

**IN THE UNITED STATES BANKRUPTCY COURT
FOR DISTRICT OF MARYLAND
(Southern Division)**

In Re: S&H AUTO REPAIR CORP.

Case No 16-19613

Debtor

**Chapter 11
(Small Business)**

DISCLOSURE STATEMENT

1. Introduction:

Chapter 11 of the Bankruptcy Code requires this disclosure Statement. Its purpose is to provide creditors and other parties with interest in this case with enough information to make a reasonably well-informed choice as to whether to accept or to reject the Plan of Reorganization that has been filed with the Court. The Standards governing the acceptability of this Disclosure are set forth in Section 1125 of Title 11 of the United States Code.

If after reading this Statement you believe that it does not give you sufficient information upon which to base your choice of accepting or rejecting the Plan of Reorganization you may file an Objection to the Adequacy of the Disclosure Statement, stating what information you believe to be missing, or what facts or information are not accurately or adequately presented. You are entitled to, but may not insist upon, the degree and detail of information that a reasonably prudent investor in the debtor would have the right to expect before making a decision to invest.

Your objections must be specific, filed with the Clerk of the United States Bankruptcy Court, and a copy mailed to the party preparing the Disclosure Statement, and to the attorney for the Official Creditor's committee if one has been appointed. The Court may hold a hearing upon your objection, or may rule upon your objection without a hearing, in its discretion based upon the contents of your objection and any accompanying memorandum, and the contents of any response to your objection.

If the Court approves this Disclosure Statement, after ruling upon all objections, the debtor will be permitted to solicit acceptances of the Plan by ballot. At that time, you will be able to file your ballot to accept or reject the proposed plan. You will be informed of the date and time the Court will hold a Confirmation hearing. Your presence is not expected; however, you may attend if you wish.

Your objection of the Plan does not mean that you will not be allowed to share in any distributions to be made under the Plan. It does, however, make it less likely that the proposed Plan will be confirmed (i.e. approved) by the Court.

You may also file an Objection to the Confirmation of the Plan, if you believe that the Plan does not meet the confirmation requirements of Section 1129 of the Bankruptcy Code. Such an objection must be filed within the time set by the Court prior to the confirmation hearing, and a copy mailed to the parties specified above. Again, the Court may hold a hearing on your Objection to Confirmation or may rule without a hearing. Ordinarily, objections to confirmation are heard at the confirmation hearing. You will be expected to present your objections at that time.

2. Confirmation Requirements:

In order to be confirmed, the Plan or its proponents must (among other requirements set forth in 11 USC 1129):

Disclose all compensation paid or promised for services rendered or to be rendered in connection with the case;

Disclose the identity and affiliations of all officers to serve after the plan is confirmed and the compensation of any insiders to be employed after confirmation;

Propose to pay each member of a class of claimants who has not accepted the plan property at least equal in value to what the claimant would receive were the debtor's assets liquidated on the date of confirmation hearing, and distributed to creditors according to their rights and priorities under law. Ordinarily, this requirement may be met by payment in cash or notes payable over a period of time (with interest, to compensate for the delay in receiving payment):

Propose to pay all administrative claims in full;

Propose to pay all priority (Section 507) claims in full, in deferred payments or cash; and

Propose to pay all tax claims in full within six years after the tax was assessed.

3. Debtor's Business History:

Debtor began its operations in 1988, when it was located in Alexandria, Virginia as a non-incorporated business. At the time of its formation S&H was a small auto repair facility employing only one (1) to (3) mechanics depending on the season of the year. The business while small was profitable and became to experience growth in its reputation and increased volume of business. In 1999 S&H Auto Repair incorporated in the State of Maryland on January 6, 1999. Ten months later the Corporation purchased the property located at 4745 Clifton Road, Temple Hills, Maryland. The business had grown employing as many as ten to twelve employees, the number varied based on the season and increasing its' revenue stream from gross receipts of approximately Fifty Thousand dollars per year to gross receipts exceeding Two Hundred Seventy Thousand in 2015. 2016 also produced a taxable profit of Thirty-Four Thousand Forty Three

(\$34,043.00) Dollars despite the effects of the filing of this Chapter 11 case and the months that followed where expenditures exceeded gross revenue.

The Debtor's business operation has been overseen by Hanna I. Haddad and Suad H. Haddad. Adjusting the expenditures and staff, as reasonably necessary during its adjustment period and actively interacting with commercial customers to assure dealerships and vendors of the ability of the business to survive under this Chapter 11, has resulted in a return of some of its larger commercial customers so that the business has returned to a profitable operation.

Prior to the need for the filing of this Chapter 11 case the Debtor suffered a down turn in its business and the loss of some significant commercial customers, when its inspection certification was lost for a period of eighteen (18) months during 2014 through 2015 and into early 2016. The impact placed the Debtor into financial difficulties such that it fell behind in its mortgage payments to its only secured creditor and also became delinquent in timely paying business taxes to the Internal Revenue Service. The Debtor did not have the liquidity in its assets nor any significant "cash" financial resources to honor its obligations on a timely basis. The Debtor began to take pre-bankruptcy resurrecting of its business operations and ultimately in December 2014 was able to make a lump sum payment to its secured creditor in the amount of Fifty-Four Thousand Three Hundred Sixty-eight and 50/100 Dollars. The Debtor understood this payment brought it current with the Creditor, however the Creditor began to make additional demands and a dispute developed. Efforts to resolve the dispute with the secured creditor and that creditors aggressive efforts to take the property to foreclosure, resulted in further financial strains as the issue had to be litigated, ultimately ending in the Debtor's favor. However, the Creditor continued its aggressive actions and began rejecting monthly payments (upon rejection and non-cashing of mortgage payments, Debtor began to place payments into a dedicated bank account as the dispute continued and both parties were represented by counsel) and demanding excessive "reinstatement fees" resulted in the filing of a second foreclosure action and further financial damage to the viability of the Debtor's ability to conduct its on going business. These actions resulted in the need of S&H Auto Repair Corp. to seek the protection of Bankruptcy, under Chapter 11.

Since its entry into Chapter 11 the Debtor suffered an initial slow down given the fact that it became known it was operating under a Chapter 11 Bankruptcy. The principals actively reached out to past and current commercial customers, to include some local care dealerships, and have now seen a steady increase of revenue. The Debtor has also cut back on its staff and mechanics, to reduce overhead, but still maintains a sufficient number of employees to manage its business volume. The Debtor's principals have also reduced their income. While it has taken nearly nine months to restructure the Debtor is now able to turn a sufficient profit to fund a feasible and viable Chapter 11 Plan.

4. **Debtor's Business Activities While in Bankruptcy:**

Month	Income	Disbursements
July 2016	\$ 17,210.00	\$ 5,536.00
August 2016	\$ 46,096.00	\$ 47,168.00
September 2016	\$ 27,499.00	\$ 32,517.00
October 2016	\$ 31,288.00	\$ 36,567.00
November 2016	\$ 28,854.00	\$ 34,442.00
December 2016	\$ 32,963.00	\$ 32,547.00
January 2017	\$ 26,824.00	\$ 28,886.00
February 2017	\$ 30,043.00	\$ 29,690.00
March 2017	\$ 41,378.98	\$ 41,219.02

The Debtor has made all of its post-petition payments to its secured creditor. The only secured Creditor, Unique Investments (Creditor 29835692, Claim No. 3) compromised and settled the disputed claim by a Compromise and Settlement which this Court approved by Order dated December 28, 2016 (Document 51). Unique Investments is the holder of the Deed of Trust Note that constitutes the lien on the Debtors Real Property located at 4745 Clifton Road, Temple Hills, Maryland. This is the location of the Debtors business operation. The compromise establishes the Secured Creditors claim at One Hundred Twenty Thousand Dollars (\$120,000.00) as of December 2016; Seventeen Thousand Five Hundred Dollars (\$17,500.00) constitutes pre-petition acreages in the form of costs and attorney's fees for pre-petition collection expenditures incurred by the Creditor; One Hundred Two Thousand Five Hundred Dollars (\$102,500.00) establishes the balance of the Deed of Trust Note with credit for post-petition payments through November 2016. Effective and accounting from December 2016 the Debtor's post-petition payments constitute further reduction of the balance of the Deed of Trust Note based on the amortization schedule under the original Deed of Trust Note. The property has a market value over Five Hundred Forty Eight Thousand Dollars (\$548,000.00) with no other liens or any major contract obligations.

It is important to note that while disbursements have been greater than revenue during the post petition period; this was based on the loss of some of its major commercial accounts most of which have now returned. Recovery of many of its accounts and the reduction of overhead costs should restore the Debtor to a position to fund its obligations which will allow the Debtor to meet its obligations and fund its proposed Chapter 11 Plan.

5. **Summary of Plan of Reorganization:**

Debtor's plan of reorganization is as follows:

The Debtor will fund a Chapter 11 plan by its operating profits, from which the Debtor will devote Five Hundred Dollars (\$500.00) monthly to the payment of its pre-petition

creditors for the first thirty six (36) months of the Plan followed by thirty six (36) months of Plan payments in the amount of Seven Hundred Fifty Dollars (\$750.00) per month. It is expected that the plan will take 72 months to pay all pre-petition obligations which remain due and owing

The Administrative claims consist of attorney's fees, which must be submitted to the Court for approval. The Debtor has placed Seven Thousand Five Hundred Dollars (\$7,500.00) in escrow which, upon approval, will be devoted to this class. It is reasonably expected that fees may exceed the escrowed funds by Five Thousand to Six Thousand Dollars (\$5,000.00-\$6,000.00).

Class Two is the Priority Creditors. The Department of Treasury, Internal Revenue Service has recently (March 2006) updated its claim and now list Priority taxes at \$3,645.16, including interest. This includes WT-FICA tax obligations for past years for which returns and assessments were not filed until 2015.

Class Three is the Secured Creditor, Unique Investments. This Class has two parts. One, the Pre-Petition amount of Seventeen Thousand Five Hundred Dollars (\$17,500.00) which amount will be paid under the Chapter 11 Plan and the second part being the pay down of the Deed of Trust Note by continuing to make all of its post-petition mortgage payments in the amount of Two Thousand Ninety-One and 10/100 Dollars (\$2,091.10) outside of the Plan, consistent with the Order of Compromise and Settlement of Claim.

Class Four are the general unsecured creditors. Given the liquidation analysis as set forth in this Disclosure Statement this class shall be impaired. If this were a chapter 7 proceeding it is likely these creditors would receive one hundred percent (100%) of their claims from liquidation with interest at the IRC rate. Therefore, this class shall be repaid at One Hundred percent of the claims as scheduled or filed and allowed, to include the Internal Revenue unsecured portion of its claim, with interest at the IRC rate of interest.

6. Pending Litigation:

Circuit Court for Prince George's County, Maryland

Circuit Court for Prince George's County, Maryland CAEF 15-00142. Farrar v S&H Auto Repair Corp. Filed January 9, 2015, seeking to foreclose on the property of the Debtor, 4745 Clifton Road, Temple Hills, Maryland, taken to sale on June 4, 2015. Exceptions filed and Court struck the sale by Order dated February 10, 2016. Case dismissed and closed July 20, 2016.

Circuit Court of Prince George's County, Maryland CAEF 16-10646. Farrar v S&H Auto Repair Corp. Filed April 28, 2016, seeking to foreclose on the property of the Debtor, 4745 Clifton Road, Temple Hills, Maryland. This action was filed as a new case due to the Order in CAEF 15-00142. The matter would be subject to a Motion to

Dismiss; however, Debtor choose to seek Chapter 11 protection and case was stayed, with the filing of a Suggestion of Bankruptcy.

District Court of Maryland for Prince George's County

In the District Court of Maryland for Prince George's County, Case No 0502000020142017, Andrea Chavis v S&H Auto Repair and American Motors LLC, breach of contract claim for \$2,178.00. Case subject to Suggestion of Bankruptcy as to Defendant S&H Auto Repair

7. Executory Contracts:

The Debtor no executory contracts.

8.. Projected Post-Petition Administrative Expenses:

The Debtor reasonable speculates that the administrative expenses including attorneys' fees will not exceed \$12,500, with the exception that in addition to the attorneys' fees, the Debtor will make the quarterly payments to the United States Trustees Office in the projected amount of \$900.00 per quarter. Said fees will be paid as they accrue from excess profits. Accrued attorneys' fees are subject to Court's approval.

A. As stated above the Debtor's have been, and they will continue to pay the required supervision fees of the United States Trustees Office. Based upon the Debtor's financial activates it is reasonably expected that the quarterly fees will be \$900.00

9. Summary of Debtor's Current Financial Situation:

The Debtor's current financial status as of February 28, 2017 is as follows:

Assets:

Cash on Hand and in accounts	\$	2,263.85
Real Estate	\$	548,000.00
Personal Property	\$	36,870.00
Receivables	\$	3,000.00

TOTAL		\$ 590,133.85
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Liabilities

Priority:

IRS	\$	3,645.16	\$	3,645.16
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Secured:

Unique Investments (pre-petition)	\$ 17,500.00
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Unique Investments (principal balance due)	\$ 98,893.19
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Unsecured:

	\$ 9,178.06
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Pre-Petition (IRS)	
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Pre-Petition creditors	\$ 20,364.90
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TOTAL	\$ 149,581.31
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10 Purpose of Plan:

To reorganize the Debtor's financial affairs such that the Debtor maintains its ability to pay its secured creditors and maintain ownership of its business assets and contracts. Debtor has been operating under the protection of the United States Bankruptcy Laws for approximately eight months. This has allowed the Debtor to restructure its employment opportunities and to maximize its income. The Debtor has also been able to renegotiate some of its commitments and revamp the means and time table by which it is to receive compensation for its services in an attempt to eliminate cash flow difficulties. The Debtor has been making all Post Petition payments to the secured creditor and is current on the mortgage payments. Though the Plan Debtor will be able to satisfy its creditors and pay the agreed upon, by compromise, pre-petition arrearages consisting of fees and costs incurred by the lender in its foreclosure actions.

The Debtor intends to pay 100% its priority creditor claim and secured creditor, with interest at the IRS rate. Debtor will pay back the agreed upon pre-petition arrears to its secured creditor at the contract rate of interest and will provide a payback to unsecured creditors at one hundred percent (100%), with interest given the liquidation analysis.

11. Creditor's Voting Rights:

The holder of an allowed claim or interest whether impaired or unimpaired may accept or reject a plan. A class of creditors is deemed to have accepted a plan if such plan has been accepted by creditors that hold at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors that have accepted or rejected the plan. However, if all requirements of the law have been complied with except the approval of the requisite number of classes of creditors. The Court, upon request of the proponent of the Plan, shall confirm the plan if it does not discriminate unfairly and is fair and equitable with respect to each class of claims or interest that is

impaired under the plan. In the event that the requisite number of creditors do not approve the plan, the creditors are hereby notified that the Debtor will seek approval of the plan as specified in the preceding sentence.

12. **Disclaimer:**

No warranties or other representation by the Debtor other than those in this Disclosure Statement shall be relied upon by the creditors in deciding whether to vote for or against the Plan.

13. **Creditor's Committee:**

A creditor's Committee was not appointed in this case.

14. **Valuations and Income Projections:**

Debtor projects that its income may grow by an additional five percent (5%) over its 2016 income based on newly acquired business.

Presently the Debtor believes the following budget is a reasonable projection of its monthly income and expenses based on an average month.

Revenue

Proceeds	32,000.00
Returns	(100.00)

TOTAL REVENUE 31,900.00

Expenses

Compensation to Officers	2,000.00
Salaries and Wages	4,000.00
Taxes and Licenses	1,440.00
Interest	770.00
Depreciation from Form 4262	658.00
Advertising	770.00
Accounting Costs	120.00
Bank Charges	262.00
Cell Phone	200.00
Equipment and Leases	2,700.00
Dues and Subscriptions	8.00
Insurance	790.00
Internet	140.00
Legal and Professional	310.00
Outside Services and Independent Contractors	575.00
Printing	90.00
Security	70.00
Office Supplies	138.00
Telephone	40.00

Uniforms	60.00
Utilities	375.00
Waste Removal	50.00
Parts and Repair Supplies	1,850.00
Mortgage/rents	2,092.00
Contingences	500.00
Total Expenses	30,008.00

Monthly Income **\$ 1,892.00**

15. Compensation Paid or Promised for Services:

A. Legal Services. Debtor retained the services of George Z. Petros at an hourly charge of Four Hundred Fifty Dollars (\$450.00) per hour. Debtor agreed to pay the hourly rate and the fees that will become due based on the services and hours performed upon the Court's approval of attorney's fees. The Debtor paid an initial retainer of Seven Thousand Five Hundred Dollars (\$ 7,500.00). Effective March 27, 2017 Debtor's retained the services of David W. Kestner at an hourly charge of Four Hundred Fifty Dollars (\$450.00) per hour. Debtor agreed to pay the hourly rate and the fees that will become due based on the services and hours performed upon the Court's approval of attorney's fees. Services rendered to the Debtor and the total compensation anticipated will likely be approximately between Twelve to Fifteen Thousand (\$12,000 to 15,000.00) by the point of confirmation. All fees are subject to a proper application for approval of fees.

16. Identity and Compensation of Insiders:

Hanna I. Haddad and Suad H. Haddad formed the business and incorporated approximately ten years after it first began operating as an unincorporated business. Hanna I. Haddad has served as the principal of the Debtor in Possession. He is employed by the corporation and is one of its directors. Suad H. Haddad shall serve as the Administrator of the Plan. Both of these persons are officers and directors of the corporation and their compensation is subject to the approval of the Bankruptcy Court upon proper application.

17. Proceeds upon a Chapter 7 liquidation:

The present (as of March 2017) value of the Debtor's Estate is computed as follows:

Real Estate	\$ 548,000.00
Personal Property	36,870.00
Petty Cash	100.00
Cash in Banks	2,263.85
Receivables	3,000.00

Gross Proceeds available in Liquidation:	\$	600,233.85
Discounted values after liquidation (17%)	\$	(102,040.00)

Projected Net Available upon Liquidation:	\$	498,193.85
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NOTE: Creditors are advised that in the event of a Chapter 7 Liquidation, a Trustee will be appointed. It is possible that the trustee will seek to liquidate the assets of the Debtor. The appointment of a Trustee will result in unknown cost of administration, possible legal fees, and a distribution, which may occur before or after the distribution schedule set forth in Debtor's Plan of reorganization. A forced liquidation of personal property items in Chapter 7 proceedings may result in said items being sold for little or no value. Debtor has accounted in its liquidation analysis for a loss of 17% percent of the estimated present day value of its personal property and real property representing the cost of sale together with the potential of a ten percent (10%) Trustee's commission. It is possible that the values could be greatly discounted from the present day value, especially the real property, under a forced liquidation in which case the discounted net liquidation value available to creditors could be significantly less. This expectation may or may not be realized. It is possible that the Debtor's liquidation analysis may be incorrect and that a great return of value could be realized. It is also possible that in a chapter 7 liquidation that commissions and taxes will be charged on the sale of the Debtor's property lessening the value of the estate. All of these factors may serve to further reduce the net assets available to creditors upon liquidation.

18. **Rejection of Contracts:**

The Debtor Plan will not provide for the rejection of any executory contracts of the Debtor. The Debtor reserves the right, however, to reject contracts, pursuant to law, and to amend its plan to provide therefore.

19. **Feasibility of Plan:**

As set forth in this disclosure statement it is apparent that there is sufficient disposable income to make required plan payments in a monthly amount of \$ 500.00 per month for the first thirty six (36) months of the Plan. With the anticipated increase of business it is reasonable to expect that the Debtor will be able to increase the Plan payment to Seven Hundred Fifty Dollars (\$750.00) per month commencing with the 37 month of the Plan for an additional 36 months. Over the life of the Plan this will result in distribution to Priority creditors presenting 100% of the claims, with interest, as filed and allowed. Distribution to Secured unimpaired creditors of 100% as stated at IRS rate of interest or contractual rate of interest. Distribution to the unsecured class of creditors will be funded at one hundred percent of their claims with interest at the IRC rate. It is expected that this will result in total plan payments of Sixty Seven Thousand Five Hundred Dollars (\$67,500.00); with administration cost and plan payments the life of the plan will be 72 months.

20. **Risk Factors:**

As with any plan based on excess income as its funding source there may be recessionary times, which impact on the income of the Debtor as well as the fact that the vast majority of its revenue comes from government funding of mental health services thereby rendering Debtor's income subject to as governmental regulations which may change or come into existence at some future date.

21. **Post-Confirmation Condition of Debtor:**

The Debtor will continue to maintain its present income levels and as previously stated it is projected to increase. The Debtor is secured in its relationship with its customers after nearly one year of adjusting to operating under a Chapter 11 arrangement. While for a time a significant portion of the Debtor's financial health depends on the success of keeping the returning commercial accounts, it is expected that the Debtor will have increased business which will produce a level of revenue to the Debtor that will be equal or exceed Thirty Thousand dollars (\$30,000.00) per month.

22. **Conclusion:**

This Disclosure Statement is only a summary of the plan and creditors are urged to read the Plan for full details of the treatment of claims.

The Debtor in possession believe that the proposed Plan is feasible, and in the best interest of the creditors. The Debtors, therefore recommend acceptance of the Plan to the Creditors.

3/30/17

/s/Hanna I. Haddad
Hanna I. Haddad

Respectfully Submitted

/s/David W. Kestner
David W. Kestner, Esquire #25031
Attorney for Debtor