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EDWARD J. MALIK, O.D.,

CHARTERED AND ASSOCIATES

UNITED STATES BANKRUPTCY COURT

DISTRICT OF NEVADA

In re:)	Case No. 16-16872-ABL
)	
)	Small Business Case - Chapter 11
EDWARD J. MALIK O.D., CHARTERED)	
& ASSOCIATES,)	Hearing Date: August 30, 2017
)	Hearing Time: 1:30 p.m.
Debtor.)	
)	
_____)	

DEBTOR’S DISCLOSURE STATEMENT

EDWARD J. MALIK O.D., CHARTERED & ASSOCIATES, a Nevada domestic professional corporation (the “Debtor”), debtor and debtor-in-possession for the above-captioned Chapter 11, hereby submits its Disclosure Statement regarding Debtor’s Plan of Reorganization.

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Exhibit A – Plan

Exhibit B – Identity and fair market value of the estate’s assets

Exhibit C – Debtor’s most recent financial statements issued before bankruptcy, as filed with the Court

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Exhibit E – Liquidation analysis

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I. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the small business chapter 11 case of Edward J. Malik O.D., Chartered & Associates (“Debtor”). This Disclosure Statement contains information about the Debtor and describes the Plan of Reorganization (the “Plan”) filed by the Debtor. A full copy of the Plan is attached to this Disclosure Statement as **Exhibit A**. *Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.*

The proposed distributions under the Plan are discussed at pages 8-12 of this Disclosure Statement. General Secured creditors are divided into three classes, 1(a) – 1(c). Unsecured creditors are classified in two classes, which include Class 3(a) (Allowed General Unsecured Claims), which will receive a distribution of 11.5 % of their allowed claims, and Class 3(b) (Disputed Unsecured Claim of O’Bannon Development, LLC).

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan,
- Why [the Proponent] believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and
- The effect of confirmation of the Plan.

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

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. *Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan*

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place on [insert date], at [insert time], in Courtroom 1 at the at the U.S. Bankruptcy Court, District of Nevada, Foley Federal Building, 300 Las Vegas Boulevard South, Las Vegas, NV.

2. *Deadline For Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the

ballot in the enclosed envelope to Ghandi Deeter Blackham, Attention Nedda Ghandi, Esq., 725 South 8th St. Suite 100, Las Vegas, NV 89101. See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by [insert date] or it will not be counted.

3. *Deadline For Objecting to the Adequacy of Disclosure and Confirmation of the Plan*

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon the debtor, the trustee, any committee appointed under the Code, and any other entity designated by the court, at any time before the disclosure statement is approved or by an earlier date as the court may fix.

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact Ghandi Deeter Blackham, Attention Nedda Ghandi, Esq., 725 South 8th St. Suite 100, Las Vegas, NV 89101.

C. **Disclaimer**

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

II. **BACKGROUND**

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

The Debtor is a Nevada domestic professional corporation. Since 1994, the Debtor has been in the business of optometry.

B. **Insiders of the Debtor**

Edward J. Malik – Equity holder of Debtor. Debtor paid \$50,000 in wages owed to Edward J. Malik from 2015-2016. Debtor disbursed \$123,500 in funds to Edward J. Malik for living expenses, as needed, from April 2015 to March 2016.

C. **Management of the Debtor Before and During the Bankruptcy**

During the two years prior to the date on which the bankruptcy petition was filed, the officers, directors, managers or other persons in control of the Debtor (collectively the “Managers”) were Edward J. Malik.

The Managers of the Debtor during the Debtor's chapter 11 case have been: Edward J. Malik.

After the effective date of the order confirming the Plan, the directors, officers, and voting trustees

of the Debtor, any affiliate of the Debtor participating in a joint Plan with the Debtor, or successor of the Debtor under the Plan (collectively the “Post Confirmation Managers”), will be: Edward J. Malik. The responsibilities and compensation of these Post Confirmation Managers are described in this Disclosure Statement.

D. Events Leading to Chapter 11 Filing

Adverse business conditions began in 2009. Debtor’s prior principal business location, located at O’Bannon Plaza, was adversely affected due to landlord’s bankruptcy and Debtor’s dispute with the landlord, with the result that Debtor had to abandon the location and be subject to a civil suit by the landlord. Debtor’s next business location terminated Debtor’s lease after filing for bankruptcy and closed the location. The opening of Debtor’s current business location was delayed by the landlord’s bankruptcy. Two of Debtor’s commercial banks failed and canceled Debtor’s credit lines during the Debtor’s move to the current location. Debtor had difficulty accessing proper financing and suffered a lack of available working capital.

E. Significant Events During the Bankruptcy Case

Debtor filed its petition for bankruptcy on December 30, 2016 (“Petition Date”)(Dkt. No. 1). On January 6, 2017, a *Motion for Joint Administration* of Debtor’s bankruptcy case, case no. 16-16872, with lead bankruptcy case, case no. 16-16869, (In re Edward J. Malik) was filed in bankruptcy case no. 16-16869. The bankruptcy court denied the Motion for Joint Administration on February 9, 2017.

Debtor filed its *Motion For An Order (I) Prohibiting Utilities From Altering, Refusing Or Discontinuing Services On Account Of Pre-Petition Claims And (II) Establishing Procedures For Determining Requests For Additional Adequate Assurance Of Payment* on January 9, 2017 (Dkt. No. 20).

Debtor filed its *Motion For An Order Authorizing Maintenance Of Existing Bank Accounts And Related Relief* on January 9, 2017 (Dkt. No. 23). This Motion was opposed by Nevada State Bank (Dkt. No. 34). This Motion was granted on February 27, 2017 (Dkt. No. 44).

Debtor filed its *Application To Employ Ghandi Deeter Blackham As Attorneys - General Reorganization Counsel To Debtor Nunc Pro Tunc To The Petition Date* on January 10, 2017 (Dkt. No. 28), and filed its amendment thereto on January 26, 2017 (Dkt. No. 36). The Application to Employ was granted on February 22, 2017 (Dkt. No. 43).

Debtor filed its *Motion Pursuant To 11 U.S.C. §§ 105, 361, 362, 363, 364, 1107 and 1108 and Rules 4001(b), 6003 and 6004 Of the Federal Rules Of Bankruptcy Procedure For Entry Of An Order (A)(I) Authorizing The Use Of Cash, Including Cash Collateral, (II) Finding That The Interests Of Any Purportedly Secured Party Are Adequately Protected, And (III) Granting Related Relief, Or (B) Alternatively, Authorizing The Debtor To Surcharge The Prepetition Collateral* on March 15, 2017 (Dkt. No. 45). This Motion was granted in part and denied in part on April 27, 2017 (Dkt. No. 52).

On February 9, 2016, O’Bannon Development LLC filed a complaint in the Eighth Judicial District Court of Nevada, civil case no. A-16-731547-C, against Debtor, asserting breach of contract claims. On the Petition Date, a Suggestion of Bankruptcy was filed in that case. On January 6, 2017, the district court entered its civil order to statistically close the case.

F. Projected Recovery of Avoidable Transfers

The Debtor has not yet completed its investigation with regard to prepetition transactions. If you received a payment or other transfer within 90 days of the bankruptcy, or other transfer avoidable under the Code, the Debtor may seek to avoid such transfer.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

H. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets are listed in **Exhibit B**.

The Debtor's most recent financial statements issued before bankruptcy, each of which was filed with the Court, are set forth in **Exhibit C**.

The most recent post-petition operating report filed since the commencement of the Debtor's bankruptcy case is set forth in **Exhibit D**.

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

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

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

B. Unclassified Claims

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

1. Administrative Expenses

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

The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

Type	Estimated Amount Owed	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later
Professional Fees, as approved by the Court.	50,000	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan
Clerk's Office Fees	500.00	Paid in full on the effective date of the Plan
Other administrative expenses	0.00	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	4,875.00	Paid in full on the effective date of the Plan
TOTAL	\$55,375.00	

2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
Department of the Treasury – Internal Revenue Service - Taxes	\$100.00	2/20/2017	Paid in full on Effective Date.

C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. *Classes of Secured Claims*

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim.

Class 1(a) consists of the Secured Claim of Nevada State Bank for the Secured Business Loan/SBA Loan, x3481. The loan is secured by lien against property located at 1725 Calico Drive, Las Vegas, NV (title held by Malik Family Trust) and against all Debtor business assets pursuant to UCC filings.

Class 1(b) consists of the Secured Claim of Stearns Bank, N.A. Equip. Finance Div. for the Purchase Money Security loan, x6003. The loan is secured by lien against the following property: Optos 200 DX Retinal Imaging System SNSN 0600 w/scanhead, instrument table, solo stations X1, patient chair. Debtor is in the process of modifying its contract with Stearns Bank to facilitate the purchase of a new Optos system and to substitute the new Optos system as collateral, and to obtain favorable financing terms for the new Optos system.

Class 1(c) consists of the Secured Claim of Stearns Bank, N.A. Equip. Finance Div. for the Lease of equipment, x6004. The Lease is secured by the following property: Reliance Power Base, Non-Tilt Chair SN: 00B0714003r; Topcon CV-5000S Electronic Refractor SN: 2321263; Topcon PC-50S LCD Acuity System SN: 287699; Topcon KR-1w Wavefront Auto Refractor / Keratometer/ Topographer SN: 3551160; Topcon CL-300.

The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

Class #	<u>Description</u>	Insider? (Yes or No)	Impaired?	Treatment
1(a)	<p>Allowed Secured Amount = \$214,632.70 (POC 6). Priority: none Principal Owed = \$214,485.79 Prepetition Interest = \$146.91 Total Claim = \$214,632.70</p>	No	Yes	<p>Claim shall be paid pursuant to loan agreement. Monthly Payment = \$ 4,767.93 Payments End: March 28, 2021</p> <p>Balloon Pmt: Any outstanding principal and interest as of March 28, 2021.</p> <p>Interest rate: 4.75% Treatment of Lien: Unmodified</p> <p>Payment of \$146.91 shall be made on the Effective Date to cure interest arrears.</p>
1(b)	<p>Allowed Secured Amount = \$24,775.74 (POC 4). Priority: none Principal Owed = \$24,775.74 Prepetition Arrears = \$0.00 Total Claim = \$24,775.74</p>	No	Yes	<p>Claim shall be paid pursuant to modified contract, subject to court approval.</p> <p>Original monthly payment: \$750.78 Original end date: Dec. 2019 Original interest rate: 5.37%</p> <p>Modified monthly payment: \$0 for 6 months; \$1,649 for 60 months Modified end date: 66 months after inception Modified interest rate: 4.3% Treatment of Lien: collateral to be substituted with new equipment</p>
1(c)	<p>Allowed Secured Amount = \$41,627.44 (POC 3). Priority: none Principal Owed = \$41,627.44 Prepetition Arrears = \$0.00 Total Claim = \$41,627.44</p>	No	Yes	<p>Claim shall be paid pursuant to lease agreement.</p> <p>Monthly Payment = \$ 1,165.27 Payments End: December 2019 (63rd month of lease) Interest rate: 6.07% Treatment of Lien: Unmodified</p>

2. *Classes of Priority Unsecured Claims*

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the

effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

To date, Debtor has no Section 507(a)(1), (4), (5), (6), or (7) priority claims.

3. *Classes of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

Class 3(a) consists of the Allowed General Unsecured Claims; estimated amounts thereof are listed in **Exhibit H**.

Treatment: Holders of Class 3(a) Allowed General Unsecured Claims, as described in the Plan as eligible for payment will receive, in full and final satisfaction of such allowed Class 3(a) claims, payment equal to eleven and one-half percent (11.5%) of their allowed claim, paid pursuant to Debtor's monthly payments over five (5) years after the Effective Date, distributed as described herein, plus interest as set forth herein. This payment shall be full satisfaction, settlement, release and exchange for such Allowed General Unsecured Claims. Upon payment, all Allowed General Unsecured Claims shall be released without further action by Debtor or notice to Holders of Allowed General Unsecured Claims being necessary.

Interest: Each Holder of a Class 3(a) Claim shall receive on account of such Holder's Claim payment of postpetition interest calculated at the Federal Judgment Rate unless there is an applicable contractual interest rate, in which case interest shall be paid at the contractual interest rate so long as (i) a contractual interest rate was set forth in a timely filed proof of claim or (ii) the Holder of such Claim provides written notice of such contractual interest rate to the Debtor's counsel on or before the Effective Date, and subject to the Debtor's and any other Person's right to verify or object to the existence of the asserted contractual rate of interest.

Class 3(b) consists of the disputed unsecured claim of O'Bannon Development, LLC (POC 7). This claim is of a lessor for damages resulting from the termination of a lease of real property, and is therefore governed and limited by 11 U.S.C. §502(b)(6). Debtor scheduled this claim in the amount of \$65,400.00 for rent subject to Section 502(b) allowance. Creditor O'Bannon Development, LLC filed proof of claim 7 asserting a claim for \$348,603.10, purportedly for rent, CAMS, lease termination damages, and nontermination damages. Debtor intends to object to this claim. Pursuant to Section 502(b)(6), this claim may not exceed:

- (A) the rent reserved by such lease, without acceleration, for the greater of one year, or 15 percent, not to exceed three years, of the remaining term of such lease, following the earlier of--
 - (i) the date of the filing of the petition; and
 - (ii) the date on which such lessor repossessed, or the lessee surrendered, the leased property; plus
- (B) any unpaid rent due under such lease, without acceleration, on the earlier of such dates.

The Plan provides for payment of this claim in the amount of \$65,400, equal to nineteen percent (19%) of the filed proof of claim amount, paid pursuant to Debtor's monthly payments over five (5) years after the Effective Date.

The following chart identifies the Plan's proposed treatment of Classes 3(a) through 3(b), which contain general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment
3(a)	General Unsecured Class	Impaired	<p>Estimated Total Amount of Claims: \$171,708.02 Estimated Amount Paid: \$19,746.42</p> <p>Est. Monthly Pmt = \$337.53 Pmts Begin: Month following Effective Date Pmts End: 60 months thereafter Est. Interest Rate from Effective Date = 1% Est. % of Claim Paid = 11.5%</p>
3(b)	Disputed Unsecured Claim of O'Bannon Development LLC	Impaired	<p>Claimed Amount: \$348,603.10 Estimated Amount Paid: \$65,400.00 Est. Monthly Payment: \$1,117.93</p> <p>Pmts Begin: Month following Allowance of Claim</p> <p>Pmts End: 60 months thereafter Est. Interest Rate from Effective Date = 1% Est. % of Claim Paid = 19%</p>

4. *Class of Equity Interest Holders*

Equity Interest Holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor and are classified here in Class 4. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company, the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the debtor is the equity interest holder.

In this Chapter 11 Case, the Debtor is a Nevada professional corporation. Upon the Effective Date of the Plan, all equity interests in the Debtor will be retained by the Debtor's equity interest holder, Edward J. Malik.

As set forth herein, Mr. Malik will receive the New Equity Interests in the Debtor in exchange for contributions to the Debtor's estate to fund the Plan and the Debtor's business operations, namely, Mr. Malik will contribute \$15,000 to the Debtor (the "Equity Contribution" or "New Value"). In exchange for the Equity Contribution, Mr. Malik shall receive the New Equity Interests in the Reorganized Debtor.

In order to comply with the Bankruptcy Code and Ninth Circuit Court of Appeal case law, the Equity Contribution must be: (1) new; (2) substantial; (3) money or money's worth; (4) necessary for a successful reorganization; and (5) reasonably equivalent to the value of interest received.

Here, the Equity Contribution satisfies these requirements because the Equity Contribution to be submitted: (1) constitutes new contributions; (2) is substantial is so much as it is necessary to make confirmation feasible; (3) is money or money's worth; (4) is necessary for a successful reorganization; and (5) is equal to or greater than the value to be received.

Importantly, to keep equity in Debtor's business, Edward J. Malik personally shall make the Equity Contribution of \$15,000.00 to help fund payments for this Chapter 11 Plan.

The following chart sets forth the Plan's proposed treatment of the class of equity interest holders:

Class #	Description	Impairment	Treatment
4	Equity interest holders	Unimpaired	<p> Holders of Class 4 Equity Interests shall receive no distributions of cash pursuant to the Plan, but upon the Effective Date of the Plan, shall retain their legal interest, including their Equity Interests, in the Debtor. </p>

D. Means of Implementing the Plan

1. *Source of Payments*

Payments and distributions under the Plan will be funded by the following:

The proposed monthly payments to Holders of Class 1(a)-1(c), 3(a), and 3(b) claims are estimated as follows, which estimates are subject to change pursuant to the Allowed amount of Claims: Class 1(a) estimated payments to total \$4,767.93 per month through March 28, 2021; Class 1(b) estimated payments to total \$0 per month for 6 months, then \$1,649.00 per month for 60 months; Class 1(c) estimated payments to total \$1,165.27 per month through December 2019; Class 3(a) estimated payments to total \$337.53 per month for 60 months (estimated using federal interest rate estimate of 1%); Class 3(b) estimated payments to total \$1.137.93 per month for 60 months from allowance (estimated using federal interest rate estimate of 1%).

Thus, total estimated monthly payments for months 1-66 following confirmation are estimated as follows:

Months 1-6	\$7,388.66
Month 6 - 12/2019	\$9,037.66
12/2019 - 3/2021	\$7,872.39
4/2021 - 60th month	\$3,104.46
61st - 66th month	\$1,649.00

Debtor projects that it will continue to have sufficient revenue to cover these estimated payments, as shown in its financial records filed herewith and with its monthly operating reports as well as the information provided in **Exhibit G**.

Additionally, Edward J. Malik personally intends to make an equity contribution of \$15,000.00 (the “Equity Contribution”) to help fund plan payments.

2. *Post-confirmation Management*

The Post-Confirmation Managers of the Debtor, and their compensation, shall be as follows:

Name	Affiliations	Insider (yes or no)?	Position	Compensation
Edward J. Malik, OD		Yes	President	\$50,000/year

E. **Risk Factors**

The proposed Plan has the following risks: Debtor may experience an unforeseen drop in revenue preventing it from making the payments required under the Plan.

F. **Executory Contracts and Unexpired Leases**

The Plan, in Section 6.1, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. Section 6.1 also lists how the Debtor will cure and compensate the other party to such contract or lease for any such defaults.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed in Section 6.1 of the Plan will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

G. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.

The following are the anticipated tax consequences of the Plan:

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE IRC. TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THE DISCLOSURE STATEMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of certain U.S. federal income tax consequences of the consummation of the Plan to Holders of Allowed Claims. This summary is based on the Internal Revenue Code (the "IRC"), the U.S. Treasury Regulations promulgated thereunder, judicial authorities, published administrative positions of the Internal Revenue Service (the "IRS") and other applicable authorities, all as in effect on the date of this Disclosure Statement and all of which are subject to change or differing interpretations, possibly with retroactive effect. No rulings or determinations of the IRS or any other taxing authorities have been sought or obtained with respect to the tax consequences discussed herein, and the discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

This discussion is for general information only and does not purport to address all aspects of U.S. Federal income taxation that may be relevant to Holders of Claims in light of their personal circumstances, nor does the discussion deal with tax issues with respect to taxpayers subject to special treatment under the U.S. federal income tax laws (including, for example, banks, governmental authorities or agencies, pass-through entities, brokers and dealers in securities, insurance companies, financial institutions, tax-exempt organizations, small business investment companies or regulated investment companies). This discussion only addresses the tax consequences to Holders of Claims who have held such Claims as capital assets within the meaning of the IRC. No aspect of foreign, state, local or estate and gift taxation is addressed.

THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF AN ALLOWED CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL AND NON-UNITED STATES TAX CONSEQUENCES OF THE PLAN.

In General.

The U.S. federal income tax consequences of the distributions contemplated by the Plan to Holders of Claims will depend upon a number of factors. The character and amount of income, gain or loss recognized as a consequence of the Plan and the distributions provided thereby will depend upon, among other things, (i) the manner in which a Holder acquired a Claim, (ii) the length of time the Claim has been Held, (iii) whether the Claim was acquired at a discount, (iv) whether the Holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years, (v) whether the Holder has previously included in income accrued but unpaid interest with respect to the Claim (vi) the method of tax accounting of the Holder, and (vii) whether the Claim is an installment obligation for U.S. federal income tax purposes.

For purposes of the following discussion, a “U.S. Holder” is any person (i) who is a citizen resident of the United States; (ii) that is a corporation or partnership created or organized in or under the laws of the United States or any state thereof of the District of Columbia; (iii) that is an estate, the income of which is subject to U.S. Federal income taxation regardless of its source; or (iv) that is a trust (a) the administration over which a United States person can exercise primary supervision and all of the substantial decisions of which one or more United States persons have the authority to control or (b) that has elected to continue to be treated as United States person for U.S. federal income tax purposes. A “Non-U.S. Holder” is any person that is not a U.S. Holder. In the case of a partnership, the tax treatment of its partners will depend on the status of the partner and the activities of the partnership. Holders who are partnerships or partners in a partnership should consult their tax advisors.

Certain Holders of Claims (such as foreign persons, S corporations, regulated investment companies, insurance companies, financial institutions, small business investment companies, broker-dealers, and tax exempt organizations) may be subject to special rules not addressed in this summary of the U.S. federal tax consequences. There also may be state, local and/or foreign income or other tax considerations or U.S. federal estate and gift tax consideration applicable to Holders of Claims, which are not addressed herein. EACH HOLDER OF A CLAIM OR EQUITY INTEREST AFFECTED BY THE PLAN IS STRONGLY URGED TO CONSULT ITS TAX ADVISOR WITH RESPECT TO DISTRIBUTIONS RECEIVED UNDER THE PLAN.

U.S. Holders of Claims.

A U.S. Holder should generally recognize capital gain or loss for U.S. income tax purposes in an amount equal to the difference between the amount of Cash (and other consideration received) under the Plan in respect of such Holder’s Claim and the Holder’s adjusted tax basis in the Claim. However, to the extent a U.S. Holder received any Cash (or other consideration) in satisfaction of any accrued and unpaid interest, such Holder may recognize ordinary income or loss to the extent that such Cash (or other consideration) is allocable to the accrued and unpaid interest, unless such Holder has previously included the accrued interest in such Holder’s taxable income.

Importance of Obtaining Professional Tax Assistance.

The U.S. federal income tax consequences to a Holder other than a Holder receiving Cash (or other property) in satisfaction of such Holder’s Claim may be different from the tax consequences described above. Holders of each such Claim should consult their tax advisers regarding potential federal income tax consequences.

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL

TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A CLAIM HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, CLAIM HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE U.S., STATE AND LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code.

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

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

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

In this case, the Plan Proponent believes that classes 1(a), 1(b), 1(c), 3(a), and 3(b) are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that class 4 is unimpaired and that holders of claims in this class, therefore, do not have the right to vote to accept or reject the Plan.

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

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

The deadline for filing a proof of claim in this case was May 3, 2017 (June 28, 2017 for government claims).

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

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it

is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is **Not** Entitled to Vote*

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

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not “allowed claims” or “allowed equity interests” (as discussed above), unless they have been “allowed” for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- administrative expenses.

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

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

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

B. Votes Necessary to Confirm the Plan

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

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

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

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

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a “cram down” plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

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

C. **Liquidation Analysis**

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as **Exhibit E**.

D. **Feasibility**

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

1. *Ability to Initially Fund Plan*

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. Tables showing the amount of cash on hand on the effective date of the Plan, and the sources of that cash are attached to this disclosure statement as **Exhibit F**.

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

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

The Plan Proponent has provided projected financial information. Those projections are listed in **Exhibit G** and show that the Plan Proponent will have sufficient cash flow to make the required Plan payments.

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

V. EFFECT OF CONFIRMATION OF PLAN

A. DISCHARGE OF DEBTOR

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

B. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan.

The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

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

VI. OTHER PLAN PROVISIONS

A. Retention of Jurisdiction.

Except to the extent otherwise expressly set forth herein, the Bankruptcy Court shall retain jurisdiction of the Chapter 11 Case following the Confirmation Date for the following purposes, it being expressly intended that such retention of jurisdiction shall in all cases hereafter set forth, extend to any actions or proceedings commenced prior or subsequent to the Confirmation Date and/or the Effective Date whether by Debtor, or the parties specified herein:

(a) To hear and determine any objections to the allowance of Claims, including any objections by Debtor with respect to any Claims which have been reinstated or assumed in accordance with the terms of the Plan;

(b) To determine any and all applications for compensation for any Professionals and similar fees to the extent made specifically subject to a hearing under the Plan and applicable provisions of the Bankruptcy Code;

(c) To determine any and all applications for the rejection or assumption and assignment of executory contracts or for the rejection or assumption and assignment, as the case may be, of unexpired leases to which Debtor is a party or with respect to which it may be liable, and to hear and determine, and if need be to liquidate, any and all Claims arising therefrom;

(d) To modify the Plan pursuant to Bankruptcy Code Section 1127 or to remedy any defect or omission or reconcile any inconsistency in the Confirmation Order to the extent authorized by the Bankruptcy Code;

(e) To hear and determine all controversies, suits and disputes, if any, as may arise in connection with the interpretation or enforcement of the Plan;

(f) To hear and determine all controversies, suits and disputes, if any, as may arise with regard to orders of this Bankruptcy Court entered in the Chapter 11 Case;

(g) To adjudicate all controversies concerning the classification of any Claim;

(h) To liquidate damages in connection with any disputed, contingent or unliquidated Claim;

(i) To adjudicate all Claims to a security or ownership interest in any of the Assets, or in any proceeds thereof,

(j) To adjudicate all Claims or controversies arising out of any purchases, sales or contracts made or undertaken by Debtor;

(k) To determine all questions and disputes regarding recovery of and entitlement to any property of Debtor, or in any proceeds thereof;

(l) To adjudicate all Causes of Action with respect to which Debtor is a party, whether or not such Claim or controversy is raised or filed before or after the Effective Date;

(m) To determine issues and disputes concerning entitlement to Distributions to be made under and pursuant to the Plan;

(n) To enter any order, including injunctions, necessary to enforce the title, rights and powers of Debtor's limitations, restrictions, terms and conditions on such title, rights and powers as the Bankruptcy Court may deem necessary or appropriate;

(o) To determine such other matters as may be provided for in the Confirmation Order and the Plan, or as may from time to time be authorized under the provisions of the Bankruptcy Code or any other applicable law;

(p) To enter a Final Decree closing the Chapter 11 Case;

(q) To enforce the provisions of any Administrative Claim Bar Date entered by the Bankruptcy Court;

(r) To make such orders as are necessary or appropriate to carry out the provisions of the Plan, including but not limited to orders interpreting, clarifying or enforcing the provisions thereof;

(s) To determine issues and disputes with respect to the Refinanced Secured Loan Documents as required by the Plan arising after the Effective Date; and

(t) Without limiting the generality of any of the foregoing, to hear and determine matters

concerning state, local, and federal taxes in accordance with Bankruptcy Code Sections 345, 505, and 1146.

B. Jurisdiction Unaffected.

The occurrence of the Effective Date and/or the entry of a Final Decree shall not divest the Bankruptcy Court of any jurisdiction otherwise retained under this Article X or the Confirmation Order.

C. Failure of Bankruptcy Court To Exercise Jurisdiction.

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction, or is otherwise without jurisdiction over any matter arising under, arising in or related to the Bankruptcy Case, including any of the matters set forth in the Plan, the Plan shall not prohibit or limit the exercise of jurisdiction by any other court of competent jurisdiction with respect to such matter.

D. Injunction Against Interference With Plan.

Upon the Effective Date, all Holders of Claims against or Interests in Debtor and their respective Representatives and any of their successors or assigns shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

E. Adequate Protection Liens; Cash Collateral Orders.

As of the Effective Date, any replacement Liens granted as adequate protection pursuant to the terms of any Cash Collateral Orders shall be deemed to be terminated, discharged, eliminated and of no further force and effect.

As of the Effective Date, Debtor's obligations under all Cash Collateral Orders shall be deemed to be fully satisfied, released, discharged and terminated, and such Cash Collateral Orders shall be of no further force and effect.

F. Modification of Debt Instruments.

On the Effective Date, all instruments evidencing indebtedness of Debtor held by Holders of Claims that are Impaired by the Plan or have been paid in full pursuant thereto shall be deemed modified or canceled as against Debtor as set forth in the Plan.

G. Judgments Void.

Any judgment obtained before or after the Effective Date in any court other than the Bankruptcy Court shall be null and void as a determination of liability of Debtor with respect to any debt treated by the Plan.

H. Revesting of Assets in Debtor.

Except as otherwise expressly provided herein or in the Confirmation Order, on the Effective Date, but retroactive to the Confirmation Date, without any further action, Debtor will be vested with all of the property of the Estate, wherever situate, free and clear of all Claims and Liens (except for Liens provided or authorized pursuant to the Plan and Permitted Encumbrances). Without limiting the generality of the foregoing, on and after the Effective Date, Debtor shall be vested with all of the property of the Estate,

wherever situate, free and clear of any Claims based on any form of successor liability or similar or related theory of liability. On and after the Effective Date, (i) Debtor shall be free of any restrictions imposed by the Bankruptcy Code or Bankruptcy Court, may operate their business and may use, acquire or dispose of their assets (including the Properties) free of any restrictions imposed by the Bankruptcy Code and the Bankruptcy Rules and without supervision or approval by the Bankruptcy Court, other than the obligations set forth in the Plan, or the Confirmation Order. Without limiting the generality of the foregoing and except as otherwise expressly provided herein or in the Confirmation Order, any Causes of Action will be preserved and retained solely for Debtor's commencement, prosecution, use and benefit.

I. Preservation of Causes of Action.

Pursuant to Bankruptcy Code Section 1123(b), Debtor shall retain and reserve the right to enforce all rights to commence and pursue Causes of Action whether arising prior to or after the Petition Dates, and whether pending as of or Filed after the Effective Date, in any court or other tribunal. Unless a Cause of Action is expressly waived, relinquished, released, compromised or settled in the Plan, or any Final Order, Debtor on behalf of themselves expressly reserve all Causes of Action for later adjudication and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall apply to any Causes of Action upon Confirmation or the Effective Date. No entity may rely on the absence of a specific reference in the Plan, any Plan Supplement, or the Disclosure Statement to any Cause of Action against them as an indication that Debtor, will not pursue any and all available Causes of Action against them.

Debtor expressly reserves all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan.

J. Maintenance of Administrative Claim Status Post Discharge.

Notwithstanding any discharge granted to Debtor, Allowed Administrative Claims shall maintain their administrative priority status under Bankruptcy Code Section 507(a)(2) until paid in full.

K. No Limitation on Effect of Confirmation.

Nothing contained in the Plan or the Disclosure Statement will limit, waive or restrict in any way the effect of Confirmation as set forth in Bankruptcy Code Section 1141. Confirmation will bind Debtor, all Creditors, Equity Interest Holders and other parties in interest to the provisions of the Plan, whether or not the Claim or Equity Interest of such Creditor or Equity Interest Holder is Impaired under the Plan and whether or not such Creditor or Equity Interest Holder has accepted the Plan and whether or not a proof of Claim or Equity Interest has been filed or deemed to have been filed under Bankruptcy Code Sections 501 or 1111(a), or such Claim or Equity Interest is allowed under Bankruptcy Code Section 502.

VII. MISCELLANEOUS PROVISIONS

A. Modification of the Plan.

Debtor may alter, amend or modify the Plan at any time before the entry of the Confirmation Order, provided that the Plan, as altered, amended or modified, satisfies the conditions of Bankruptcy Code Sections 1122 and 1123, and Debtor shall have complied with Bankruptcy Code Section 1125. However, the Bankruptcy Court may require a new disclosure statement and/or re-voting on the Plan if Debtor modifies the plan before Confirmation.

Debtor may also seek to alter, amend or modify the Plan at any time after Confirmation so long as (i) the Plan has not been substantially consummated, (ii) as altered, amended or modified the Plan satisfies the conditions of Bankruptcy Code Sections 1122 and 1123, and (iii) the Bankruptcy Court authorizes the proposed modification after notice and a hearing under Bankruptcy Code Section 1129.

A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such Holder. Prior to the Effective Date, Debtor may make appropriate technical non-material modifications to the Plan or the Disclosure Statement without further order or approval of the Bankruptcy Court, provided that such technical modifications do not adversely affect the treatment of Holders of Claims or Equity Interest.

Debtor further reserves the right to modify the treatment of any Allowed Claims at any time after the Effective Date of the Plan upon the consent of the Creditor whose Allowed Claim treatment is being modified, so long as no other Creditors are materially adversely affected.

Debtor reserves the right, in accordance with the Bankruptcy Code, to amend or modify the Plan before or after the Confirmation Date, including making any amendments or modifications to satisfy the requirements of Bankruptcy Code Section 1129(b), if necessary.

B. Notices.

Except as otherwise set forth below, all notices, requests, elections or demands in connection with the Plan, including any change of address of any Holder of a Claim for the purposes of receiving any Distributions under the Plan, shall be in writing and shall be delivered personally or by facsimile, electronic mail or overnight courier (confirmed by first class mail or express mail) or mailed by first class mail. Such notice shall be deemed to have been given when received or, if mailed by first class mail, seven (7) days after the date of mailing, or if express mailed, the next Business Day following the date of mailing and addressed to the following:

If to Debtor, to:

EDWARD J. MALIK O.D., CHARTERED & ASSOCIATES
11035 Lavender Hill Dr. 180
Las Vegas, NV 89135
with copies to:

Ghandi Deeter Blackham Law Offices
NEDDA GHANDI, ESQ.
725 South 8th St. Suite 100
Las Vegas, Nevada 89101
Telephone: (702) 878-1115
Facsimile: (702) 447-9995

All notices and requests to Holders of Claims of any Class shall be sent to them at their known address. Any Holder of a Claim of any Class may designate in writing any other address for purposes of this Section, which designation shall be effective upon receipt.

C. Limitation of Notice.

Debtor shall give the following notice with regard to the following matters, which notice shall be deemed to be good and sufficient notice of such matters, with no requirement for any additional or further notice:

(a) Notice of Entry of Confirmation Order. Notice of the entry of the Confirmation Order shall be sufficient if mailed to all known Holders of Claims (which have not become Disallowed Claims) and Interests within five (5) Business Days of the entry of Confirmation Order.

D. Requisite Secured Lender's Approval.

Wherever the approval of a Secured Lender with respect to a Secured Loan or Refinanced Secured Loan is referred to anywhere in the Plan, the Person or Entity seeking such approval shall be entitled to direct the request for approval solely to that Secured Lender named herein with respect to such Secured Loan on behalf of other Holders of Claims with respect to such Secured Loan and such Secured Lender shall then be responsible for determining and communicating in writing whether or not such approval has or has not been obtained. Any written statement by such Secured Lender to any other Person or Entity concerning any consent or approval of the Secured Lender and Related Secured Claim Holders required hereunder may be relied upon by such Person or Entity.

E. Headings.

The headings used in the Plan are inserted for convenience only and do not constitute a portion of the Plan nor in any manner affect the provisions of the Plan.

F. Exhibits.

All exhibits and documents included in the Disclosure Statement are incorporated into and are a part of the Plan, as if set forth in full in the Plan. After the exhibits and documents are Filed, copies of such exhibits and documents shall have been available upon written request to Debtor's counsel at the address above or by downloading such exhibits and documents from the Bankruptcy Court's website at <http://www.nvb.uscourts.gov>. To the extent any exhibit or document is inconsistent with the terms of the Plan, unless otherwise ordered by the Bankruptcy Court, the non-exhibit or non-document portion of the Plan shall control.

G. Nonseverability of Plan Provisions.

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power, at the request of Debtor and subject to the consent of any party adversely affected thereby, to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted.

Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, Impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (a) valid and enforceable pursuant to its terms; (b) integral to the Plan and may not be deleted or modified without the consent of Debtor and any other Person or

Entity affected by such provision; and (c) nonseverable and mutually dependent.

H. Waiver or Estoppel.

Each Holder of a Claim or an Interest shall be deemed to have waived any right to assert any argument, including the right to argue that its Claim or Interest should be Allowed in a certain amount, in a certain priority, Secured or not subordinated by virtue of an agreement made with Debtor or its counsel, or any other Entity, if such agreement was not disclosed in the Plan, the Disclosure Statement, or papers Filed with the Bankruptcy Court prior to the Confirmation Date.

I. Conflicts.

(a) To the extent that any provision of the Disclosure Statement, any Plan Supplement (other than any amendments to the Plan or any Refinanced Secured Loan Documents), or any other order (other than the Confirmation Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements or amendments to any of the foregoing), conflict with or are in any inconsistent with any provision of the Plan, the Plan shall govern and control, unless expressly set forth herein.

(b) From and after the Effective Date, to the extent that any provision of the Plan, the Disclosure Statement, any Plan Supplement, or any other order (other than the Confirmation Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of any Refinanced Secured Loan Document, then such Refinanced Secured Loan Document shall govern and control, unless expressly set forth therein.

J. Computation of Time.

In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

K. Governing Law.

Except to the extent that the Bankruptcy Code or any other Federal law is applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Nevada.

L. Successors and Assigns.

The rights and obligations of any Person or Entity named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the successors and assigns of such Person or Entity.

M. Good Faith.

Confirmation of the Plan will constitute a finding that the Plan has been proposed in good faith and in compliance with all applicable provisions of the Bankruptcy Code.

N. Post-Confirmation Conversion or Dismissal.

A creditor or party in interest may bring a motion to convert or dismiss the Chapter 11 Cases under Bankruptcy Code Section 1112(b), after the Plan is confirmed, if there is a default in performance of the Plan or if cause exists under Bankruptcy Code Section 1112(b). If the Bankruptcy Court orders the case

converted to Chapter 7 after the Plan is confirmed, then all property that had been property of the Estate, and that has not been disbursed or distributed pursuant to the Plan, will revert in the Chapter 7 estate, and the automatic stay will be re-imposed upon the re-vested property only to the extent that relief from stay was not previously granted by the Bankruptcy Court during these Chapter 11 Cases. In addition, any Allowed Administrative Claims which are not paid on the Effective Date shall continue to be entitled to administrative priority, under Bankruptcy Code Section 507(a)(1) in any such subsequent Chapter 7 case to which this case is converted.

O. Post Confirmation Reports and Quarterly Fees.

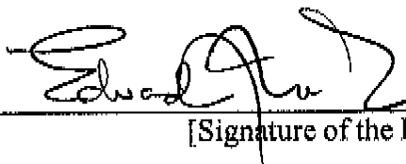
Until the entry of the final decree, Debtor shall file with the clerk, not later than twenty (20) days after the end of the calendar quarter which occurs after the entry of this order, and every six (6) months thereafter, a report of the action taken by the Reorganized Debtor and the progress made toward consummation of the Confirmed Plan. Said report shall include, at a minimum, the following information:

- (A) A schedule of any personal property costing more than \$5,000 and any real property acquired, sold or disposed of since confirmation of the plan and the price paid for each;
- (B) A schedule listing each debt, the total amount required to be paid under the plan, the amount required to be paid to date, the amount actually paid to date, and the amount unpaid;
- (C) A schedule of executory contracts entered into after plan confirmation;
- (D) A statement listing each post-petition tax (i.e., income, payroll, property, sales), and payee and the amount actually paid;
- (E) The progress toward completion of the confirmed plan and a list and status of any pending adversary proceedings or motion and resolution expected; and
- (F) A statement regarding the status of payment of both pre-confirmation and post confirmation United States trustee quarterly fees.

U.S. Trustee Fees continue to be payable to the Office of the United States Trustee postconfirmation until such time as the case is converted, dismissed, or closed pursuant to Final Decree.

P. Entire Agreement.

The Plan, as described herein, the Disclosure Statement and exhibits thereto, and any Plan Supplements set forth the entire agreement and understanding of the parties hereto relating to the subject matter hereof and supersede all prior discussions and documents. No party hereto shall be bound by any terms, conditions, definitions, warrants, understandings or representations with respect to the subject matter hereof, other than as in expressly provided for herein or as may hereafter be agreed by the parties in writing.



[Signature of the Plan Proponent]

/s/Nedda Ghandi, Esq.

[Signature of the Attorney for the Plan Proponent]