

UNITED STATES BANKRUPTCY COURT
 DISTRICT OF MARYLAND
 BALTIMORE DIVISION

In Re:)
)
 King & Queen LLC,) Case No.: 16-17120
)
 Debtors)

**AMENDED DISCLOSURE STATEMENT OF KING AND QUEEN LLC
 MARCH 9, 2017**

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I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the small business Chapter 11 case of King and Queen LLC (the "Debtor"). This Disclosure Statement contains information about the Debtor and its treatment of creditors' claims.

Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.

The proposed distributions under the Plan are discussed at page 6 of this Disclosure Statement.

A. Purpose of This Document

This Disclosure Statement describes:

The Debtor and significant events during the bankruptcy case,

How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed),

Who can vote on or object to the Plan,

What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,

Why King and Queen LLC believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and

The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Disclaimer

The Court has approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's

approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan.

If you would like additional information about the Disclosure Statement please contact Debtor's Counsel.

II. BACKGROUND

A. Brief Description and History of the Debtor's Business

1. The Debtor is a small business formed on or about 5/14/2002 in the State of Maryland which pertains to the investment, development and rental of real estate. The business purchased real estate as an investment, with the intent to rehabilitate the properties, and then rent them.

2. Description of Available Assets and their value

The Debtor has real estate property located at 1155 Washington Blvd., Baltimore, MD; 1124 Washington Blvd., Baltimore, MD; and 2666 Dulany Street, Baltimore, MD, has a current market value of approximately \$261,377 and has a disputed blanket mortgage in the amount of \$185,000.

3. Anticipated future of the Company

The Debtor will continue to renovate the properties. The Debtor has a lease in place for one rental and is negotiating a second. Once the use and occupancy permits are secured from the city the properties will be available.

B. Insiders of the Debtor and Affiliated Companies

The Authorized Member of the business is Natalie Morgan Tao (100%). There are no affiliated companies.

C. Management of the Debtor Before and During the Bankruptcy

Natalie Morgan-Tao is the pre-petition and post-petition manager of the day-to-day operations of the Debtor.

D. Events Leading to Chapter 11 Filing

Debtor in possession, Natalie Morgan-Tao is the title owner of the properties owned by King and Queen, LLC. Ms. Morgan-Tao has engaged in extensive

renovations of the properties on Washington Boulevard. However, they are both in receivership with the city of Baltimore because she has been unable to secure a use and occupancy permit for them because of bureaucratic red tape. The hope is that bankruptcy will allow the Debtor to negotiate through this red tape and make the properties assets of the city and the company.

E. Significant Events During the Bankruptcy Case

Ms. Morgan-Tao has been hospitalized for an extensive period during the bankruptcy that has impacted her ability to manage the company. She is now out of the hospital and physically able to manage the day-to-day operations of the company. 1124 Washington Boulevard has been rented at a sum of \$1200 per month to Del Auto Service and Consulting. As this is a commercial tenancy a use and occupancy permit was not required and the tenant is responsible for renovation to the property and securing all permits. Further, as a triple net lease the tenant is responsible for taxes on the property. A copy of the lease is attached hereto as Exhibit 1.

F. Projected Recovery of Avoidable Transfers

After review of all payments by the Debtor during the preference periods established by the United States Bankruptcy Code, the Debtor has not identified any preference payment, fraudulent conveyance or avoidable transfer. If an avoidable transfer arises after the filing of this Disclosure Statement, the Debtor will dedicate any funds received through the avoidance of any claim to the payment of creditors in the order of priority provided under the Code.

G. Claims Objections/Disallowance of Claims

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V below. As of the filing of this Disclosure Statement, the Debtor has not identified any claim filed in this case that may or should be disallowed in its entirety or in part. The Debtor has reviewed each claim prior to the filing of this Disclosure Statement to determine if such avoidance actions would be economically beneficial to the Debtor's Estate and determined, after such review, that there were no such claims. At this time, Ms. Morgan-Tao has voluntarily elected to not object the Proof of Claim by the City and has agreed to consolidate whatever she owes to the City of Baltimore to this Chapter 11 case.

H. Current and Historical Financial Conditions

Currently, 1124 Washington Boulevard is being leased at an amount of \$1,200 per month. After the trustees fees are paid and additional operating expenses for insurance, electric, and repair are paid on the properties approximately \$312 per month remains. This is the source of the payments under the plan. The plan calls for the sale of 1124 Washington Boulevard to pay all outstanding debt except for the amount allegedly owed to SFC LLC which is disputed.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Summary of Plan of Reorganization

This Plan of Reorganization (the "Plan") under Chapter 11 of the Bankruptcy Code (the "Code") proposes to pay creditors of the of **King and Queen LLC**, (the "Debtor") from cash flow from operations, and from future income generated by the business.

This plan provides for 2 classes of secured claims; 2 classes of unsecured claims; and 0 classes of equity security holders. This Plan also provides for the payment of administrative and priority claims and as further outlined herein.

Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one. (If you do not have an attorney, you may wish to consult one.)

C. Unclassified Claims

Certain type of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor's Chapter 11 case, which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within twenty (20) days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The U.S. Trustee fees, and any and all other fees payable under Section 1930 of Title 28, shall be paid in full on the Effective Date. The Debtor will continue to pay U.S. Trustee fees on a quarterly basis until the case is closed.

There are no other identifiable administrative claims.

D. Classes of Claims and Equity Interests

**CLASS I – IMPAIRED
S.F.C. LLC**

S.F.C. LLC has not filed a proof of claim and debtor in possession disputes the validity of the debt. The Debtor shall be bringing a declaratory action to avoid this debt.

**CLASS II –IMPAIRED
SECURED PRIORITY CLAIM (The City of Baltimore)**

The Class II claim is for a debt owed to a local government agency for taxes. And as such, are entitled to priority under Section 507(a) of the Code. The Debtor shall pay the holder of Class II claim the sum of \$71,099.42 as follows: at the rate of \$100.00 per month for the next 50 months. The Debtor shall pay the holder of Class II claim the lump sum of \$69,899.42 for the following month. The full claim shall be paid. The payments will begin on the 15th day of the first month after the Effective Date.

**CLASS III –IMPAIRED
UNSECURED PRIORITY CLAIM (IRS)**

The Class II claim is for a debt owed to a government agency for taxes. And as such, are entitled to priority under Section 507(a) of the Code. The Debtor shall pay the holder of Class III claim the sum of \$24,960.00 as follows: at the rate of \$100.00 per month for the next 12 months. The Debtor shall pay the holder of Class III claim the lump sum of \$23,760 for the following 10 month. The full claim shall be paid.

The payments will begin on the 15th day of the first month after the Effective Date.

**CLASS IV –IMPAIRED
OTHER UNSECURED CLAIMS**

The Debtor shall pay the holder of Class IV claims the sum of \$13,500.00 as follows: at the rate of \$100.00 per month for the next 50 months. The Debtor shall pay the holder of Class II claim the sum of \$850.00 for the following 10 months. The payments will begin on the 15th day of the first month after the Effective Date.

E. Means for Implementation of the Plan

1. *Effective Date*

The Effective Date shall be the 15th day of the following month, after entry of the Confirmation Order.

2. *Source of Payments*

Plan payments will be derived from operational revenues derived from the rental income, less expenses, from the properties known as 1155 Washington Blvd., Baltimore, MD; 1124 Washington Blvd., Baltimore, MD; and 2666 Dulany Street, Baltimore, MD. Eventually, during the process of administering the plan within the first twelve months 1124 Washington Boulevard will be sold to meet the obligations of the plan.

3. *Post-Confirmation Management*

Ms. Morgan- Tao shall be the post-confirmation Authorized Member and Director of the Debtor.

4. *Method of Payment*

Ms. Morgan-Tao shall be responsible for making payments directly to creditors pursuant to this Plan. The Debtor shall begin making payments on the 15th day of the first month after the Effective Date.

F. Risk Factors

The proposed Plan has the following risks: The Debtor needs to do enough business to generate enough income to be able to pay its normal operating

expenses and pay the proposed Chapter 11 plan payment and associated fees. Further, there is a risk of the sale of the property not meeting the amount needed to fund the plan payments. There is also the risk that the property will not sell.

G. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors. The Debtor is unaware of any tax consequences to creditors should this Plan be confirmed.

H. Claims against the Estate

As of the filing of this disclosure statement, no claims have been filed against the Estate. The Debtor believes it has listed all of the creditors and claim amounts accurately in its schedules.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met. Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that classes I and II are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan.

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an

allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was 7/17/2012.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is Not Entitled to Vote*

The holders of the following five types of claims and equity interests are not entitled to vote:

holders of claims and equity interests that have been disallowed by an order of the Court;

holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes;

holders of claims or equity interests in unimpaired classes;

holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code;

holders of claims or equity interest in classes that do not receive or retain any value under the Plan; and

administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan.

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed later in Section [B.2].

1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan.

The Code allows the Plan to bind nonaccepting classes of claims or

equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a "cramdown" confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. All creditors will receive full value of their non-disputed claims and would therefore receive as much under the plan as under a liquidation. Further, the rental income will provide an additional amount above any liquidation proceeds.

D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

1. *Ability to Initially Fund Plan*

The Plan Proponent believes that the Debtor will have sufficient cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on that date.

2. *Ability to Make Future Plan Payments and Operate Without Further Reorganization*

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent's financial projections show that the Debtor will have a sufficient cash flow to make payments pursuant to this Plan without the need for further reorganization.

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. DISCHARGE OF DEBTOR

Discharge. The Debtor shall be discharged from any debt that arose before confirmation of the Plan upon completion of the Plan to the extent specified in §1141(d)(1)(A) of the Code, except that the Debtor shall not be discharged of any debt (I) imposed by the Plan, (ii) of a kind specified in §1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in §1141(d)(6)(B). After the Effective Date of the Plan the claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the proceeding sentence.

No Interference. No person or creditor will be permitted to commence or continue any action or proceeding or perform any act to interfere with the implementation and consummation of the Plan or the payments required to be made hereunder.

Injunction. The Confirmation of the Plan will operate as an injunction against the commencement or continuation of an action, the employment of process, or an act, to collect or recover from, or offset against, property of Debtor except as provided in the Plan. This injunction shall also apply to (i) from commencing or continuing, in any manner, any action or other proceeding of any kind based upon, arising or deriving from any claim against the Debtor (ii) from enforcing, attaching, collecting or recovering, by any manner or means, any judgment, award, decree or order against the Debtor, based upon, arising or deriving from any claim against the Debtor (iii) from creating, perfecting or enforcing any encumbrance of any kind against the Debtor, based upon, arising or deriving from any claim against the Debtor (iv) from asserting against the Debtor any setoffs, right of subrogation, or recoupment against any obligation based upon, arising or deriving from any claim against the Debtor; and (v) from performing any act based upon, arising or deriving from any claim against the Debtor, in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan.

B. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan. The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

King & Queen, LLC
/s/Natalie Morgan-Tao
By: Natalie Morgan-Tao

March 9, 2017
Date

Respectfully submitted,
COOPER & TUERK, LLP

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Certificate of Service

I hereby certify that a copy of the foregoing was sent via CM/ECF this 9th day of March, 2017 to: the US Trustee- Mr. Edmund Goldberg.

/s/W. Timothy Sutton
W. Timothy Sutton