

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF MARYLAND  
Greenbelt Division**

In re:	)	
	)	
RAY MARVIN GOTTLIEB,	)	Case No. 16-17525-TJC
	)	Chapter 11
Debtor and Debtor in Possession.	)	
	)	

**DISCLOSURE STATEMENT WITH RESPECT TO  
SANDRA GOTTLIEB’S PLAN OF LIQUIDATION**

**INTRODUCTION**

Pursuant to Section 1121 of Title 11 of the United States Code, Sandra Gottlieb (the “Plan Proponent”), creditor in the bankruptcy case of Ray Marvin Gottlieb, the Debtor-in-possession (the “Debtor”), in the above-captioned bankruptcy case, submits this disclosure statement (the “Disclosure Statement”) pursuant to Bankruptcy Code section 1125, for use in the solicitation of votes on the Sandra Gottlieb’s Plan of Liquidation (the “Plan”). A copy of the Plan is annexed as Exhibit A to this Disclosure Statement.

This Disclosure Statement sets forth certain information regarding the Debtor’s prepetition financial history, the reason why he filed for bankruptcy, and significant events that have occurred during this Chapter 11 Case. This Disclosure Statement also describes terms and provisions of the Plan, certain effects of Confirmation of the Plan, and the manner in which Distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that Holders of Claims entitled to vote under the Plan must follow for their votes to be counted.

Except as otherwise provided herein, capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan. Unless otherwise noted herein, all dollar amounts provided in this Disclosure Statement and in the Plan are given in United States dollars.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN DOCUMENTS RELATED TO THE PLAN, CERTAIN EVENTS IN THIS CHAPTER 11 CASE AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE PLAN PROPONENT BELIEVES THAT SUCH SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE FULL TEXT OF SUCH DOCUMENTS. THE PLAN PROPONENT DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING FINANCIAL INFORMATION, IS WITHOUT ANY INACCURACY OR OMISSION.

**THE PLAN PROPONENT BELIEVES THAT THE PLAN WILL ENABLE THE ESTATE TO ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE ESTATE AND THE HOLDERS OF ALL CLAIMS. ACCORDINGLY, THE PLAN PROPONENT URGES HOLDERS OF CLAIMS TO VOTE TO ACCEPT THE PLAN.**

**PLAN VOTING INSTRUCTIONS AND PROCEDURES**

**Notice to Holders of Claims and Interests**

This Disclosure Statement will be transmitted to Holders of Claims that are entitled to vote on the Plan. A discussion and listing of those Holders of Claims that are entitled to vote on the Plan and those Holders of Claims that are not entitled to vote on the Plan is provided herein. The primary purpose of this Disclosure Statement is to provide adequate information to enable such Claimholders to make a reasonably informed decision with respect to the Plan prior to exercising their right to vote to accept or reject the Plan.

The Bankruptcy Court has been asked to approve this Disclosure Statement as containing information of a kind and in sufficient and adequate detail to enable such Claimholders to make an informed judgment with respect to acceptance or rejection of the Plan. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT (WHEN SUCH APPROVAL IS OBTAINED) DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN, OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

WHEN AND IF CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR, WHETHER OR NOT SUCH HOLDERS ARE ENTITLED TO VOTE OR DID VOTE ON THE PLAN AND WHETHER OR NOT HOLDERS RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS, YOU ARE ENCOURAGED TO READ THE PLAN AND THIS DISCLOSURE STATEMENT CAREFULLY. IN PARTICULAR, ALL HOLDERS OF IMPAIRED CLAIMS WHO ARE ENTITLED TO VOTE ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS EXHIBITS CAREFULLY AND IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN. No solicitation of votes may be made except after distribution of this Disclosure Statement, and no person has been authorized to distribute any information concerning the Debtor other than the information contained herein.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES AND ASSUMPTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. Except as otherwise specifically and expressly stated herein, this Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement. The Plan

Proponent does not anticipate that any amendments or supplements to this Disclosure Statement will be distributed to reflect such occurrences. Accordingly, the delivery of this Disclosure Statement shall not under any circumstance imply that the information herein is correct or complete as of any time *subsequent* to the date hereof.

**THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTING FIRM AND HAS NOT BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.**

### **Holders of Claims Entitled to Vote**

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired *and* that are in a class that will receive a distribution under a proposed chapter 11 plan are entitled to vote to accept or reject a proposed chapter 11 plan. Classes of claims in which the holders of claims are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of claims or interests that receive no distribution on account of their claims or interests are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan.

Under Bankruptcy Code section 1124, a class of claims or interests is deemed to be “impaired” under a plan unless (i) the plan leaves unaltered the legal, equitable and contractual rights to which such claim or interest entitled the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults.

In addition, a holder of an impaired claim or interest which is entitled to receive or retain property under a plan may vote to accept or to reject a plan only if the claim or interest is “allowed” for purposes of voting, which means generally that no party in interest has objected to such claim or interest or, if no proof of claim was filed, that such claim or interest has not been scheduled by the debtor as contingent, unliquidated or disputed.

Thus, the Holder of a Claim against the Debtor that is Impaired under the Plan is entitled to vote to accept or reject the Plan if (i) the Plan provides a Distribution in respect of such Claim, (ii)(a) the Claim has been scheduled by the Debtor (and such claim is not scheduled at zero or as disputed, contingent or unliquidated) or (b) the Claimholder has filed a Proof of Claim on or before the Bar Date applicable to such Holder, pursuant to Bankruptcy Code sections 502(a) and 1126(a) and Bankruptcy Rules 3003 and 3018 (or the Debtor has timely filed a Proof of Claim on behalf of such Creditor), and (iii) (a) no objection to the Claim has been timely filed or any timely objection been withdrawn, dismissed or denied by Final Order, or (b) pursuant to Bankruptcy Rule 3018(a), upon application of the Holder of the Claim with respect to which there has been an objection, the Bankruptcy Court temporarily allows the Claim in an amount that the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan.

### **Acceptance of the Plan**

The Bankruptcy Code defines “acceptance” of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds (2/3) in dollar amount and more than one-half

(1/2) in number of the claims that cast ballots for acceptance or rejection of the plan. Acceptance of a plan by a class of interests requires acceptance by at least two-thirds (2/3) of the number of shares in such class that cast ballots for acceptance or rejection of the plan.

Bankruptcy Code section 1129(b) permits the confirmation of a plan notwithstanding the non-acceptance of a plan by one or more impaired classes of claims or interests. Under that section, a plan may be confirmed by a bankruptcy court if it does not “discriminate unfairly” and is “fair and equitable” with respect to each non-accepting class.

After approval of this Disclosure Statement by the Bankruptcy Court, a copy of the Plan will be mailed to all creditors, all parties-in-interest entitled to vote pursuant to § 1126 of the Bankruptcy Code, and within the manner specified by 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 is conclusively presumed to have accepted the Plan. Accordingly, no Class of Claims that is unimpaired by the Plan need submit a ballot for voting.

If this Disclosure Statement is approved, then pursuant to § 1128 of the Code and Bankruptcy Rules 2002(b), 3017 and 3018, 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.

## **HISTORY, OPERATIONS, AND STRUCTURE OF THE DEBTOR**

### **A. History of the Debtor**

The Debtor is a dentist who lives in Montgomery County, Maryland. He is the former spouse of the Plan Proponent. The Debtor and the Plan Proponent were divorced in a judgment of absolute divorce dated January 27, 2014. The Judgment of Absolute Divorce was based on the Debtor’s purported disclosure of all of his assets. Soon after the Judgment of Absolute Divorce, the Debtor recorded several valuable patents that had not been disclosed in the divorce case, and assigned them to a newly formed company, STEVI, LLC. The Plan Proponent thereafter sued the Defendant and obtained a judgment of \$1,090,504.68 against the Debtor, as well as other smaller judgments. After the Plan Proponent sought to execute on her judgments, the Debtor filed this bankruptcy case.

### **B. Assets of the Debtor**

The Debtor has scheduled an ownership interest in two businesses, RSG, LLC, and STEVI, LLC. RSG is believed to own an office condominium located at 10008 Colesville Road, Suite A, Silver Spring, Maryland, 20901, where the Debtor practiced as a dentist. Stevi owns patents related to an electric toothbrush which the Circuit Court for Montgomery County, Maryland at

\$2.145 million.

The Debtor also has an interest in real property located at 14820 Fireside Drive, Silver Spring, Maryland 20905, where he lives. The Debtor inherited this property from his parents and purports to own it equally with his two siblings. The property is still titled in the name of his parents. The Debtor has purported to encumber his interest in this Property by a deed of trust in favor of a trust for the benefit of his friend and business associated Ken Goldblatt.

The Debtor has also scheduled a 30% interest in “Estate of Stanley Gottlieb Marriott Limited Partnership,” which is scheduled as owning a unit in the Camelback Resort in Arizona worth \$35,000.00.

**C. Liabilities of the Debtor.**

The creditors in this case consist of the Debtor’s debts to the Plan Proponent, which are partly secured claims, and partly priority domestic support obligations, and which are in excess of \$1.3 million. Other creditors filing claims, include Robert Kressin, who has asserted claims related to the Debtor’s patents, and Capital One Bank, N.A., which has filed an unsecured claim in the amount of approximately \$29,000.00.

The Debtor has also scheduled debt in favor of Equity Trust Company, custodian for the benefit of Kenneth Goldblatt, in the amount of \$250,000, secured by his real property and real property owned by RSG, LLC. The Debtor has also scheduled debt in favor of his sister, Linda Hermann, in the amount of \$77,000.00, which was apparently incurred one week before his bankruptcy. The Debtor has also scheduled debt in favor of Bank of America in the approximate amount of \$109,000.

**D. The Debtor’s Income and Expenses**

Based on the Debtor’s Schedule I and J, the Debtor has negative projected disposable income.

**E. Projected Administrative Expenses**

The Debtor’s projected administrative claims are unknown. The Debtor’s last monthly operating report, for August 2016, states that he has no post-petition debts.

**CHAPTER 11 CASE**

The following major events have occurred during the Case.

**Voluntary Petition under Chapter 11:** On June 2, 2016 (the “Petition Date”), the Debtor filed for bankruptcy under Chapter 11 of the Bankruptcy Code.

**Retention of Professionals:**

The Debtor has obtained court approval of the engagement of Cohen Baldinger & Greenfeld,

LLC as his counsel in this case.

**Exclusivity:** The Debtor's exclusive period to file a Chapter 11 plan terminated. *See* 11 U.S.C. § 1121(c)(1). Any party in interest may now file a plan. *Id.*

## **Summary of Claims and Bar Date**

### ***Schedules and Statements of Financial Affairs***

The Debtor filed Amended Schedules of Assets and Liabilities and Statements of Financial Affairs with the Bankruptcy Court on September 6, 2016 (Docket No. 30,31).

### ***Claims Bar Date and Proofs of Claim***

The Bankruptcy Court established October 11, 2016 as the general bar date for creditors to file Proofs of Claim against the Debtor, and November 29, 2016 as the bar date for governmental agencies to file claims against the Debtor.

## **SUMMARY OF THE PLAN**

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE, CLASSIFICATION, TREATMENT AND IMPLEMENTATION OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT, AND TO THE EXHIBITS ATTACHED THERETO. THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF CREDITORS AND INTEREST HOLDERS UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST THE DEBTOR.

### **Purpose and Effect of the Plan**

The Plan Proponent has filed the Plan as a means to maximize the value of the Debtor's Estate by liquidating for the benefit of creditors.

The following is a summary of the significant provisions of the Plan. The Plan contemplates the sale of substantially all of the Debtor's assets which are not fully exempt by a plan trustee, and the pursuit of any causes of action of the Debtor by that plan trustee. Proceeds of the sale of the Debtor's assets and the resolution of his causes of action will be distributed in accordance with the Plan.

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. Creditors and parties-in-interest are urged to read the entire Plan and consult with their respective counsel, accountants, and business advisors in order to fully understand the Plan.

The Plan, upon confirmation by the Bankruptcy Court, shall be legally binding upon the Debtor, her creditors, and other parties-in-interest designated by § 1141(a) of the Bankruptcy Code. It is

essential that Creditors fully understand the Plan in order to make an informed decision with respect to the treatment of their respective Claims or Interests. Unless otherwise defined herein, all capitalized terms shall have the respective meanings assigned in the Plan. In the event that any disclosure herein provided appears to conflict with an express provision of the Plan, the explicit terms of the Plan, as incorporated as an integral element of the Disclosure Statement, are controlling.

The Plan Proponent believes the Plan provides for the greatest feasible return to the holders of Allowed Claims in a fair and equitable manner. The following is a summary of the Plan and a brief description of the treatment of the Classes of Claims and Interests.

### **Classification and Treatment of Claims and Interests**

**Unclassified Claims:** Under the Plan, administrative claims and priority tax claims are unclassified, meaning they are not placed in any specific class. The following is an explanation of how such claims shall be treated under the plan.

#### **(a) Administrative Claims**

1. **Allowed Administrative Expense Claims Other than Professional Fee Claims:** An Administrative Expense Claim that is not a Professional Fee Claim will be allowed only if: on or before the Administrative Expense Claim Bar Date, the Person holding the Claim both filed with the Bankruptcy Court a motion or application requesting that the Plan Trustee pay the Claim and served the motion or application on the Debtor, the Plan Trustee and the U.S. Trustee. Persons seeking allowance of an Administrative Expense Claim under this paragraph shall be required to file a notice that the deadline to object to such allowance shall be the Administrative Expense Claims Objection Deadline. Provided, however, that the Plan Trustee may elect to deem an Administrative Expense Claim (other than a Professional Fee Claim) incurred in the ordinary course of the Plan Trustee's business to be treated as an Allowed Administrative Expense Claim in accordance with the terms and conditions of the particular transaction that gave rise to the Claim without requiring the Person holding such Administrative Expense Claim to file a request for payment.

Any objection to an Administrative Expense Claim must be filed by the Administrative Expense Claims Objection Deadline. In the event that an objection is timely filed to an Administrative Expense Claim, the Bankruptcy Court shall determine the allowed amount of such Administrative Expense Claim.

Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a different treatment, each holder of an Allowed Administrative Expense Claim shall receive from the Plan Trustee, in full

and complete settlement, satisfaction and discharge of its Allowed Administrative Expense Claim, on the later to occur of (i) the Effective Date (or as soon as reasonably practicable thereafter) and (ii) the date on which such Claim shall become an Allowed Claim, Cash equal to the unpaid portion of such Allowed Administrative Expense Claim; provided, however, that Allowed Administrative Expense Claims with respect to liabilities incurred by the Plan Trustee in the ordinary course of business during the Case may be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto by the Plan Trustee. Holders of Administrative Claims will be paid in full on account of their Claims and are not entitled to vote on the Plan.

**2. Allowed Professional Fee Claims**

Final Fee Applications must be filed no later than twenty-one (21) days after the Effective Date. Final Fee Applications will be noticed in accordance with the Bankruptcy Rules and Local Rules. Objections, if any, shall be filed in accordance with the Bankruptcy Rules and Local Rules and served on the Professional whose Final Fee Application is being objected to, the Plan Trustee, the Debtor, and the Office of the U.S. Trustee.

Except to the extent that a holder of an Allowed Professional Fee Claim agrees to a different treatment, each holder of an Allowed Professional Fee Claim shall receive from the Debtor, in full and complete settlement, satisfaction and discharge of its Allowed Professional Fee Claim, on the later to occur of (i) the Effective Date (or as soon as reasonably practicable thereafter) and (ii) the date on which such Claim shall become an Allowed Professional Fee Claim, Cash equal to the unpaid portion of such Allowed Professional Fee Claim.

**b) Priority Tax Claims:**

The Claim of any Person holding a Priority Tax Claim will be allowed only if such Person filed a Claim prior to the Claims Bar Date and no objection to the Priority Tax Claim is filed by the Claims Objection Deadline.

In the event that an objection is timely filed to a Priority Tax Claim, the Bankruptcy Court shall determine the allowed amount of such Priority Tax Claim. In the event that no objection is timely filed to an otherwise properly filed Priority Tax Claim, such Priority Tax Claim shall be deemed allowed in the amount requested.

Except to the extent that a holder of an Allowed Priority Tax Claim agrees



to a different treatment, each holder of an Allowed Priority Tax Claim shall receive from the Plan Trustee, in full and complete settlement, satisfaction and discharge of its Allowed Priority Tax Claim: Cash in an amount equal to such Allowed Priority Tax Claim on, or as soon thereafter as is reasonably practicable, the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim. Holders of Priority Tax Claims will be paid in full on account of such Claims and are not entitled to vote on the Plan.

The Plan Proponent does not believe there are any Priority Tax Claims in this case. Thus, this Class will likely be eliminated pursuant to Article III.C of the Plan.

**Impaired Claims entitled to vote:** Impaired classes of claims entitled to vote include Classes 1, 2, 3, 4, 5, and 6. The following is an explanation of the treatment of these classes of claims.

#### **Class 1**

**Classification:** Class 1 consists of the Secured Claim of Sandra Gottlieb (Claim 4)

**Treatment:** Based on her Claim No. 4, Sandra Gottlieb shall have an Allowed Secured Claim in the amount of \$1,094,504.68, plus 10% judgment interest beginning on the date she obtained a judgment she obtained the judgment giving rise to such claim against the Debtor. Claim No. 4 shall be deemed secured by substantially all of the Debtor's assets and substantially all of the assets of Stevi and RSG. In full and complete settlement, satisfaction and discharge of her Claim No. 4, Sandra Gottlieb shall be paid, on the Distribution Date, from the sale of the Debtor's Assets, to the extent of her Allowed Secured Claim, after payment of all Post-Effective Date Expenses and Administrative Claims, all net proceeds of such sale, after payment of any allowed and unavowed senior liens on the Assets. To the extent that the sale of the Debtor's Assets is insufficient to pay this Claim in full, Sandra Gottlieb shall have an allowed General Unsecured Claim for any deficiency. Class 1 Claims shall not be discharged by the Debtor's discharge.

Holders of Class 1 Claims are impaired and are entitled to vote to accept or reject the Plan.

#### **Class 2**

**Classification:** Class 2 consists of the second Secured Claim of Sandra Gottlieb (Claim 5)

**Treatment:** Based on her Claim No. 5, Sandra Gottlieb shall have an Allowed Secured Claim in the amount of \$23,500.00, plus 10% judgment interest beginning on the date she obtained a judgment she obtained the judgment giving rise to such claim against the Debtor. Claim No. 5 shall be deemed secured by substantially all of the Debtor's assets and substantially all of the assets of Stevi and RSG. In full and complete settlement, satisfaction and discharge of her Claim No. 5, Sandra Gottlieb shall be paid, on the Distribution Date, from the sale of the Debtor's Assets, to the extent of her Allowed Secured Claim, all net proceeds of such sale after payment in full of Claim No. 4. To the extent that the sale of the Debtor's Assets is insufficient to pay this Claim in full, Sandra Gottlieb shall have an allowed General Unsecured Claim for any deficiency. Class 2 Claims shall not be discharged by the Debtor's discharge.

Holders of Class 2 Claims are impaired and are entitled to vote to accept or reject the Plan.

### Class 3

**Classification:** Class 3 consists of the Secured Claim of Carmax Auto

**Treatment:** Carmax Auto, in full and complete settlement, satisfaction and discharge of its Allowed Secured Claim, shall be entitled to the value of its collateral (a 2014 Volkswagen Jetta), to be determined by the Court. Within 14 days of entry of the Confirmation Order, the Debtor shall, at his option, either (a) turn over the 2014 Volkswagen Jetta to CarMax Auto; or (b) file a motion to value the secured claim of Carmax Auto and to determine appropriate payment terms. CarMax Auto shall be allowed to file a general unsecured claim for any deficiency that it is owed to it after a properly noticed auction of the 2014 Volkswagen Jetta, or for any amount deemed unsecured

Holders of Class 3 Claims are impaired and are entitled to vote to accept or reject the Plan.

### Class 4

**Classification:** Class 4 consists of the Secured Claim of Equity Trust Company, Custodian for the Benefit of Kenneth Goldblatt.

**Treatment:** Equity Trust Company, Custodian for the Benefit of Kenneth Goldblatt, in full and complete settlement, satisfaction and

discharge of its Secured Claim, shall, to the extent such Claim is Allowed and not avoided, have an allowed secured claim secured by a lien against the 14820 Fireside Drive Property. Holders of Class 4 Claims shall be paid upon the closing of the sale of the 14820 Fireside Drive Property.

Holders of Class 4 Claims are impaired and are entitled to vote to accept or reject the Plan.

## **Class 5**

### **Classification:**

Class 5 consists of all Non Tax Priority Claims. Class 5 shall consist of Claims No. 3 and 6 of Sandra Gottlieb.

### **Treatment:**

Provided that a Non Tax Priority Claim has not been paid prior to the Effective Date, and except to the extent that a holder of a Non Tax Priority Claim agrees to a different treatment, each holder of a Non Tax Priority Claims shall receive from the Plan Trustee, in full and complete settlement, satisfaction and discharge of its Allowed Non-Tax Priority Claim, on the Distribution Date, and to the extent of such Allowed Non-Tax Priority Claim, a pro rata distribution of all remaining proceeds of the sale of the Debtor's Assets and a pro rata distribution of any proceeds of the resolution of the Debtor's Causes of Action. Additionally, as soon as possible after the Confirmation Date, the Debtor shall turn over all assets in any retirement plan to the Plan Trustee for the benefit of the Plan Proponent, notwithstanding the Debtor's classification of such retirement account as an Exempt Asset. Class 5 is impaired under this Plan and, therefore, Holders of Class 5 Claims are entitled to vote to accept or reject this Plan. Class 5 Claims shall not be discharged by the Debtor's discharge.

## **Class 6**

### **Classification:**

Class 6 consists of holders of General Unsecured Claims, including the claims of Capital One Bank (USA), N.A (Claim No. 1) and Robert Kressin (Claim No. 2), any deficiency claim for any of the Secured Claims above, and the scheduled claims of Bank of America, Kenneth S. Goldblatt, Linda Herrmann, and Ronald Bergman.

### **Treatment:**

Provided that a General Unsecured Claim not been paid prior to the Effective Date, and except to the extent that a holder of a General Unsecured Claim agrees to a different treatment, each holder of an Allowed General Unsecured Claim shall receive from the Plan Trustee, in full and complete settlement, satisfaction and discharge of its Allowed General Unsecured Claim, on the

Distribution Date, to the extent that such General Unsecured Claim is Allowed, a pro rata distribution of all remaining proceeds of the sale of the Debtor's Assets and a pro rata distribution of any proceeds of the resolution of the Debtor's Causes of Action. Class 6 is impaired under the Plan and, therefore, Holders of Class 6 Claims are entitled to vote to accept or reject the Plan.

Holders of Class 6 Claims are impaired and are entitled to vote to accept or reject the Plan.

### **Class 7 – Interests**

The Debtor shall be entitled to keep all fully Exempt Assets under the plan free and clear of any liens or Claims, except as outlined above. To the extent that the Plan Trustee sells any Asset that has been partially exempted, the Plan Trustee shall turn over the proceeds of such sale, to the extent they are exempt, to the Debtor, before making any payment to any creditor in any class listed above. To the extent that there are remaining proceeds from the Sale of Assets and resolution of Causes of Action, after payment of Post-Effective Date Expenses, Administrative Claims, and Classified Claims listed, above, the Plan Trustee will turn over such proceeds to the Debtor.

The Debtor is unimpaired and not entitled to vote on the Plan.

### **Means for Implementation of the Plan**

- 1. Generally.** The Plan will be executed and implemented pursuant to a sale of the Property free and clear of all liens, claims, encumbrances and other interests pursuant to section 363(f) of the Bankruptcy Code and on an "as is, where is" basis, without representations or warranties of any kind, nature or description. The Confirmation Order will approve the appointment of the Plan Trustee to immediately market and sell all Assets of the Estate, other than fully Exempt Assets, in accordance with the terms of this Plan and the Confirmation Order, and to pursue any Causes of Action belonging to the Estate. The Plan Trustee or his/her professionals, will collect the proceeds of such sale or sale and proceeds of the Causes of Action and distribute such funds in accordance with the Plan. . The Plan Trustee shall have the right to amend the Debtor's schedules, and to object to claims scheduled by the Debtor as liquidated, undisputed, and/or non-contingent.
- 2. Vesting of Property.** Except as otherwise provided in this Plan, all Assets of the Estate, other than fully Exempt Assets, and all Causes of Action, shall vest in the Plan Trustee on the Confirmation Date, subject to any liens as existed prior to the Debtor's bankruptcy that are not subsequently disallowed by the Bankruptcy Court avoided by the Plan Trustee, and any liens created by this Plan.

3. **Retention of Professionals** On the Confirmation Date, the Plan Trustee shall be allowed, without further order of the Bankruptcy Court, to employ and compensate professionals, including, but not limited to, counsel, expert witnesses, accountants, appraisers, consultants, and financial advisors, as needed to assist him or her in fulfilling her obligations under the Plan, and on whatever fee arrangement he or she deems appropriate, including, without limitation, hourly fee arrangements and contingency fee arrangements. Professionals engaged by the Plan Trustee after the Confirmation Date shall not be required to file applications for compensation in order to receive the compensation provided for herein. If the Plan Trustee has any objection to an application for compensation submitted to her by a Professional, the Plan Trustee and the Professional which has submitted the application may file a motion with the Bankruptcy Court to decide the matter.
4. **Trustee Commission.** The Plan Trustee shall be entitled to a commission to the same extent as a Chapter 11 trustee.
5. **Distributions.** Within 14 days of the later of Sale of all of the Debtor's Assets and the resolution of all of the Debtor's Causes of Action (the "Distribution Date"), the Plan Trustee shall distribute all cash of the Estate in accordance with the Plan. The Plan Trustee shall file a notice of intent to make such distribution within five business days of making such distribution. The Plan Trustee may, in his discretion, make an interim distribution after collecting a sum in excess of \$100,000 net of post-Confirmation Date Expenses of the Estate.
6. **Post-Effective Date Operation of Businesses:** Upon confirmation of this Plan, as may be modified from time to time, the Plan Trustee shall have all of the rights and powers available to a Chapter 11 Trustee and have the exclusive right to, in a manner not inconsistent with this Plan or any Order issued by the United States Bankruptcy Court, (1) pay Post-Effective Date Expenses without restriction, (2) operate the Debtor's businesses without restriction to the same extent as the Debtor could prior to filing bankruptcy, including filing bankruptcy petitions on behalf of such businesses and (3) to use, sell or otherwise dispose of the Debtor's Assets; except, for the avoidance of doubt, that the Debtor shall be entitled to keep any wages or salary that he earns after the Confirmation Date, such wages or salary only being subject to attachment if the Plan Trustee obtains a judgment against the Debtor based on acts, errors or omissions of the Debtor after the Confirmation Date. The Plan Trustee shall have the exclusive right to operate Stevi and RSG, to the extent the Debtor had such right at the time he filed bankruptcy. Upon the Confirmation Date, the Debtor shall have no right to operate Stevi or RSG, and shall not be able to legally bind Stevi or RSG by any agreement.

The Plan Trustee shall have the right to borrow funds from the Plan Proponent, without interest, at any time after the Confirmation Date. The Plan Proponent shall have the right but not the obligation to lend funds to the Plan Trustee after the Confirmation Date. In the event that the Plan Proponent lends funds to the Plan Trustee, the Plan Proponent shall be automatically granted a super-priority lien on all assets of the Estate pursuant to 11 U.S.C. § 507(b), superior in priority to any and all Claims, Administrative Expenses, and Post-Confirmation Date Expenses.

7. **Claims of Sandra Gottlieb.** Notwithstanding anything to the contrary, including any objection by the Debtor or Plan Trustee, pursuant to the Confirmation Order, all claims filed by Sandra Gottlieb shall be deemed Allowed Claims, all claims and Causes of Action against Sandra Gottlieb shall be deemed waived, and any objection filed to such claim, including any right of setoff, or rights pursuant to 11 U.S.C. § 502(d), shall not prevent payment of such claims from the sale any Assets or resolution of Causes of Action.
8. **Preservation of Causes of Action and Defenses.** Except as otherwise expressly provided in this Plan, on the Confirmation Date, all claims, rights, defenses, Causes of Action of the Debtor, shall vest in the Plan Trustee, subject to any liens, Claims, charges or other encumbrances that existed at the time of the Debtor's bankruptcy. Unless expressly waived, released or settled in the Plan or any Final Order, the Plan Trustee, shall retain, and may exclusively enforce, any and all claims, rights, defenses and Causes of Action (including without limitation, claims, rights, defenses and Causes of Action not specifically identified, or which the Plan Proponent or the Debtor may presently be unaware of, or which may arise or exist by reason of additional facts or circumstances unknown to the Plan Proponent or the Debtor, at this time, or facts or circumstances which may change or be different from those which the Plan Proponent or the Debtor believes to exist), whether arising before or after the Petition Date, in any court or tribunal, including but not limited to the Bankruptcy Court. The Plan Trustee shall be authorized to exercise and perform the rights, powers and duties held by the Debtor's Estate, including without limitation the authority under Bankruptcy Code section 1123(b)(3) to provide for the settlement, adjustment, retention and enforcement of claims, rights, defenses and Causes of Action. The Plan Trustee shall further have the power, and may exercise discretion, to institute, prosecute, abandon, settle, or compromise any and all such claims, rights, defenses and Causes of Action, and shall not be required to seek Bankruptcy Court approval of such decisions.

No preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches shall apply to such claims, rights, defenses or Causes of Action upon, or after, the Confirmation or consummation of the Plan based on the Disclosure Statement, the Plan, or the Confirmation Order, except

where such claims, rights, defenses or Causes of Action have been specifically released in the Plan or other Final Order. No preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches shall prevent the Plan Trustee from objecting to any Claim, except where such Claim is specifically allowed in the Plan or other Final Order.

No one may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any claim, right, defense or Cause of Action against them as an indication that the Plan Trustee will not pursue any and all available claims, rights, defenses, or Causes of Action against them. The Confirmation Order shall not bar the Plan Trustee by res judicata, collateral estoppel, or otherwise from collecting, prosecuting, settling, or defending any claim, right, defense, or Cause(s) of Action.

**THE PLAN TRUSTEE WILL MAKE THE DECISION TO PURSUE, NOT PURSUE OR SETTLE VARIOUS CAUSES OF ACTION IN HIS OR HER DISCRETION WITH THE ADVICE OF COUNSEL. THIS DECISION MAY BE BASED ON MANY FACTORS, INCLUDING BUT NOT LIMITED TO THE MERITS OF THE VARIOUS CAUSES OF ACTION AND THE COSTS REQUIRED TO PROSECUTE SUCH CAUSES OF ACTION. AS SET FORTH IN ARTICLE VII OF THE PLAN, THE PLAN TRUSTEE AND HIS OR HER PROFESSIONALS, REPRESENTATIVES, SUCCESSORS AND ASSIGNS SHALL NOT HAVE ANY LIABILITY ARISING OUT OF THE PLAN TRUSTEE'S GOOD FAITH DETERMINATION OF WHETHER OR NOT TO PURSUE PROSECUTION OR SETTLEMENT OF ANY CAUSE OF ACTION.**

9. **Treatment Of Executory Contracts And Unexpired Leases** Except as otherwise provided in the Confirmation Order, this Plan, or any other Plan Document, on the Confirmation Date, the Estate will be deemed to have rejected any and all other agreements that the Debtor executed before the Confirmation Date -- other than agreements that were previously assumed or rejected either by a Final Order or under Bankruptcy Code section 365 -- to the extent that these agreements constitute executory contracts or unexpired leases under Bankruptcy Code section 365. On the Confirmation Date, the Confirmation Order will constitute a Court order approving this rejection.

Any Rejection Damage Claims arising from the rejection under the Plan of an executory contract or an unexpired lease must be filed with the Court and served on the Plan Trustee and his or her counsel within thirty (30) days after the Confirmation Date. Any Rejection Damage Claims that are not timely filed and served will be forever barred and unenforceable and the Persons holding these Claims will be barred from receiving any Distributions under the Plan on account of their Rejection Damage Claims. All objections to Rejection Damage Claims must be served and filed not later than the Claims Objection Deadline.

10. **Limitation of Liability in Connection with the Case, the Plan, Disclosure Statement and Related Documents:** Pursuant to section 1125(e) of the Bankruptcy Code, the Plan Proponent and her professionals, representatives, successors, and assigns (collectively, the “Plan Participants”) will neither have nor incur any liability to any Person for any act taken or omitted to be taken in connection with or related to the Case, including, but not limited to, the formulation, preparation, dissemination, negotiation, implementation, confirmation or consummation of the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release or other agreement, pleading or document created or entered into, the pursuit, non-pursuit or settlement of Causes of Action or any other act taken or omitted to be taken in connection with or for the purpose of carrying out the Plan, the Disclosure Statement, the Confirmation Order or related agreement, including solicitation of acceptances of the Plan (“Exculpated Conduct”); *provided, however*, that no Person shall be relieved of liability for fraud, gross negligence, intentional misconduct or the willful violation of federal or state securities laws or the Internal Revenue Code.

The Plan provides that all Persons are permanently enjoined from commencing, or continuing in any manner, any action or proceeding against any of the Plan Participants, whether directly, derivatively, on account of or respecting any Claim, debt, right, or cause of action based in whole or in part upon any Exculpated Conduct. Any Plan Participant injured by any willful violation of the injunctions provided in the Plan shall recover from the willful violator actual damages (including costs and attorneys’ fees) and, in appropriate circumstances, punitive damages.

11. **Injunction Against Suing the Debtor, the Estate, and Estate Parties: Unless otherwise provided herein or the Confirmation Order, all injunctions or stays provided for in the Case pursuant to sections 105, 362 or 525 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, will remain in full force and effect until the Effective Date.**

**As of the Effective Date, all Persons that have held, hold, or may hold Claims (including, but not limited to, Administrative Expense Claims) are enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind on account of any such Claim, Administrative Expense Claim against the Debtor, the Plan Trustee and their professionals, representatives, successors and assigns (the “Estate Parties”), including, but not limited to, any Claims, Administrative Expense Claims based upon any act or omission, transaction, or other activity of any kind, type or nature that occurred in connection with the Case prior to the Confirmation Date; (ii) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against the Estate Parties arising from any matter related to the Case; (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Estate**



Parties or against the property, or interests in property, of the Estate Parties with respect to any such Claims (including, but not limited to, Administrative Expense Claims); and (iv) asserting any defense or right of setoff, subrogation, or recoupment of any kind against any obligation due from the Estate Parties or against the property, or interests in property, of the Estate Parties with respect to any such Claim (including, but not limited to, Administrative Expense Claims) until entry of the Discharge (as described below), except that the Plan Proponent may take any action not prohibited by the automatic stay pursuant to 11 U.S.C. § 362(b)(2), and the Plan Proponent may seek to garnish any wages or salary of the Debtor earned after the Confirmation Date.

Upon (i) the report of the Plan Trustee that all Assets and Causes of Action of the Estate have been fully administered, and (ii) report by the Plan Trustee and Plan Proponent that the Debtor has complied with all of his obligations under the Plan, all of the remaining claims asserted against the Debtor by creditors in each class included the Plan, shall be, to the fullest extent permitted by §1141 of the Bankruptcy Code, satisfied, settled, released and discharged as against the Debtor, for any debt that arose before the Confirmation Date and any debt of a kind specified in §§502 and 503 of the Bankruptcy Code and all claims of any nature, whether or not (i) a proof of claim based on such debt or obligation is filed or deemed filed under §501 of the Bankruptcy Code, (ii) such Claim is allowed under §502 of the Bankruptcy Code, or (iii) the holder of such Claim has accepted the Plan. However, such discharge shall not discharge claims which are non-dischargeable pursuant to 11 U.S.C. § 523(a)(5) or (15). Accordingly, upon the entry of the Discharge, all persons or entities which could have been claimants, and all actual claimants listed herein, other than the Plan Proponent, shall be precluded from asserting any Claim against Debtor, based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date, and the Confirmation Order shall, upon entry of the discharge, permanently enjoin all such person or entities, (other than the Plan Proponent), and their successors and assigns, from enforcing or seeking to enforce any such Claim against the Debtor. Notwithstanding any discharge, any liens of the Plan Proponent on the Debtor's Assets shall remain in effect and shall attach to any newly acquired property as if no discharge had been entered.

For the avoidance of doubt, and notwithstanding any other provision contained in the Plan or the Confirmation Order, nothing in the Plan or the Confirmation Order shall release or enjoin the prosecution of any claims or Causes of Action by the Plan Trustee or the Estate.

12. **Indemnification Obligations:** Except as otherwise provided in this Plan or any contract, instrument, release, or other agreement or document entered into in connection with this Plan, any and all indemnification obligations that the Debtor

has pursuant to a contract, instrument, agreement, certificate of incorporation, by-law, comparable organizational document or any other document, or applicable law, shall be rejected as of the Confirmation Date, to the extent executory. Nothing in this Plan shall be deemed to release the Debtor's insurers from any claims that might be asserted by counter-parties to contracts or agreements providing the indemnification by and of the Debtor, to the extent of available coverage.

13. **Entry of a Final Decree:** Promptly following the filing of a report detailing the completion of all Distributions contemplated by this Plan, and allowing the Debtor a reasonable time to request a discharge, the Plan Trustee will file a motion with the Bankruptcy Court to obtain the entry of a final decree.
14. **United States Trustee Fees and Reports:** Pursuant to section 1129(a)(12) of the Bankruptcy Code, the Plan Trustee shall pay any outstanding quarterly fees due and owing to the Office of the United States Trustee under 28 U.S.C. §1930(a)(6) on the Effective Date. After the Effective Date, the Plan Trustee shall file post-confirmation quarterly disbursement reports and pay all quarterly fees to the Office of the United States Trustee which are required by applicable law until the case is closed.
15. **Post-Effective Date Effect of Evidences of Claims:** Commencing on the Effective Date, notes and other evidences of Claims will represent only the right to receive the Distributions contemplated under the Plan.
16. **Transfer Tax Exemption:** Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer or exchange of any notes or securities under the Plan, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including, without limitation, any deeds, deeds of trust, mortgages, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan, including the sale or refinancing of any real property owned by the Debtor or RSG, including but not limited to the 14820 Fireside Drive Property, and RSG's property located at 10008 Colesville Road, Suite A, Silver Spring, Maryland, 20901, shall not be subject to any stamp tax or other similar tax.
17. **Retention of Jurisdiction** Under Bankruptcy Code sections 105(a) and 1142, and notwithstanding entry of the Confirmation Order, substantial consummation of this Plan and occurrence of the Effective Date, the Bankruptcy Court shall retain jurisdiction over all matters arising out of, and related to, the Case, this Plan and the Plan Documents to the fullest extent permitted by law, including, among other things, jurisdiction to:
  - a. Allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Interest, including the

resolution of any request for payment of any Administrative Claim, the resolution of any objections to the allowance or priority of Claims or Interests and the determination of requests for the payment of claims entitled to priority under Bankruptcy Code section 507(a)(2), including compensation of any reimbursement of expenses of parties entitled thereto;

- b.** Hear and determine all applications for compensation and reimbursement of expenses of Professionals under this Plan or under Bankruptcy Code sections 330, 331, 503(b), 1103, and 1129(a)(4); provided, however, that from and after the Confirmation Date, the retention and payment of the fees and expenses of the Professionals of the Plan Trustee may be made in the ordinary course of business without the approval of the Bankruptcy Court;
- c.** Hear and determine all matters with respect to the assumption or rejection of any executory contract or unexpired lease to which the Debtor is a party or with respect to which the Estate may be liable, and to hear, determine and, if necessary, liquidate any Claims arising therefrom;
- d.** Effectuate performance of and payments under the provisions of this Plan;
- e.** Hear and determine any and all adversary proceedings, motions, applications and contested or litigated matters arising out of, under or related to the Case, this Plan, or any Plan Document;
- f.** Enter such orders as may be necessary or appropriate to execute, implement or consummate the provisions of this Plan and all contracts, instruments, releases and other agreements or documents created in connection with this Plan, the Disclosure Statement or the Confirmation Order;
- g.** Hear and determine disputes arising in connection with the interpretation, implementation, consummation or enforcement of this Plan, including disputes arising under agreements, documents or instruments executed in connection with this Plan;
- h.** Consider any modifications of this Plan, cure any defect or omission or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;
- i.** Issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with implementation, consummation, or enforcement of this Plan or the Confirmation Order;
- j.** Enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified or vacated;

- k. Hear and determine any matters arising in connection with or relating to this Plan, the Disclosure Statement, the Confirmation Order, the Plan Documents or any contract, instrument, release or other agreement or document created in connection with this Plan, the Disclosure Statement, the Confirmation Order, or any Plan Document;
- l. Enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Case;
- m. Except as otherwise limited herein, recover all Assets of the Debtor and property of the Estate, wherever located;
- n. Hear and determine matters concerning state, local and federal taxes in accordance with Bankruptcy Code sections 346, 505 and 1146;
- o. Hear and determine motions for Bankruptcy Rule 2004 examinations;
- p. Hear and determine all matters related to the property of the Estate from and after the Confirmation Date;
- q. Hear and determine any Causes of Action;
- r. Hear and determine all disputes involving the existence, nature or scope of the injunctions, indemnification, exculpation and releases granted pursuant to this Plan;
- s. Hear and determine all matters related to the property of the Estate from and after the Confirmation Date;
- t. Hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code;
- u. Enforce all orders previously entered by the Bankruptcy Court;
- v. Dismiss the Case; and
- w. Enter a final decree closing the Case.

If the Bankruptcy Court abstains from exercising jurisdiction, or is without jurisdiction, over any matter, this Article will not affect, control, prohibit, or limit the exercise of jurisdiction by any other court that has jurisdiction over that matter.

- 18. Conditions to Confirmation:** The following are conditions precedent to the occurrence of the Confirmation Date, each of which must be satisfied or

waived in writing in accordance with the Plan: (a) An order finding that the Disclosure Statement contains adequate information pursuant to Bankruptcy Code section 1125 shall have been entered by the Bankruptcy Court; and (b) A Confirmation Order in form and substance, reasonably acceptable to the Plan Proponent shall have been entered by the Bankruptcy Court.

- 19. Conditions to Effective Date:** The Plan will not be substantially consummated unless and until the Effective Date Occurs. The Effective Date will be the first Business Day after the following conditions have been satisfied:

  - a.** Fourteen (14) days have passed since the Confirmation Date;
  - b.** The Confirmation Order is not stayed;
  - c.** The Plan Trustee determines that he or she has sufficient Assets to pay all Administrative Claims and outstanding quarterly fees due and owing to the Office of the United States Trustee under 28 U.S.C. §1930(a)(6).
  - d.** The Plan Trustee has filed a notice with the Bankruptcy Court that the Effective Date has occurred.
- 20. Waiver of Conditions:** Each of the conditions set forth in Articles VIII.A and VIII.B of this Plan, except for entry of the Confirmation Order, as set forth in Article VIII.A of this Plan, may be waived in whole or in part by the Plan Trustee. For the avoidance of doubt, absent a stay pending appeal, the pendency of any appeal of the Confirmation Order shall not cause the delay of the Effective Date. The failure to satisfy or waive any condition to the Effective Date may be asserted by the Plan Trustee as a basis to not consummate this Plan regardless of the circumstances giving rise to the failure of such condition to be satisfied. The failure of the Plan Trustee to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.
- 21. Consequences of Non-Occurrence of Effective Date.** In the event that the Effective Date does not timely occur, the Plan Proponent reserves all rights to seek orders from the Bankruptcy Court directing that the Confirmation Order be vacated, that this Plan be null and void in all respects, and/or that any settlement of Claims provided for in this Plan be null and void.
- 22. Confirmation Without Acceptance of All Impaired Classes: The “Cramdown” Alternative.** Certain Classes may reject the Plan. In view of the rejection by such Holders, the Plan Proponent will seek confirmation of the Plan pursuant to the “cramdown” provisions set forth in section 1129(b) of the Bankruptcy Code.

#### **CERTAIN FACTORS TO BE CONSIDERED**

The Holders of Claims against the Debtor should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents

delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or to reject the Plan.

### **Certain Bankruptcy Considerations**

Even if all Impaired voting Classes vote in favor of the Plan and, with respect to any Impaired Class deemed to have rejected the Plan, the requirements for “cramdown” are met, the Bankruptcy Court may choose not to confirm the Plan. Bankruptcy Code section 1129 requires, among other things, a showing that the value of Distributions to dissenting Holders of Claims and Interests may not be less than the value such Holders would receive if the Debtor was liquidated under chapter 7 of the Bankruptcy Code. See Section VII.C. Although the Plan Proponent believes that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

The Plan provides for certain conditions that must be fulfilled prior to Confirmation of the Plan and the Effective Date. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be met (or waived) or that the other conditions to Confirmation, if any, will be satisfied. If a chapter 7 liquidation were to occur, there is a substantial risk that the value of the Debtor’s Estate would be substantially eroded to the detriment of all stakeholders.

### **Administrative and Priority Claims**

As the number and amount of Priority Tax Claims and Administrative Claims are presently unknown to the Plan Proponent, it is possible that, if the actual number and amount of Priority Tax Claims and Administrative Claims exceeds the Plan Proponent’s estimates, the amounts available to be distributed will be diminished. As set forth elsewhere in the Plan and the Disclosure Statement, the Plan Proponent reserves her right to seek to dismiss or convert this Chapter 11 Case.

### **Tax Consequences**

THE FOLLOWING IS INTENDED TO BE ONLY A SUMMARY OF SELECTED FEDERAL AND STATE INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH, AND RECEIPT OF TAX ADVICE FROM, A TAX PROFESSIONAL. THE SELECTED FEDERAL AND STATE TAX CONSEQUENCES THAT ARE DESCRIBED HEREIN AND OTHER FEDERAL, STATE AND LOCAL TAX CONSEQUENCES THAT ARE NOT ADDRESSED HEREIN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH TAX CONSEQUENCES MAY ALSO VARY BASED ON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF AN ALLOWED CLAIM. ACCORDINGLY, AS NOTED ABOVE, EACH HOLDER OF AN ALLOWED CLAIM IS STRONGLY ADVISED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE PLAN.

THE PLAN PROPONENT DOES NOT INTEND TO REQUEST A TAX RULING FROM THE INTERNAL REVENUE SERVICE OR ANY OTHER TAXING AUTHORITY WITH

RESPECT TO ANY OF THE TAX CONSEQUENCES OF THE PLAN. CONSEQUENTLY, THE INTERNAL REVENUE SERVICE OR ANOTHER TAXING AUTHORITY MAY DISAGREE WITH AND MAY CONTEST ONE OR MORE OF THE TAX CONSEQUENCES DESCRIBED HEREIN TO THE DEBTOR OR CREDITORS.

**1. Federal Income Tax Consequences to the Debtor and the Estate**

The Plan provides for the sale of all the Debtor's non-exempt assets, which may result in taxable income to the Debtor and his estate. Therefore, the Debtor should consult his tax advisors for information that may be relevant to his particular situation and circumstances and the particular tax consequences to the Debtor as a result thereof.

**2. Federal Income Tax Consequences to Creditors**

The character, amount and timing of income, gain or loss the Holders of Allowed Claims may recognize as a consequence of the Distributions under the Plan will depend upon, among other things, (i) the manner in which the Claim or interest was acquired, (ii) the length of time the Claim was held, (iii) whether the Claim was acquired at a discount, (iv) whether the Holder of an Allowed Claim has taken a bad debt deduction for the Claim, (v) whether the Holder has previously included accrued but unpaid interest with respect to the Claim, (vi) the Holder's method of tax accounting, (vii) whether the Claim is an installment obligation under the tax laws, and (viii) the type of consideration received or deemed received by the Holder in exchange for its Claim. Therefore, Holders of Allowed Claims should consult their tax advisors for information that may be relevant to their particular situations and circumstances and the particular tax consequences to such Holders as a result thereof.

**FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS**

**Feasibility of the Plan**

The Bankruptcy Code requires that Confirmation of a plan is not likely to be followed by the liquidation, or the need for further financial reorganization of the Debtor. The Plan is a liquidation plan that calls for the sale of substantially all of the Debtor's Assets, other than fully Exempt Assets. For these reasons, the Debtor believes that the Plan meets the feasibility requirement.

**Acceptance of the Plan**

As a condition to confirmation of the Plan, the Bankruptcy Code requires that an impaired class must vote to accept the Plan.

Bankruptcy Code Section 1126(c) defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject a plan. Thus, Impaired Classes under the Plan will have voted to accept the Plan only if two-thirds (2/3) in amount and a majority in number actually voting in each Class

cast their Ballots in favor of acceptance. Holders of Claims who fail to vote for the Plan are not counted as either accepting or rejecting that Plan.

### **Best Interests Test**

As noted above, even if a plan is accepted by the holders of each class of claims and interests, the Bankruptcy Code requires a bankruptcy court to determine that such plan is in the best interests of all holders of claims or interests that are impaired by that plan and that have not accepted that plan. The “best interests” test, as set forth in Bankruptcy Code section 1129(a)(7), requires a bankruptcy court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

This analysis requires the Bankruptcy Court to determine what the Holders of Allowed Claims in each impaired Class would receive from the liquidation of the Debtor’s Assets and properties in the context of a chapter 7 liquidation case. The Plan calls for the sale of substantially all of the Debtor’s non-exempt assets, and provides for distribution of the proceeds thereof in accordance with the priority scheme of Chapter 7. However, the Plan provides for the appointment of a Plan Trustee familiar with the sale of patents. Such an appointment will reduce the costs of selling the Estate’s most valuable assets. Based on the foregoing, the Plan Proponent strongly believes that the prospects for recoveries by Holders of Allowed Claims would be significantly enhanced by Confirmation of the Plan and, conversely, would be significantly diminished if this chapter 11 Case were converted to a chapter 7 liquidation.

### **ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

The Plan Proponent believes that the Plan affords Holders of Claims the potential for a better realization on the Debtor’s Assets than a chapter 7 liquidation, and, therefore, is in the best interests of such Holders.

If, however, the requisite acceptances of voting Classes of Claims are not received, or no Plan is confirmed and consummated, the theoretical alternatives include: (a) formulation of an alternative plan or plans of liquidation; (b) liquidation of the Debtor’s estate under chapter 7 of the Bankruptcy Code; or (c) dismissal of the Debtor’s case under 11 U.S.C § 1112.

### **Alternative Plans**

If the requisite acceptances are not received or if the Plan is not confirmed, the Plan Proponent or any other party in interest could attempt to formulate and propose a different plan or plans of reorganization or liquidation.

With respect to an alternative plans, the Plan Proponent is not in a position to propose a plan of reorganization. The Debtor has not taken any steps towards realization of a plan of reorganization. The Plan Proponent believes that the Plan enables Creditors to realize the greatest possible value under the circumstances, and, as compared to any other plan of



liquidation, has the greatest chance to be confirmed and consummated.

### **Liquidation under Chapter 7**

If no Plan is confirmed, the Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code. As discussed above, the Plan Proponent does not believe that unsecured creditors would receive a greater distribution under Chapter 7 of the Bankruptcy Code than they would under the Plan.

### **Dismissal of the Chapter 11 Case**

If no Plan is confirmed, the Debtor or other parties in interest may seek dismissal of the Chapter 11 Case pursuant to Bankruptcy Code section 1112. Without limitation, dismissal of the Chapter 11 Case would terminate the automatic stay and might allow certain Creditors to foreclose on their Liens on certain of the Debtor's remaining assets. The Debtor could further convey or encumber his assets and borrow money from insiders. Dismissal of the Case would result in a race to the courthouse and require creditors to execute on real and intellectual property, and pursue possible fraudulent conveyances. Accordingly, the Plan Proponent believes that dismissal of the Chapter 11 Case would further reduce the value of the Debtor's remaining assets, and would lower the return to Creditors.

## **THE SOLICITATION AND VOTING PROCEDURE**

### **Parties in Interest Entitled to Vote**

Under Bankruptcy Code section 1124, a class of claims or interests is deemed to be "impaired" under a plan unless (i) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

In general, a holder of a claim or interest may vote to accept or to reject a plan if (i) the claim or interest is "allowed," which means generally that no party in interest has objected to such claim or interest, and (ii) the claim or interest is impaired by the plan. If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan, and, accordingly, holders of such claims and interests do not actually vote on the plan. If a claim or interest is not impaired by the plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the plan.

### **Classes Impaired and Unimpaired under the Plan**

Under the Plan, Classes 1 through 6 are Impaired under the Plan and are entitled to vote on the Plan, subject to the limitations set forth above. Pursuant to Bankruptcy Code section 1123(a)(1), Administrative Claims and Priority Tax Claims are not classified and are not entitled to vote on

the Plan.

**FURTHER INFORMATION**

**Further Information; Additional Copies**

If you have any questions or require further information about the voting procedure for voting your Claim or about the packet of material you received, or if you wish to obtain an additional copy of the Plan, the Disclosure Statement, or any exhibits or appendices to such documents (at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d)), please contact counsel for the Plan Proponent:

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Greenbelt, MD 20770  
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[jnesse@mhlawyers.com](mailto:jnesse@mhlawyers.com)

**RECOMMENDATION AND CONCLUSION**

For all of the reasons set forth in this Disclosure Statement, the Plan Proponent believes that confirmation and consummation of the Plan is preferable to all other alternatives.

Dated: October 31, 2016

Respectfully Submitted,

/s/ Janet M. Nesse  
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