel an aggregate of three parcels with different identification addresses. A comprehensive listing² of the properties at issue follows –

Maryland: 4700 Marlboro Pike (Free Gospel); 4703 Marlboro Pike (Free Gospel – Church); 4703 Marlboro Pike (F.G. – Retail Center); 4714 Marlboro Pike (F.G.); 4744 Marlboro Pike (F.G.); 3631 Largo Road (Free Gospel – 89 ac.); **D.C.:** 4600 Southern Avenue, S.E., D.C. (Free Gospel – Parking Lot); **Virginia:** 176 E. Davis Street, Culpeper, Va. (Free Gospel – Church); 5109 James Madison Pkwy., King George, VA (Free Gospel – Church) (the “Properties”).

The Debtors entered this case without an adequate protection Order and Schedules and SOFA filed early in the cases demonstrated that the Properties were possessed of substantial equity. The primary secured creditor, SMS, which acquired the debt at issue from Mercantile Bank, filed a claim for several credit facilities dating back to approximately 2004 in the amounts of \$3,000,000.00; \$450,000.00; \$63,000.00; and \$78,000.00. The present payoffs as of April 30, 2017 on these loans is \$4,281,679.82.

The Debtors cases progressed in a manner where operational problems and crises were being tended to on a frequent basis by Frank Morris, Esquire, original counsel to both of the Debtors. Schedules were filed and amended. Information appears to have been difficult to obtain given the property overlaps in use and the various credit facilities which existed. A realtor; namely, Mr. Robert Simpson, was employed early to market some of the Properties, and an accountant, Alan Stokes, was employed in the cases. The Court entered a Status Conference Order on December 15, 2015 in the Debtor’s case as is customary after a

² Mr. Brad Swallow assisted the Debtors with the information from SMS records as a courtesy to the preparation of this Disclosure Statement, and his assistance is both noted and appreciated.

period of months without a plan of reorganization. A plan and disclosure statement were filed by Mr. Morris on behalf of the Debtor in early 2016, and were withdrawn. These were followed by a status hearing and a Motion to Dismiss by the United States Trustee.

In March, 2016 Mr. Burns entered his appearance as counsel for the Debtor, while Mr. Morris remained counsel for the Second Debtor. A status hearing was held and a game plan was laid out to work with SMS on a roll out sale of various properties that would result in a sale of assets that would reduce debt service, primarily in the F.G. Development case. The Debtor assumed the lead role at this point for negotiations, and a consent Order on Motion for Relief From Stay (authorizing marketing and various actions through Fall, 2016) was arrived at relative to the properties in the Second Debtor's case. The Debtor negotiated and resolved with SMS an adequate protection arrangement whereby \$15,800.00 would be paid monthly to SMS, which the Debtor has paid faithfully for a period of about a year now. A Motion for Joint Administration was filed by the Debtor to pull the Second Debtor's case under the administration of the Debtor's case for the purposes of facilitating ease.

Meanwhile, NAI Michael was retained as the broker in June, 2016 to substitute for Mr. Simpson and the model for resolving the case emerged to be selling a predetermined list of most if not all properties of the Second Case to allow for significant debt reductions on the Debtor's case. The goal was to permit the Debtor to retain the Church and various other service buildings and parking lots, while real estate which had proven burdensome to retain or was in poor condition, should be sold. NAI Michael presented a marketing proposal, with sale values and a course of action, which SMS communicated was acceptable. SMS had previously employed NAI Michael, a well known regional Prince George's County firm, and thus the primary distressing cause of disagreement being lack of a game plan and progress

relative to the reorganization effort seemed to abate.

However, as Spring moved into Summer and then into Fall and Winter, NAI Michael was unable to procure contracts that were of sufficient quality and sufficient price that SMS could be persuaded to agree to them. NAI Michael appeared to have placed proposed sale values too high and appeared out of touch with the market in the area to the read of the professionals in the case. The Debtor continued to operate and to pay adequate protection; however, as Spring emerged of 2017, there was significant discontentment with the efforts of NAI Michaels. In turn, NAI Michaels communicated that the complications of the bankruptcy and the extended contingencies which were not approved by SMS diminished the ability to sell the properties. The upshot of all of this; however, is that the properties did not sell while under the listing agreement of NAI Michaels. That listing has expired in March, 2017, and the Debtors have confirmed termination by a Line uploaded.

This surprising lack of progress on the sales front left the Debtors and SMS not to mention the United States Trustee without a game plan for having these two cases resolved. Of great benefit, since 2015 the real estate market has improved by most industry reports³ with sales volume increasing and prices escalating. Thus, the undersigned and SMS conferred at length to structure a plan that the Debtors would propose and that SMS would agree to. The Debtor's counsel has recommended that the Debtors interview a further and second commercial realtor in light of the reality that numerous disconnects appeared to have occurred in the Debtors' relationship with NAI Michaels. The Debtors have not responded to several inquiries concerning this option.

Left with a marketing effort that failed, counsel for SMS and Debtors

³ See, "Housing Prices on the Rise In Prince George's County, Montgomery", The Washington Post (March 31, 2017)

negotiated a Plan which would provide both SMS and the Debtors what they needed to obtain, and provide for a full 100% return to the Allowed Unsecured Claims. The Plan contains an auction structure for all properties other than the Church and Retail Center as set forth below in detail. Conceptually, this retained set of properties by the Debtors involves the Temple Church building and the parking lot which is adjoined by the Retail Center.

Once this Plan structure was finalized in late February – March, 2017, there was a challenge that the professionals faced in bridging the gap with Pastor Green on behalf of the Debtors. Cooperation in the Plan preparation process dramatically fell off and counsel for both Debtors had to expend significant time and effort communicating to Pastor Green why this model was the remaining path to reorganization. This is understandable given the lifelong attachment Pastor Green has had to the properties and what was once a thriving church and real estate model. Sentimentality naturally has its place in any family run business which is in bankruptcy; however, this does not cause a justification for long term inaction where a Chapter 11 case has to progress and move.

The Debtors by counsel were required to seek many extensions and to even seek a status hearing so that Pastor Green's myriad of concerns could be expressed to the Court. Only when the hearing was near and proximate did counsel receive authority to approve the Plan which had been drafted by counsel for both Debtors in conjunction with counsel for SMS. The Debtors have likewise filed numerous motions for extension on the Disclosure Statement, because plainly stated the Debtors have been unable or unwilling to provide the necessary budget cuts that are going to be required to make the Plan work.

The *pro forma* as the Court will see – after revisions again by Pastor Green with the accountant, Alan Stokes, still does not cut expenses in a manner to afford feasibility

without further changes. For example, salaries at \$22,301.00 per month – including \$9,230.76 to Pastor Green (without payroll taxes that are tracked otherwise on the Pro Forma) and unspecified “outside services” of \$8,535.00 monthly in the projection may well be necessary to the operation of the ministry, and these and other expenses have been evaluated with the Church leadership including Pastor Green. However, despite various recommendations as to cuts in expenses without regard to compensation in particulars, no cuts to expenses at all have been authorized by the Debtors. Consequently, the pro forma presents negative cash flows for five out of twelve of the months for the first year of the Plan (2017-2018) which as the Debtors have been informed is not likely to be approved by the Bankruptcy Court. A further issue is that no legal fees are dedicated to the expenses following the confirmation hearing. Consequently, the Plan will need to be amended and this Disclosure Statement clearly demonstrates that counsel will withdraw appearances following the Confirmation Order and the Debtors will proceed *pro se*. The Debtors have been advised of the difficulties this presents.

After a critical conference call of over an hour conducted between Pastor Green, two other elders of the Church, and both counsel (Mssrs. Burns and Morris) on May 3, 2017, and the thorough discussion of the choices and challenges facing the reorganization without either significant revenue increases or significant expense cutting, the Debtors were unable to make a decision at that time on areas for action. In order to make the preparation of the Disclosure Statement occur in an orderly and comprehensible way, both counsel required that the Debtors submit any changes to the expenses and revenues that they were going to approve to both counsel no later than 5:00pm Friday, May 5, 2017. The Debtors sent nothing to either counsel in this regard. However, yesterday, one day before the due date of the

Disclosure Statement, Mr. Stokes forwarded the revised *pro forma* which is attached hereto by way of Exhibit. The revised pro forma, as described above, does not cut any expenses nor does it add any counsel fees for post-confirmation administration. The Debtors have not contacted either counsel as to the subject of the pro forma since the conference call on May 3, 2017 occurred. A balance sheet was likewise due and has not yet been furnished by the Debtors.

As if the cases did not need further complications, the Debtors by and through Mr. Burns filed a further Motion to Extend Time on the Disclosure Statement to May 10, 2017 to accommodate this cognitive dissonance that was occurring on the part of the Debtors as to funding the Plan terms. The Court entered an Order which is ambiguous and recites on the ECF line that it was DENIED, but the text of the Order header itself reads “SO ORDERED, THE DISCLOSURE STATEMENT (AND AMENDED PLAN IF NECESSARY) SHALL BE FILED CONSISTENT WITH THE ORDER ENTERED AT DOCKET NO. 188 NO FURTHER EXTENSIONS SHALL BE GRANTED UNLESS GOOD CAUSE IS SHOWN. [Dkt. 194] It is ambiguous whether the Motion was granted or denied. On one hand, although Burns is a resourceful debtors’ counsel, he has not yet learned the art of turning back time to an earlier date. On the other hand, it seems odd that the Bankruptcy Court would have directed the filing of a Disclosure Statement without regard to whether the time had passed already.

Thus, the Debtors have filed this Disclosure Statement which is imperfect but is what counsel could deliver given the challenges the Debtors have presented to their own reorganization. A summary of the Plan is below.

III. THE PLAN OF REORGANIZATION:

ARTICLES II – IV OF THE PLAN:

A summary of the Debtor’s Plan is below:

1.1 “Class 1 Claim” shall consist of the Allowed Secured Claims of the Internal Revenue Service in the Face Amount of \$178,023.00 [Debtor Cl. Dkt. 1]; \$300.00 [Debtor Cl. Dkt. 17]; \$300.00 [Co-Debtor Cl. 1] \$300.00; against the Debtors and all real and personal property, the former arising from FICA withholdings and trust fund penalties, and the latter claims representing unpaid amounts. TOTAL FACE AMOUNT: \$178,623.00.

1.2 “Class 2 Claim” shall consist of the Allowed SMS Secured Claim, as more fully described in Section 1.4 of this Plan.

1.3 “Class 3 Claim” shall consist of the Allowed Secured Claim of Comptroller of the Treasury of Maryland in the amount of \$4,506.00 [Debtor Cl. Dkt. 5] against real property of the Debtors. Notably, the Comptroller has admitted it has no mechanism to file secured proofs of claim, thus the claim although submitted as priority is believed to be secured.

1.4 “Class 4 Claims” shall consist of the Prince George’s County Tax Claims which although attached to separate properties are classified hereby collectively as they are substantially similar in nature (i) PG County [Debtor Cl. 3] \$219.13; (ii) PG County [Debtor Cl. 7] \$137.87; (iii) PG County [Debtor Cl. 9] \$176.53; (iv) PG County [Debtor Cl. 10] \$6,134.50; (v) PG County [Debtor Cl. 18] \$25,462.63; (vi) PG County [Debtor Cl. 21] \$86,622.07; (vii) PG County [Debtor Cl. 22] \$1983.07; (viii) PG County [Debtor Cl. 25] \$6,322.47; (ix) PG County [Debtor Cl. 26] \$220.95; (x) PG County [Debtor Cl. 27] \$58.69; (xi) PG County [Debtor Cl. 28] \$39.39; (xii) PG County [Debtor Cl. 29] \$11,727.15; (xiii) PG County [Co-Debtor Cl. 2] \$25,550.41; (xiv) PG County [Co-Debtor Cl. 5] \$82,622.07; (xv) PG County [Co-Debtor Cl. 6] \$2,012.33; (xvi) PG County [Co-Debtor Cl. 8] \$85,576.23;

(xvii) PG County [Co-Debtor Cl. 9] \$7,321.61; PG County [Co-Debtor Cl. 10] \$2,012.33-

TOTAL FACE AMOUNT: \$344,199.43. Anticipated adjusted amount after sales of properties referenced below will be \$81,316.82.

1.5 “Class 5 Claims” shall consist of the Allowed Unsecured Claims of (i) PEPCO [Debtor Cl. Dkt. 2] \$5,866.84; (ii) Tyco Integrated Security [Debtor Cl. Dkt. 5] \$9,866.90; (iii) Delage Landen Financial Services [Debtor Cl. Dkt. 6] \$12,720.71; (iv) M&T Bank [Debtor Cl. Dkt. 12] \$22,002.40; (v) Verizon Bankruptcy [Debtor Cl. Dkt. 13] \$2,483.89; (vi) Free Gospel Church of Bryan’s Road [Debtor Cl. Dkt. 14] \$23,914.51; (vii) Comptroller of Treasury [Debtor Cl. Dkt. 15] \$215.00; (viii) Washington Gas [Debtor Cl. Dkt. 19] \$490.74; (ix) Washington Gas [Debtor Cl. Dkt. 20] \$606.28; (x) Washington Gas [Debtor Cl. Dkt. 24] \$697.52; (xi) Washington Gas [Co-Debtor Cl. Dkt. 3] \$490.74; (xii) Washington Gas [Co-Debtor Cl. Dkt. 4] \$606.28. **TOTAL: \$79,961,81.**

1.6 “Class 6 Interests” shall consist of the Equity Interests of the Debtors.

1.7 The Debtor has not designated any Class of Claims under §§ 507(a)(2), 507(a)(3) 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, or by prior court Order. There exist several categories of Priority Claims and Administrative Expenses anticipated in the Plan pursuant to 11 U.S.C. §§ 503(b)(1) and 507(a)(2). The Debtor’s counsel anticipates attorney’s fees and costs as of the Confirmation Date will be paid following application for same. Currently, the Debtor’s counsel has incurred \$57,039.00 in anticipated fees over the period this case has been pending, and has received \$26,500.00 from the Debtor in escrow through February, 2017. The accountants have incurred fees over the

period this case has been pending and one fee application has been filed and granted which will need be anticipated following the filing hereof. Thus, any such Allowed Priority Claims shall be treated as required by 11 U.S.C. §§ 1129(a)(9) and this Plan. The Office of the United States Trustee will be paid all outstanding quarterly fees on or before the Effective Date, if any be due. The Debtor shall maintain timely payments on all quarterly fees due to the United States Trustee which accrue after the Effective Date as and when required.

1.8 Class 1 Claims are Impaired (IRS). Class 1 shall receive deferred Cash Distributions over the plan term necessary to satisfy the Allowed Secured Claim and the Debtor shall otherwise maintain post-petition tax payments as and when due. 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 deferred Cash Distributions 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 Debtors' collateral, and for the realization by the Class 1 Claimholder of the indubitable equivalent of its Allowed Secured Claim. Upon payment in full of the Class 1 Claim in accordance herewith, the lien of the Class 1 Claimholder against the collateral, or any other property of the Debtor shall be released. Upon completion of Plan payments, the Class 1 Claim shall be discharged pursuant to 11 U.S.C. § 1141(d). Liens are not subject to discharge.

Distributions to the Class 1 Claim are anticipated to be based upon \$178,623.00 over 84 months from the Effective Date and will be based upon a 30 year amortization (with anticipated rate of interest at statutory 3.00% presently) and a balloon in the 84th month. Accordingly, anticipating payments commence on the Effective Date

(projected to be June, 2017), the Debtor would pay 84 installments of \$753.00 per month and a balloon of \$145,022.00 in the 84th month from the Petition Date.

1.9 Class 2 Claim is Impaired (Allowed SMS Secured Claim). Subject to the provisions of this Sections 3.2 and 4.3 of this Plan, SMS shall retain all of its liens and security interests in all property of each of the Debtors to the extent provided for under the applicable loan documents, and such liens and security interests shall survive confirmation of the Plan and remain valid, binding and in full force and effect until such time as the Allowed SMS Secured Claim is paid in full.

Sale Process. As more fully described in Section 4.3 of this Plan, contemporaneously with the entry of the Confirmation Order, the Bankruptcy Court shall enter the Preliminary Sale Order pursuant to the Sale Motion approving of the bidding and auction procedures for the auction sale of certain of the Debtors' real properties, free and clear of interests pursuant to 11 U.S.C. § 363(b) and (f), and the assumption and assignment of certain cell tower leases which sales and assignments must occur on or before the Settlement Date. SMS shall be entitled to participate in the auction and to credit bid pursuant to 11 U.S.C. § 363(k) and has agreed to open the bidding for each such property at such auction sale with a credit bid amount. The properties to be sold pursuant to the Sale Motion and the opening credit bid amounts (subject to downward adjustment as set forth in this Section 3.2) for such properties are described as follows:

| <u>Property Description</u> | <u>Opening SMS Credit Bid</u> |
|---|-----------------------------------|
| 4744 Marlboro Pike, Capitol Heights, Maryland | \$52,599.12 |
| 4714 Marlboro Pike, Capitol Heights, Maryland | \$68,789.68 |
| 4700 Marlboro Pike, Capitol Heights, Maryland | \$373,494.38 |

| | |
|--|--------------|
| Marlboro Pike Cell Tower Lease, Capitol Heights, Maryland | \$164,500.00 |
| 176 East Doris Street, Culpeper, Virginia | \$456,400.00 |
| 5109 James Madison Parkway, King George, Virginia | \$158,300.00 |
| Appx. 89 acres, 3631 Largo Road, Upper Marlboro, Maryland | \$704,400.00 |

Pursuant to the bidding procedures to be included in the Sale Motion, settlement costs (including the payment of accrued and unpaid real property taxes with respect to the properties) shall not be paid from the proceeds of the sale. Instead, it shall be the obligation of the purchaser of each such property, in addition to payment of the bid amount for such property, to pay such settlement costs at settlement. The opening credit bids of SMS described above were (i) determined on the assumption that such settlement costs, including any unpaid real property taxes and associated interest and penalties, with respect to a particular property will be funded at settlement by SMS if SMS is the successful bidder for such property; and (ii) based on the amount, as of March 2, 2017, of unpaid real property taxes and associated interest and penalties with respect to the properties to be sold. Such opening credit bid amounts shall be subject to downward adjustment up to and including the date of the auction sale contemplated hereby to account for any increase from and after March 2, 2017, in the amount of unpaid real property taxes and associated interest and penalties with respect to the properties to be sold.

The Sale Motion shall be made in connection with the Plan, and all sales pursuant to the Sale Motion shall be deemed sales pursuant to the Plan so as to be exempt from transfer and recordation taxes as provided under 11 U.S.C. § 1146(a).

Pre-Sale Payments to SMS. On or before the 20th day of each month from and after the Confirmation Date through and including the Settlement Date, (i) the Debtor shall make interest-only payments to SMS in the amount of \$15,800.00; and (ii) the Co-Debtor shall make payments to SMS equal to the amount of the Co-Debtor's cash receipts for the preceding calendar month, less the Co-Debtor's actual cleaning, trash removal, pest control and lawn maintenance expenses relating to the Co-Debtor's properties, and provide an accounting to SMS of such cash receipts and expenses.

Post-Sale Payments to SMS. On or before the Settlement Date, the sales and assignments of the above-described properties shall be settled, and the Sales Proceeds shall be paid to SMS (or, in the case of a credit bid sale, applied by SMS) to reduce the amount of the Allowed SMS Secured Claim. The reduction of the Allowed SMS Secured Claim as a result of such sales and assignments shall be no less than the aggregate of the opening SMS credit bid amounts described above, or \$1,978,483.18 (subject to downward adjustment as set forth in this Section 3.2).. Beginning on or before the twentieth (20th) day of the first (1st) full month following the Settlement Date and continuing on or before the twentieth (20th) day of each month through and including the sixtieth (60th) full month following the Settlement Date, the Debtors shall make monthly payments to SMS of principal and interest on account of the Allowed SMS Secured Claim (as reduced by the auction sale proceeds), together with an amount to be paid in escrow post-confirmation for real property taxes and insurance as provided for by the loan documents and relevant law. The principal and interest portion of such monthly payments shall be determined based on a 30-year amortization with interest on the adjusted amount of the Allowed SMS Secured Claim at the rate of five percent (5%). On the last day of the sixtieth (60th) full month following the Settlement Date, the entire unpaid

balance of the Allowed SMS Secured Claim (together with any unpaid interest, attorneys' fees, costs, or other charges payable under the applicable loan documents that became due after March 27, 2017) shall be due and payable in full. Upon payment in full of the Allowed SMS Secured Claim in accordance herewith, the lien of SMS against the collateral, or any other property of the Debtor, shall be released. Upon completion of payments to SMS required pursuant to this Section 3.2, the Allowed SMS Secured Claim shall be discharged pursuant to 11 U.S.C. § 1141(d). Liens are not subject to discharge.

The failure of SMS to receive any payment required pursuant to this Section 3.2 shall constitute the failure of SMS to receive a Cash Distribution within the meaning of Section 16.1(iv) of this Plan

1.10 Class 3 Claim is Impaired (Comptroller of Maryland). Class 3 shall receive deferred Cash Distributions over the plan term necessary to satisfy the Allowed Secured Claim with statutory interest. 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 deferred Cash Distributions 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 Debtors' collateral, and for the realization by the Class 3 Claimholder of the indubitable equivalent of its Allowed Secured Claim. Upon payment in full of the Class 3 Claim in accordance herewith, the lien of the Class 3 Claimholder against the collateral, or any other property of the Debtor shall be released. Upon completion of Plan payments, the Class 3 Claim shall be discharged pursuant to 11 U.S.C. § 1141(d). Liens are not subject to discharge.

Distributions to the Class 3 Claim are \$100.00 per month for 60 months at 17% statutory interest to satisfy the Class 3 Claim of \$4,506.00.

1.11 Class 4 Claims are Impaired (PG County Tax Claims). Class 4 shall receive deferred Cash Distributions over the plan term necessary to satisfy the Allowed Secured Claims with statutory interest. Treatment of the Class 4 Claims as provided in this Plan shall entitle the Class 4 Claims to receive on account of its Allowed Secured Claim deferred Cash Distributions equivalent to the present value amount of its Allowed Secured Claims, of a value, as of the Confirmation Date, of at least the value of Class 4 Claimholder's interest in the Debtors' collateral, and for the realization by the Class 4 Claimholders of the indubitable equivalent of its Allowed Secured Claim. Upon payment in full of the Class 4 Claims in accordance herewith, the lien of the Class 4 Claimholders against the collateral, or any other property of the Debtor shall be released. Upon completion of Plan payments, the Class 4 Claims shall be discharged pursuant to 11 U.S.C. § 1141(d). Liens are not subject to discharge. The proposed sales of real properties described in Sections 3.2 and 4.3 of this Plan will result in the payment in full of all unpaid real property taxes due and owing with respect to the Prince George's County properties located at 4700, 4714 and 4744 Montgomery Pike, Capitol Heights, Maryland. As of March 2, 2017, the total amount of accrued and unpaid real property taxes and associated interest and penalties due and owing with respect to such properties was approximately \$81,316.82.

Distributions to the Face Amount of the Class 4 Claims are payable \$5,752.00 monthly at 20% interest on a 30 year amortization assumption payable over 84 months from the Effective Date with a balloon in the 36th month of the Plan of \$340,631.00, or the lesser amount as may be due and owing. To the extent the adjusted amount is owed after sales of

real property, the balloon shall be decreased proportionately downward as those sales retire real property taxes at the auction.

1.12 Class 5 Unsecured Claims Are Impaired: Class 5 shall be paid their Allowed Unsecured Claims in full over 84 months from the Effective Dates at the rate of interest prescribed under 28 U.S.C. § 1961 (presently 1%).

Commencing on the Effective Date the Allowed Unsecured Claims shall receive \$867,000 monthly representing an 84 month distribution on a base of \$79,961.81 at 1.00% interest in full and complete satisfaction of 100% of the Face Amount of their Claims.

Upon the completion of Plan payments, the Class 5 Claims shall be discharged pursuant to 11 U.S.C. § 1141(d).

1.13 The Interest Holders are Impaired. The Interest Holders shall receive or retain no property of the estate on account of any pre-petition interest in same; but shall receive new interests in property based upon his new value contribution to the extent required under the Plan.

1.14 The Administrative Expense Claims. In full and complete satisfaction, discharge and release of the Administrative Expense Claims, The Debtor shall satisfy the Allowed Amount of all Administrative Expense Claims in full on the Effective Date or as otherwise agreed from Revenues. 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, or by prior court Order.

1.15 The Priority Claims. Other than Administrative Expense Claims, the Debtors are unaware of any other Priority Claims.

1.16 Plan Construct. 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 the sales of real property described above and from tithes and special assessments of the Debtors to the Church following such sales. The Plan is an 84 month Plan.

1.17 Retention of Church and Retail Center Properties. Subject to the liens and security interests of SMS, the Debtors shall retain their respective ownership interests in the properties known as The Free Gospel Deliverance Temple 4703 Marlboro Pike, Capitol Heights MD 20743 (the “Temple”) and the retail center and parking lot located at 4703 Marlboro Pike, Capitol Heights, MD 20743 (the “Shopping Center”). The Temple and Shopping Center properties shall continue to secure repayment of the Allowed SMS Secured Claim, as reduced by the proceeds of the auction sales, until all amounts payable in connection with the Allowed SMS Secured have been paid in full as provided in Section 3.2 of this Plan.

1.18 Sale Process. As described in Section 3.2 of this Plan, the proposed treatment of the Allowed SMS Secured Claim depends, in part, on the auction sales of certain real properties and the assignment of certain cell tower leases as described in Section 3.2. The procedures governing the auction sale process shall be implemented by the Debtors’ filing of the Sale Motion, with the Preliminary Sale Hearing on such Sale Motion to be conducted by the Bankruptcy Court at the same time and date as the Confirmation Hearing. The entry of the Preliminary Sale Order granting the Sale Motion shall be a condition to confirmation of this Plan.

The auction sale procedures to be approved pursuant to the Preliminary Sale Order shall be designed to encourage competitive bidding for the real properties and cell tower leases. Pursuant to such procedures, any entity (other than SMS) may participate in the auction process to the extent such entity, on or before the bid deadline stated in the Preliminary Sale Order, submits a “qualified bid” for a property or lease to be sold or assigned pursuant to the Sale Motion; *provided, however*, that SMS shall be deemed a qualified bidder for all purposes pursuant to the Sale Motion and this Plan without the need to submit a formal bid or post a deposit. To constitute a qualified bid for a property to be sold in the auction sale, a bid must be (i) accompanied by a deposit equal to ten percent (10%) of the opening SMS credit bid amount for such property as described in Section 3.2 of this Plan; (ii) in an amount that exceeds the opening SMS credit bid amount for such property by at least five percent (5%) of such opening SMS credit bid amount; (iii) commit the bidder to settle on the sale of such property on or before the Settlement Date if such qualified bid is deemed to be the highest and best bid; (iv) be free from any financing, due diligence, or other contingency save for the requirement of Bankruptcy Court approval; and (v) disclose any financial connections between the entity making the bid (or its owners, officers, directors or employees) and any one or more of the Debtors (or their respective owners, officers, directors or employees). **In addition, each qualified bidder must acknowledge and agree that settlement charges (including, without limitation, unpaid real property taxes) shall not be paid from the proceeds of the auction sales, and the successful bidder for each property or lease shall be responsible for the payment of such settlement costs at settlement in addition to payment of the successful bid amount for such property or lease.** Each qualified bidder also must acknowledge and agree that, to the extent such bidder’s bid is the second-highest

and best bid for a property or lease at the auction, its bid (and deposit) shall be held in reserve until such time as the bidder submitting the highest and best bid has either settled the sale of such property or lease or defaulted on its obligation to settle. In the event the bidder submitting the highest and best bid shall fail to settle on or before the Settlement Date, such defaulting bidder shall forfeit its deposit and the bidder submitting the second-highest and best bid at the auction shall be obligated to conclude the purchase of such property or lease.

The auction sale shall be conducted by the Debtors at a time and date to be set forth in the Preliminary Sale Order. In consultation with the Debtors, SMS, in its discretion, shall determine the highest and best bid with respect to a particular property or cell tower lease, subject to resolution by the Bankruptcy Court of any objections raised by interested parties at the Final Sale Hearing. The Preliminary Sale Order shall set the time and date of the Final Sale Hearing, which time and date shall be not more than one calendar week following the auction sale date.

As set forth in Section 3.2 of this Plan, the amount of the required post-sale payments to SMS on account of the Allowed SMS Secured Claim is entirely dependent upon the amounts realized from the assignment of the cell tower leases and sales of the real properties resulting from the auction process. The Debtors may continue to use NAI Michaels to submit a bid at any auction provided that excluding commission the bid is higher than any bid otherwise obtained. However, NAI Michaels shall not have any exclusive brokerage on the real properties. The Debtors of course may also procure any bidder who wishes to purchase any or all of the real properties and like NAI Michaels, must produce a net bid that is higher than any other bid obtained at the auction.

1.19 The Plan has three phases, the first of which consists of the auction sales of real properties pursuant to the auction sale process described in Sections 3.2 and 4.3 of this Plan and to be implemented in the Sale Motion. The second phase of the Plan will involve a repayment by the Debtors over 84 months of the IRS on the Class 1 Claim, to SMS on the Class 2 Claim, to the Comptroller on the Class 3 Claim, and PG County on any residual owed to the Class 4 Claims. The third phase of the Plan shall require the Debtors to repay the Allowed Unsecured Claims in full at Class 5 over 84 months. The Debtors cases will be administered jointly through the Effective Date and following such sales of real property, the Retail Center and parking lot shall be deeded to the Debtor by the Co-Debtor [subject to all existing liens claims and encumbrances, including, without limitation, the liens and security interests of SMS in such property.](#)

1.20 The Church case would remain open and fund the remaining Cash Distributions. The adjoining parking lot property owned by F.G. shall be transferred to the Church Case with a transfer of liens owed upon it, and the purpose of same being to exempt the parking lot property from P.G. County Taxes as a property upon which religious services are conducted. The Plan contemplates sales of real properties by the Debtor free and clear of liens, claims, interests and encumbrances, and the sales are to occur through the Plan so as to obtain the benefits of Section 1146 exemption from transfer taxes. The Plan contemplates that the funds from sales of real properties shall be distributed from the title company directly to the Claims at issue in a manner such that no funds will become disbursements under 28 U.S.C. § 1930(a)(6), the purpose in such matters being to avoid payment of United States Trustee Fees on exceptional sums derived from sales of real properties.

1.21 Before the Debtors can consummate a Plan and reach a notice of Plan completion in 84 months from the Effective Date, they need to fund the payments which will be required as of the Effective Date and thereafter. The Debtors anticipate reductions from pre-Confirmation Date expenditures in determining sufficient disposable income to fund the Plan.

1.22 Following the Effective Date, and the prior satisfaction of all Administrative Expenses and professional persons' Priority Claims, the Debtors will turn their attention to the Plan commitment and the 84 months of Cash Distributions required thereby from Cash Flow. The Debtors anticipate payments to be made monthly and without exception to the Classes of Allowed Claims that are contemplated within the Plan.

1.23 Except as otherwise specifically provided in this Plan upon the Notice of Plan Completion date, title to all remaining property of the Debtors' Chapter 11 estates, including, but not limited to, monies contained in the Claims Distribution Fund shall vest in the Debtors 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. Upon completion of Plan payments, a discharge shall be entered in favor of the Debtors pursuant to §§ 524 and 1141 of the Bankruptcy Code. Counsel for the Debtor shall serve as disbursement agent in respect of the Plan disbursements; namely, John D. Burns, Esquire unless subsequently modified.

1.24 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.

1.25 Although not described as a Class of Claims, the quarterly fees due and owing to the Office of the United States Trustee shall be maintained on a current basis by the Debtors paid as and when due under this Plan, absent early case closure.

RISKS OF THE PLAN:

This Plan proposes a number of significant risks to a hypothetical investor in the Debtors. Firstly, the sale terms will require any buyer to post the real property taxes on a purchased property in addition to the SMS minimum bid. Secondly, the resultant debt load of SMS could be significant as set forth above after the auction sales, and the Debtor must continue to pay the debt load as the Plan continues for five years. Thirdly, THERE ARE SPECIFIC TERMS FOR THE IRS AND PRINCE GEORGE'S COUNTY, MARYLAND AND RISKS TO THEM. NAMELY, THE DEBTOR INTENDS TO PAY IRS TAXES AND PRINCE GEORGE'S COUNTY TAXES OVER EIGHT YEARS ON AN EXTENDED 30 YEAR AMORTIZATION WITH A BALLOON. The Debtor is tendering such Cash Distributions over a longer period of 8 years because as to a secured tax claim under 11 U.S.C. § 1129(a)(9)(D) a claim is not "that claim" but for its being secured as the claim under 11 U.S.C. § 1129(a)(9)(C) and 507(a)(8). This is because pursuant to 11 U.S.C. § 1123(a)(1) permits the classification and thus impairment of a Secured Claim under 11 U.S.C. § 1129(a)(9)(D) is permitted (which this Plan proposes) contrary to the prescribed treatment of a priority claim under 11 U.S.C. § 1129(a)(9)(C) and 507(a)(8).

Fourth, the Debtors' projections without significant cost cutting to expenses or significant revenue raising do not project cash flow solvency during the term of the Plan and render the reorganization not feasible without changes.

Fifth, the inability to obtain good solid figures on the balance sheet as to values

and resulting liquidation figures makes figuring the below liquidation analysis challenging.

IV. 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.

In a liquidation test, the Debtors would demonstrate that the Plan as proposed will benefit creditors equally or more favorably than would Chapter 7 liquidation. In that exercise, the pro forma should demonstrate that the payments which will be made can be made feasibly and thus benefit the creditors to the extent of the proposal without further insolvency or liquidation, and the balance sheet should show that the fair sale value of the assets after deducting liabilities and Chapter 7 Trustee's anticipated fees and commissions will produce a benefit that is less to the creditors than would the Plan as proposed.

To make such an analysis, the Debtors need provide further financials including the pro forma and the balance sheet with complete and adequate information to display to counsel, and thus to the estate that the Debtors retention of the Church and Retail Center and funding the Plan is more beneficial than if such assets were to be sold in conjunction with the auction being organized by Debtors and SMS. The Debtors, by and through counsel, can demonstrate that a conversion of this case to Chapter 7 is not in anyone's interest given that SMS is perfectly capable of conducting the auctions at issue which would arrive at sales commensurate or better than a Chapter 7 Trustee, the latter of which would involve Trustee's commission under Section 326 of the Code.

To the extent the Debtors produce either significant revenue increases, or cost

cutting on expenses to a significant degree, the Plan as filed can be funded and will pay 100% of Allowed Claims on sufficient free cash flow. To the extent the Debtors produce a balance sheet that demonstrates what is likely to be shown given the length of time of unsuccessful marketing by NAI Michaels; namely, that the sale at issue of the properties is likely to be subpar given their condition and the location of the properties relative to the higher values expressed on the Schedules and that given the significant secured debt load, the creditors would receive less than they would with the Debtors funding the deficiency over an 8 year term. It is hoped that further attention and cooperation will be provided by the Debtors to their open tasks in this case.

VI. CRAMDOWN/NEW VALUE:

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 cramdown. 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. Accordingly, pursuant to 11 U.S.C. § 1129(b)(2)(A), any Allowed Secured Claims must receive such treatment in order for the Debtor to achieve cramdown. The absolute priority rule and new value exceptions as they have been termed are not within

the elements of 11 U.S.C. § 1129(b)(2)(A) required to show fair and equitable treatment and that the Plan does not unfairly discriminate are defined and delimited terms as pertain to Allowed Secured Claims only. The Debtors contend that this test is met by the Plan as concerns Secured Claims.

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. This is known as the absolute priority rule. Accordingly, pursuant to 11 U.S.C. § 1129(b)(2)(B), the absolute priority rule is within the elements of fair and equitable treatment and that the Plan does not unfair discriminate are defined and delimited terms as pertain to Allowed Unsecured Claims only. 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 DEBTORS 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 Debtors 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 must have 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 is investigating the existence of any avoidable transfers pursuant to §§ 544, 547, 548 and 549 of the Bankruptcy Code and may commence them within the statutory period for recovery. No recoveries appear viable.

X. DISPUTED CLAIMS PROCEDURE:

The Debtor has designated herein a Disputed Claims Procedure. This procedure is designed to facilitate the reservation of Cash Distributions as to a particular

Claim which is suspended due to the temporary disallowance of a Claim to the extent there is a dispute by objection to the Claim. Should the objection to the Claim be overruled in whole or in part such that there is an Allowed Amount of the Claim, then the Claim shall be treated and paid those Cash Distributions from Revenues within the Class of Claims that is substantially similar to. If the Claim is disallowed, or there is a Disallowed Amount, after objection, then the Claim will receive no treatment from Cash Distributions to the extent there is a Disallowed Amount.

XII. MISCELLANEOUS

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 Debtors.

Respectfully Submitted,
-----/S/ John D. Burns-----

John D. Burns, Esquire (#22777)
The Burns Law Firm, LLC
6303 Ivy Lane; Suite 102
Greenbelt, Maryland 20770
(301) 441-8780
jburns@burnsbankruptcyfirm.com
Counsel for the Debtor

Respectfully Submitted,
-----/S/ Frank Morris-----

Frank Morris, Esquire
8201 Corporate Drive; 260
Landover, MD 20784
(w/permission)

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