

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF NEW YORK**

IN RE:

SHEPHERD AVE. REALTY, INC.,

DEBTOR.

CHAPTER 11

CASE No. 16-42758 (CEC)

**DISCLOSURE STATEMENT FOR PLAN OF
REORGANIZATION OF SHEPHERD AVE. REALTY, INC.**

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**PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY. THIS
DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON
YOUR DECISION TO ACCEPT OR REJECT THE PLAN. THE DEBTOR BELIEVES
THAT THE PLAN IS IN THE BEST INTERESTS OF CREDITORS, THAT IT IS FAIR
AND EQUITABLE AND URGE YOU TO VOTE TO ACCEPT THE PLAN.**

INTRODUCTION

Shepherd Ave. Realty, Inc., debtor and debtor in possession in the above-captioned Chapter 11 case (the “Debtor”), hereby submit the following Disclosure Statement pursuant to the provisions of Chapter 11 of the Bankruptcy Code with respect to its Plan of Reorganization (the “Plan”).

Unless otherwise noted, all capitalized terms used herein have the meaning ascribed to them in the Plan.

This Disclosure Statement is intended to be used in connection with the solicitation of acceptances or rejections of the Plan filed with the United States Bankruptcy Court for the Eastern District of New York. A copy of the Plan is attached hereto as **Exhibit A**.

THE DEBTOR RESERVES THE RIGHT TO FILE AN AMENDED DISCLOSURE STATEMENT AND PLAN. ALL CREDITORS ARE HEREBY ADVISED AND ENCOURAGED TO READ THE PLAN AND DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED AS AN ADMISSION OR STIPULATION, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

Pursuant to the Bankruptcy Code, Holders of Claims in Classes 2 and 3, as defined in the Plan, are entitled to vote on the Plan. Persons in Classes 1 and 4 are not entitled to vote on the Plan and are deemed to have accepted or rejected the Plan by operation of law.

A. The Purpose of this Document

This Disclosure Statement summarizes what is in the Plan, and tells you certain information relating to the Plan and the process the Court follows in determining whether or not to confirm the Plan.

READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO KNOW ABOUT:

- 1. WHO CAN VOTE OR OBJECT.**
- 2. THE PROPOSED TREATMENT OF YOUR CLAIM OR INTEREST (I.E., WHAT YOUR CLAIM OR INTEREST WILL RECEIVE IF THE PLAN IS CONFIRMED), AND HOW THIS TREATMENT COMPARES TO WHAT YOU WOULD RECEIVE IN A LIQUIDATION.**
- 3. THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING THE BANKRUPTCY CASE.**
- 4. WHAT THE BANKRUPTCY COURT WILL CONSIDER WHEN DECIDING WHETHER TO CONFIRM THE PLAN.**
- 5. THE EFFECT OF CONFIRMATION.**
- 6. THE FEASIBILITY OF THE PLAN.**

This Disclosure Statement cannot tell you everything about your rights. You should consider consulting with your own lawyer and/or tax advisor to obtain more specific advice on how the Plan will affect you and what is the best course of action for you.

Be sure to read *both* the Plan *and* the Disclosure Statement. If there are any inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will govern.

Bankruptcy Code § 1125 requires a Disclosure Statement to contain “adequate information” concerning the Plan. The term “adequate information” is defined in Bankruptcy Code § 1125(a)(1) as information of a kind, and in sufficient detail, about a debtor and its operations that will enable a hypothetical reasonable investor, typical of holders of claims or interests of the debtor to make an informed judgment about accepting or rejecting the plan. The Bankruptcy Court has determined that the information contained in this Disclosure Statement is adequate, and has approved this Disclosure Statement in accordance with the Bankruptcy Code.

This Disclosure Statement is provided to each Creditor whose Claim has been scheduled by the Debtor or who has filed a proof of claim against the Debtor. Your acceptance of the Plan may not be solicited unless you have received a copy of this Disclosure Statement prior to or concurrently with such solicitation.

B. Confirmation Procedures

A Person’s vote to accept or reject the Plan will only be counted if submitted by a Creditor whose Claim is duly scheduled by the Debtor as undisputed, non-contingent and unliquidated, or who, prior to the hearing on Confirmation of the Plan, has timely filed with the Court a proof of Claim which has not been objected to, disallowed or suspended prior to computation of the votes on the Plan. The ballot form that you receive does not constitute a proof of Claim. If you are uncertain whether your Claim has been scheduled, you should check the Debtor’s Schedules, which are on file at the Clerk of the United States Bankruptcy Court located at 271-C Cadman Plaza East, Suite 1595, Brooklyn, NY 11201-1800. The Clerk of the Bankruptcy Court will not provide this information by telephone.

THE BANKRUPTCY COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE BANKRUPTCY COURT LATER CONFIRMS THE PLAN, THEN IT WILL BE BINDING ON THE DEBTOR AND ALL CREDITORS AND INTEREST HOLDERS IN THIS CASE.

1. Time and Place of Confirmation Hearing

A hearing at which the Bankruptcy Court will determine whether to confirm the Plan will take place at the United States Bankruptcy Court, located at 271-C Cadman Plaza East, Suite 1595, Brooklyn, NY 11201-1800, before the Honorable Carla Craig on _____, 2017, at __:__.m.

2. Deadline for Voting For or Against the Plan

If you are entitled to vote, it is in your best interest you timely vote on the enclosed ballot and return it to:

VOGEL BACH & HORN, LLP
1441 Broadway, 5th Floor
New York, New York 10018
Attn: Eric H. Horn, Esq.
Shirin Movahed, Esq.

Your ballot must be received by no later than _____, 2017, at 4:00 p.m. (prevailing Eastern time) or it will not be counted. Facsimile, email or electronically transmitted ballots will not be accepted.

3. Deadline for Objecting to Confirmation of the Plan

Any objections to Confirmation of the Plan must be filed with the Clerk of the Court, 271-C Cadman Plaza East, Suite 1595, Brooklyn, NY 11201-1800, and served upon each of the following so that it is received by them no later than _____, 2017, at 4:00 p.m. (prevailing Eastern time):

VOGEL BACH & HORN, LLP
1441 Broadway, 5th Floor
New York, New York 10018
Attn: Eric H. Horn, Esq.
Shirin Movahed, Esq.

4. Person to Contact for More Information Regarding the Plan

Any interested parties desiring further information about the Plan or if you received a damaged Ballot should contact Eric H. Horn or Shirin Movahed at Vogel Bach & Horn, LLP (212) 242-8350 on any business day between 9:00 a.m. and 5:00 p.m., prevailing eastern time.

C. Disclaimer

The financial data and information contained in this Disclosure Statement and upon which the Plan is based has been prepared by Debtor from various publicly filed or internal documents. The financial data and information have not been audited.

PLEASE NOTE THAT THE APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A RULING ON THE MERITS, FEASIBILITY OR DESIRABILITY OF THE PLAN.

Except as described below, the Plan may be confirmed only if accepted by each Voting Class. The Bankruptcy Code defines “acceptance” as acceptance by Holders of (a) at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims that vote, and (b) at least two-thirds (2/3) in amount of Allowed Interests in each Class whose Holders cast ballots. Any Voting Class that fails to accept the Plan will be deemed to have rejected the Plan. Section 1129(b) of the Bankruptcy Code permits confirmation of the Plan notwithstanding rejection by one or more Classes if the Bankruptcy Court finds that the Plan does not discriminate unfairly and is “fair and equitable” with respect to the rejecting Class or Classes (“Cramdown”). For a more detailed description of the requirements for acceptance of the Plan and of the criteria for confirmation notwithstanding rejection by certain Classes see the portion of this Disclosure Statement entitled “Confirmation Procedure.” The Debtor will seek to have the Plan confirmed over the rejection of any voting Class which does not accept the Plan, or which is deemed to have rejected the Plan.

THE DEBTOR BELIEVES THAT THE PLAN PROVIDES THE BEST POSSIBLE METHOD FOR MAXIMIZING THE RECOVERY TO CREDITORS. THE DEBTOR BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF EACH AND EVERY CLASS OF CREDITORS. IT IS RECOMMENDED THAT YOU VOTE TO ACCEPT THE PLAN.

THIS DOCUMENT WAS COMPILED FROM INFORMATION OBTAINED BY THE DEBTOR FROM NUMEROUS SOURCES BELIEVED TO BE ACCURATE TO THE BEST OF ITS KNOWLEDGE, INFORMATION AND BELIEF. HOWEVER, NOTHING CONTAINED HEREIN SHALL BE DEEMED TO BE AN ADMISSION OR A DECLARATION AGAINST INTEREST BY THE DEBTOR FOR PURPOSES OF ANY EXISTING OR FUTURE LITIGATION. TO THE EXTENT THAT CERTAIN DOCUMENTS ARE SUMMARIZED WITHIN THE PLAN, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS. FURTHERMORE, CERTAIN OF THE FINANCIAL INFORMATION CONTAINED HEREIN HAS BEEN PREPARED WITHOUT AUDIT. EACH HOLDER OF A CLAIM SHOULD REVIEW THE ENTIRE PLAN BEFORE CASTING A BALLOT.

After carefully reviewing the Plan and Disclosure Statement, including all Exhibits, each Person holding a Claim in Class 2 or Class 3 should vote by completing the enclosed ballot (the "Voting Ballot") and returning the Voting Ballot in a timely fashion.

TO BE COUNTED, YOUR BALLOT MUST BE COMPLETELY FILLED IN, SIGNED AND RECEIVED BY 4:00 P.M. PREVAILING EASTERN STANDARD TIME ON _____, 2017

ARTICLE I

BACKGROUND

A. Description of Debtor's Business

The Debtor is in the business of owning a certain property located at 781 Shepherd

Avenue, Brooklyn, NY 11208 (the “**Property**”). The Property is a two (2) unit rental property – one of which is currently vacant. The tenant payments currently yield the Debtor approximately \$1,300 per month. However, on a fully rented basis, the tenant payment could yield the Debtor approximately \$2,700 per month.

The Property was purchased by the Debtor in or around November 2015. The mortgage held by U.S. Bank National Association is with Michael Telesford. The Property is the subject of a foreclosure action pending in the Kings County Supreme Court titled *U.S. Bank National Association, as Trustee for J.P. Morgan Acquisition Trust 2006-CH2, Asset Backed Pass-Through Certificates, Series 2006-CH2 v. John Bernadine & Michael R. Telesford* – Index No. 002046/2012, where a judgment was entered. The auction and sale of the Property was stayed by the Chapter 11 filing.

C. The Bankruptcy Filing

On June 23, 2016, the Debtor commenced a voluntary Chapter 11 case by filing a voluntary petition with the Bankruptcy Court. Since the filing, the Debtor has been operating as a debtor in possession and no committee of creditors was formed in this case.

The Debtor’s bankruptcy filing was precipitated by a pending foreclosure auction and sale. Indeed, the chapter 11 filing was necessary to thwart a “fire sale” sale process and to preserve the equity value in the Property.

SIGNIFICANT EVENTS DURING CHAPTER 11 CASE

This section of the Disclosure Statement describes important developments that occurred in the Debtor’s Chapter 11 case.

On June 23, 2016, the Debtor commenced a voluntary chapter 11 case by filing a voluntary petition with the Bankruptcy Court. Since the filing, the Debtor has been operating as a debtor in possession and no committee of creditors was formed in this case.

A. Retained Professionals

On July 25, 2016, the Debtor filed an application for entry of an order to retain Vogel Bach & Horn, LLP as counsel to the Debtor. By order dated October 27, 2016, the Court approved such retention.

B. Bar Dates

On July 28, 2016, the Debtor filed its Schedules and Statements of Financial Affairs. In Chapter 11 cases, claims against a debtor are established either as a result of being listed in a debtor's schedules of assets and liabilities or through a timely filed proof of claim and Claims asserted by a creditor are then either allowed or disallowed, or if necessary first estimated by the court. If allowed, a claim would be recognized and treated pursuant to a plan; if disallowed, however, a creditor would have no right to obtain any recovery on or otherwise enforce their claim against a debtor.

On September 19, 2016, the Bankruptcy Court entered an order that established October 31, 2016 as the general bar date for filing proofs of claim against the Debtor. The deadline for filing proofs of claim by a governmental unit (as defined by Section 101(27) of the Bankruptcy Code) is December 20, 2016

As of December 1, 2016, a total of three (3) proofs of claim were filed by creditors.

There can be no assurance that the Allowed Claims as determined by the Bankruptcy Court will be in the amounts and priorities stated in the Schedules filed by the Debtor or the Proofs of Claim filed by Creditors.

ARTICLE II
CLASSIFICATION AND TREATMENT OF CLAIMS

A. Summary of the Plan and Assets Available for Distribution to Creditors

Under the Plan, the Allowed Claims of the Debtor's Creditors will be paid as follows:

Class and Estimated Amount	Type of Claim or Equity Interest	Summary of Treatment
Unclassified	Administrative Claims (excluding Claims for Professional Compensation and Reimbursement of Expenses of the Trustee and his Professionals)	<p>Non-Voting. Subject to the provisions of Article 8 of the Plan with respect to Disputed Claims, each Allowed Administrative Claim, to the extent not previously paid, shall be paid by the Disbursing Agent in Cash in full on (i) the later of (x) the Effective Date, (y) the date payment of such Claim is due under the terms thereof or applicable law, or (z) three business days after such Claim becomes an Allowed Administrative Claim or (ii) as may be otherwise mutually agreed in writing between the Debtor and the holder of such Claim; provided, however, that any Administrative Claim incurred by the Debtor in the ordinary course of their business shall be paid in full or performed by the Debtor or the Trustee in accordance with the terms and conditions of the particular transaction giving rise to such Administrative Claim and any agreements relating thereto. Since by law holders of Allowed Administrative Claims must be paid in full, these expenses are not classified and holders do not vote.</p> <p>The Debtor believes that there are no other Allowed Administrative Claims other than those that may be asserted pursuant to 28 U.S.C. § 1930.</p>
Unclassified	Administrative Claims for Professional Compensation and Reimbursement of Expenses	<p>Non-Voting. The Debtor's retained Professionals shall file final applications for approval of compensation and reimbursement of reasonable and necessary expenses, pursuant to section 330 of the Bankruptcy Code no later than 30 days following the Effective Date. Any such timely filed application shall be deemed to be an Administrative Claim, subject to entry of a final order by the Bankruptcy Court approving such Application and only to the extent of the Bankruptcy Court's approval. The Debtor shall</p>

Class and Estimated Amount	Type of Claim or Equity Interest	Summary of Treatment
		<p>pay in full to the Debtor's professionals all fees approved and awarded by the Bankruptcy Court no later than the Effective Date, unless otherwise agreed by the Professional.</p> <p>Objections to any Professional's application for compensation or reimbursement must be timely filed and served upon such Professional, the Debtor and the Office of the United States Trustee in accordance with the Bankruptcy Rules or any order entered by the Bankruptcy Court. Upon entry of a Final Order approving an application, the fees shall be paid, subject to the agreed-upon maximum amount allowed, within three (3) Business Days thereafter or in accordance with the Plan or as otherwise agreed to by the Professional, and the Debtor. Since by law, holders of Professional Fee Claims must be paid in full, to the extent allowed, these expenses are not classified and holders do not vote.</p>
Unclassified	Priority Tax Claims	<p>Non-Voting. Subject to the provisions the Plan with respect to Disputed Claims, each Allowed Priority Tax Claim, to the extent not previously paid, shall be paid by the Disbursing Agent in accordance with Section 1129(a)(9)(C) of the Bankruptcy Code. The Debtor believes that there are no Priority Tax Claims.</p>
Class 1 Deemed to accept the Plan	Other Priority Claims (excludes Priority Tax Claims and Administrative Claims)	<p>Unimpaired; Non-Voting. In full satisfaction, release and discharge, the holders of Allowed Other Priority Claims shall receive: on the Effective Date, or as soon as practicable after such Claim becomes an Allowed Claim, payment in Cash, in the full amount of its Other Priority Claim. The Debtor believes that there are no Allowed Other Priority Claims.</p>
Class 2 (estimated) \$477,000	Secured Claim. (US National Bank)	<p>Impaired; Voting. Class 2 consists of US National Bank. Debtor shall pay the Class 2 Creditor in full over the course of five years as follows: (i) interest only payments at a rate of 5% per annum for a period of 60 months; and (ii) at the end of the 60th month, a balloon payment for the outstanding balance. Alternatively, on the Effective Date, Plan Portent shall pay the Class 2 Creditor an amount as agreed upon by</p>

Class and Estimated Amount	Type of Claim or Equity Interest	Summary of Treatment
		the Debtor and the Class 2 Creditor.
Class 3 (estimated) \$47,500	General Unsecured Claims.	Impaired; Voting. In the event the Plan is confirmed, Holders of Allowed General Unsecured Claims shall receive the full amount of their allowed claims, or such other amount as agreed upon by the claimant and the Debtor, over the course of a five year period at an interest rate of 5% per annum; payable in equal installments.
Class 4 Deemed to Accept the Plan	Equity Interests	Unimpaired; Non-Voting. The Equity Interests shall be retained provided that the Debtor performs in full the obligations set forth in the Plan.

B. Unclassified Claims: Administrative Claims and Priority Tax Claims

1. Administrative Claims

Non-Professional Fee Claims

Each Allowed Administrative Claim, to the extent not previously paid, shall be paid by the Disbursing Agent in Cash in full on (i) the later of (x) the Effective Date, (y) the date payment of such Claim is due under the terms thereof or applicable law, or (z) three business days after such Claim becomes an Allowed Administrative Claim or (ii) as may be otherwise mutually agreed in writing between the Debtor and the holder of such Claim; provided, however, that any Administrative Claim incurred by the Debtor in the ordinary course of their business shall be paid in full or performed by the Debtor or the Trustee in accordance with the terms and conditions of the particular transaction giving rise to such Administrative Claim and any agreements relating thereto. Since by law holders of Allowed Administrative Claims must be paid in full, these expenses are not classified and holders do not vote.

The Debtor believes that there are no other Allowed Administrative Claims other than those that may be asserted pursuant to 28 U.S.C. § 1930.

b. Professional Fee Claims

The Debtor's retained Professionals shall file final applications for approval of compensation and reimbursement of reasonable and necessary expenses, pursuant to section 330 of the Bankruptcy Code no later than 30 days following the Effective Date. Any such timely filed application shall be deemed to be an Administrative Claim, subject to entry of a final order by the Bankruptcy Court approving such Application and only to the extent of the Bankruptcy Court's approval. Debtor shall pay in full to the Debtor's professionals all fees approved and awarded by the Bankruptcy Court no later than the Effective Date, unless otherwise agreed by the Professional.

The estimated amount of Professional Fee Claims is \$20,000.

c. Priority Tax Claims

Subject to the provisions the Plan with respect to Disputed Claims, each Allowed Priority Tax Claim, to the extent not previously paid, shall be paid by the Disbursing Agent in accordance with Section 1129(a)(9)(C) of the Bankruptcy Code. The Debtor believes that there are no Priority Tax Claims.

C. Classes of Claims and Interests: Classification, Treatment and Voting Rights

Under the Plan, Holders of Claims and Interests are divided into Classes and treated as follows:

Class 1 – Other Priority Claims.

In full satisfaction, release and discharge of the Other Priority Claims, the holders of Other Priority Claims shall receive the following treatment: on the Effective Date, or as soon as practicable after the Claim becomes an Allowed Claim: each holder of an Allowed Other Priority Claim shall receive payment from the Disbursing Agent, in Cash, in the full amount of its Allowed Other Priority Claim. The Debtor believes that there are no Other Priority Claims.

Class 2 – US National Bank Secured Claim

Class 2 consists of US National Bank. Debtor shall pay the Class 2 Creditor in full over the course of five years as follows: (i) interest only payments at a rate of 5% per annum for

a period of 60 months; and (ii) at the end of the 60th month, a balloon payment for the outstanding balance. Alternatively, on the Effective Date, Debtor shall pay the Class 2 Creditor an amount as agreed upon by the Debtor and the Class 2 Creditor.

Class 3 – General Unsecured Claims.

In the event the Plan is confirmed, Holders of Allowed General Unsecured Claims shall receive the full amount of their allowed claims, or such other amount as agreed upon by the claimant and the Debtor, over the course of a five year period at an interest rate of 5% per annum; payable in equal installments.

Class 4 – Equity Interests.

The Equity Interests shall be retained provided that the Debtor performs in full the obligations set forth in the Plan.

ARTICLE III

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assumption of Certain Contracts and Leases and Cure Payments.

Fifteen (15) days prior to the Confirmation Hearing, the Debtor shall file a schedule of Executory Contracts to be assumed as of the Effective Date and the amount of cure payments, if any, to be paid by the Debtor in accordance with § 365(b)(1) of the Bankruptcy Code (the “Assumption Schedule”), which shall be deemed Exhibit __ to the Plan. Objections to any proposed cure payment must be filed and served no later than four (4) days prior to the Confirmation Hearing (the “Assumption Objection Deadline”) and shall be adjudicated, if necessary, at the Confirmation Hearing. Any non-debtor party or Person to an Executory Contract that has not filed an appropriate pleading with the Bankruptcy Court on or before the applicable Assumption Objection Deadline shall be deemed to have waived its right to dispute the cure amount. All unpaid cure payments under any Executory Contracts that are assumed or assumed

and assigned under this Plan shall be made by the Disbursing Agent as soon as practicable after the Effective Date but not later than thirty (30) days after the Effective Date, provided, that, in the event that there is a dispute regarding the amount of any cure payments, the Disbursing Agent shall make such cure payments as may be required by § 365(b)(1) of the Bankruptcy Code within ten (10) days following the entry of a Final Order resolving such dispute.

The Debtor reserves the right to remove any Executory Contract from the Assumption Schedule within five (5) days of the Confirmation Hearing.

B. Rejection of Remaining Executory Contracts and Unexpired Leases.

On the Confirmation Date, except for (i) any Executory Contract that was previously assumed or rejected by an Order of the Bankruptcy Court pursuant to § 365 of the Bankruptcy Code and (ii) any Executory Contract identified on the Assumption Schedule, each Executory Contract entered into by the Debtor prior to the Petition Date that has not previously expired or terminated pursuant to its own terms, shall be deemed rejected pursuant to § 365 of the Bankruptcy Code, effective as of the Confirmation Date. The Confirmation Order shall constitute an Order of the Bankruptcy Court approving such rejection pursuant to § 365 of the Bankruptcy Code, as of the Confirmation Date.

C. Bar to Rejection Damages.

Except to the extent that another Bar Date applies pursuant to an Order of the Bankruptcy Court, all Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts under the Plan must be filed with the Clerk of the Bankruptcy Court, 271-C Cadman Plaza East, Suite 1595, Brooklyn, NY 11201-1800, and a copy served on counsel for the Debtor, within thirty (30) days from the entry of the Confirmation Order, or such Claim shall be forever barred and shall not be entitled to a distribution or enforceable against the Debtor, its Estate and its successors, assigns or its Assets. Any Claims arising from the rejection of Executory Contracts shall be treated in Class 3.

ARTICLE IV

PROVISIONS FOR TREATMENT OF DISPUTED CLAIMS

A. Resolution of Disputed Claims

1. Prosecution of Objections to Claims

An objection to the allowance of a Claim shall be in writing and shall be Filed with the Bankruptcy Court pursuant to Section B. 3 below.

Except as set forth herein, nothing in the Plan, the Confirmation Order or any order in aid of Confirmation, shall constitute, or be deemed to constitute, a waiver or release of any Claim, Causes of Action, Avoidance Action, or other legal or equitable defense which any or all of the Debtor and its Estate had immediately prior to the commencement of their Bankruptcy Cases against or with respect to any Claim. Except as set forth herein, upon Confirmation, the Debtor shall have, retain, reserve and be entitled to assert all such Claims, Causes of Action, Avoidance Actions, rights of setoff and other legal or equitable defenses which any or all of the Debtor or its Estate had immediately prior to the commencement of its Bankruptcy Case as if the Bankruptcy Case had not been commenced.

2. Payments and Distributions on Disputed Claims

As and when authorized by a Final Order, Disputed Claims that become Allowed Claims shall be paid in accordance with the terms of the Plan.

As to any Person who holds a Claim whereby only a portion of such Claim is disputed, a distribution may be made on the non-disputed portion of such Claim at the Debtor's discretion, although no payment or distribution will be made on the disputed portion of such Claim until such dispute is resolved by settlement or Final Order, except as otherwise provided for in Section B. 1 below.

Any Person who holds both (an) Allowed Claim(s) and (a) Disputed Claim(s) will receive the appropriate payment or distribution on the Allowed Claim(s), although no payment or

distribution will be made on the Disputed Claim(s) until such dispute is resolved by settlement or Final Order, except as otherwise provided for in Section B. 1 below.

B. Allowance of Claims

1. Disallowance of Claims

All Claims held by Persons against whom the Debtor and its Estate have/has asserted or may assert a Claim, Avoidance Action or Cause of Action under §§ 522(f), 522(h), 542, 543, 544, 547, 548, 549, 550, 551, 553 or 724(a) of the Bankruptcy Code shall be deemed disallowed pursuant to § 502(d) of the Bankruptcy Code, and Holders of such Claims may not vote to accept or reject the Plan or receive a distribution until such time as such Claims, Avoidance Action or Causes of Action against the Person have been settled or a Final Order entered and all sums due the Debtor by that Person are turned over to Debtor, as the case may be. The Holders of any and all Claims Filed with the Bankruptcy Court after the Bar Date shall be disallowed and Holders of such Claims may not vote to accept or reject the Plan or be entitled to any distribution, unless otherwise Allowed by Final Order of the Bankruptcy Court.

2. Allowance of Claims

Except as expressly provided in the Plan, no Claims shall be deemed Allowed by virtue of the Plan, Confirmation or any order of the Bankruptcy Court, unless and until such Claim is deemed Allowed under the Bankruptcy Code, or the Bankruptcy Court enters a Final Order in the Bankruptcy Cases allowing such Claim. Notwithstanding the foregoing, any Claim included in the Debtor's Schedules that is not listed as contingent, unliquidated, and/or disputed shall be an Allowed Claim.

3. Objections to Claims

The Debtor shall have all proper legal standing and the right to commence and pursue objections to Claims.

All objections to Claims shall be filed with the Bankruptcy Court and served upon the Holders of each of the Claims to which objections are made by the later of (i) ninety (90) days after the Effective Date, unless this time period is extended by order of the Bankruptcy Court by

the filing of a motion on notice solely to the Bankruptcy Rule 2002 service list, and the Debtor expressly reserves the right to seek such extensions from the Bankruptcy Court, or (ii) ninety (90) days after a Proof of Claim or request for payment with respect to such Claim is filed unless this time period is extended as provided for in subsection (i) above. As stated in this paragraph, the Debtor shall have the right to petition the Bankruptcy Court for an extension of the Claim Objection Deadline by motion and such an extension shall not be deemed a modification of the Plan.

4. Setoffs and Recoupment

The Debtor may, pursuant to §§ 553 and 558 of the Bankruptcy Code or applicable non-bankruptcy law, but shall not be required to, setoff against or recoup from any claim on which payments are to be made pursuant to the Plan, any Claims of any nature whatsoever the Debtor may have against the Holder of such Claim; provided, however, that neither the failure to do so nor the allowance of any Claim shall constitute a waiver or release by the Debtor of any such claims the Debtor may have against such Claim.

C. Controversy Concerning Impairment

If a controversy arises as to whether any Claims or any Class of Claims or Interests are Impaired under the Plan, the Bankruptcy Court, after notice and a hearing, shall determine such controversy on or before the Confirmation Date.

D. Claims Estimation For Voting Purposes

Pursuant to the Plan, the Debtor reserves the right to dispute any Claim amount listed on the Voting Ballot, and if necessary, seek estimation of such Claim amount, for voting purposes only, pursuant to Rule 3018(a) of the Bankruptcy Rules.

ARTICLE V
DISTRIBUTIONS

A. Distributions

1. Disbursing Agent

The Debtor shall be the Disbursing Agent and the Disbursing Agent shall make all distributions under the Plan.

2. Disbursing Agent Qualification

No Person other than the Debtor shall be authorized by the Bankruptcy Court to serve as Disbursing Agent unless and until the Debtor consents in writing to that Person serving as Disbursing Agent and that Person (i) executes and files a statement with the Bankruptcy Court agreeing to perform all of the duties of the Disbursing Agent under the Plan, and (ii) consents to the jurisdiction of the Bankruptcy Court in respect to all matters relating to the performance of its duties as the Disbursing Agent under the Plan.

3. Compliance with Tax Requirements

In connection with the Plan, to the extent applicable, the Disbursing Agent in making distributions under the Plan shall comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. The Disbursing Agent may withhold the entire distribution due to any Holder of an Allowed Claim until such time as such Holder provides to the Disbursing Agent the necessary information to comply with any withholding requirements of any governmental unit. Any property so withheld will then be paid by the Disbursing Agent to the appropriate authority. If the Holder of an Allowed Claim fails to provide to the Disbursing Agent the information necessary to comply with any withholding requirements of any governmental unit within six months from the date of first notification by the Disbursing Agent to the Holder of the need for such information or for the Cash necessary to comply with any applicable withholding requirements, then the Holder's distribution shall be treated as an undeliverable or unclaimed distribution in accordance with the terms of the Plan.

B. Method of Distribution Under the Plan

1. In General

Except as otherwise provided in the Plan, or as may be ordered by the Bankruptcy Court, distributions on account of Administrative Claims and Priority Tax Claims, and Claims in Classes 1, 2, and 3 shall be made by the Disbursing Agent.

2. Manner of Payment

Any payment of Cash under the Plan may be made either by check drawn on a domestic bank, by wire transfer or by automated clearing house transfer from a domestic bank, at the option of the Disbursing Agent.

3. Transmittal of Distributions to Parties Entitled Thereto

All distributions by check shall be deemed made at the time such check is duly deposited in the United States mail, postage prepaid. Any distributions by wire transfer or ACH shall be deemed made as of the date of the wire transfer by the Federal Reserve or other wire transfer is made. Except as otherwise agreed with the Holder of an Allowed Claim in respect thereof or provided in the Plan, any property to be distributed on account of an Allowed Claim, shall be distributed by mail upon compliance by the Holder with provisions of the Plan to (i) the latest mailing address filed for the Holder of an Allowed Claim entitled to a distribution, (ii) the latest mailing address filed for a Holder of a filed power of attorney designated by the Holder of such Claim to receive distributions, (iii) the latest mailing address filed for the Holder's transferee as identified in a filed notice served on the Debtor pursuant to Bankruptcy Rule 3001(e), or (iv) if no such mailing address has been filed, the mailing address reflected on the Schedules or in the Debtor's books and records.

4. Distribution of Unclaimed Property

Except as otherwise provided in the Plan, any distribution of property (Cash or otherwise) under the Plan which is unclaimed after three (3) months following any distribution date shall be forfeited, and such distribution, together with any interest earned thereon, and shall return to and vest in the Debtor free and clear of any claim by such Person. Nothing in the Plan

shall be construed as requiring the Disbursing Agent to attempt to locate any Holder of an Allowed Claim.

5. Saturday, Sunday or Legal Holiday

If any payment or act under the Plan is required to be made or performed on a Date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

6. Reports

Until a Final Decree is entered, the Debtor shall submit quarterly reports to the United States Trustee as required by the United States Trustee guidelines setting forth all receipts and disbursements of the Debtor.

C. Fractional Cents and De Minimus Distributions

Notwithstanding any other provisions of the Plan to the contrary, no payment of fractional cents will be made under the Plan. Cash will be issued to Holders entitled to receive a Distribution of Cash in whole cents (rounded to the nearest whole cent when and as necessary).

Any distribution of less than \$25.00 will be considered de minimus, and holders of Allowed Claims that are entitled to a final distribution of less than \$25.00 will not receive any distribution. Such funds shall remain with and vest in the Debtor.

D. Corporate Action

Upon the Effective Date, all matters provided under the Plan involving the Debtor shall be deemed to be authorized and approved without any requirement of further action by the Debtor and its respective officers and/or boards of directors.

ARTICLE VI

MEANS FOR IMPLEMENTATION OF THE PLAN

A. Funding of Plan

The source of funds to achieve consummation of and carry out the Plan shall come from Cash from the continuing operations of the Debtor's business. A copy of the three year projections is annexed hereto as **Exhibit C**.

B. Vesting of Assets

Upon the occurrence of the Effective Date, title to all Causes of Action, Assets and Cash of the Debtor and its Estate, including Avoidance Actions, shall vest in the Debtor free and clear of all Liens, Claims and Interests, except as expressly provided in the Plan.

C. Avoidance Actions

Except as otherwise provided in this Plan, any Avoidance Actions accruing to or assertable by the Debtor shall remain Assets of the Estate pursuant to § 1123(b)(3)(B) of the Bankruptcy Code. Pursuant to § 1123(b)(3)(B) of the Bankruptcy Code, only the Debtor shall have the right to pursue or not to pursue, or, subject to the terms of this Plan, compromise or settle any Avoidance Actions owned or held by the Debtor or its Estate as of the Effective Date.

D. Cancellation of Instruments and Agreements

Upon the occurrence of the Effective Date, except as otherwise provided herein, all promissory notes, shares, certificates, instruments, indentures, or stock, or agreements evidencing, giving rise to, or governing any Claim or Interest shall be deemed canceled and annulled without further act or action under any applicable agreement, law, regulation, order, or rule and the obligations of the Debtor under such promissory notes, share certificates, instruments, indentures, or agreements shall be discharged.

ARTICLE VII

EFFECT OF CONFIRMATION

A. Authority to Effectuate Plan

Upon the Confirmation Order becoming a Final Order, all matters provided under the Plan shall be deemed to be authorized and approved without the requirement of further approval from the Bankruptcy Court or the Debtor. The Debtor shall be authorized, without further application to or order of the Bankruptcy Court, to take whatever action necessary to achieve consummation and carry out the Plan and to effectuate the transactions provided for thereunder.

B. Binding Effect

Except as otherwise expressly provided in the Plan, on and after the Effective Date, the Plan shall bind all Holders of Claims and Interests, whether or not such Holders voted to accept or reject the Plan. Except as expressly set forth herein, on and after the Confirmation Date, subject to the occurrence of the Effective Date, every Holder of a Claim or Interest shall be precluded and permanently enjoined from asserting against the Debtor, the Debtor's Estate, and its Assets and properties, any claim based on any document, instrument, judgment, award, order, act, omission, transaction or other activity of any kind or nature that occurred before the Petition Date or between the Petition Date and the Effective Date, in connection with, related to, effecting, or arising out of the Debtor, the Debtor's operations, the bankruptcy filing, the Bankruptcy Case, the administration of the Plan, any sale or liquidation of the Debtor's Assets, or the property to be distributed under the Plan, except by reason of their gross negligence or willful misconduct, and in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

C. Discharge

Except as otherwise provided in the Plan or in the Confirmation Order, all consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Claims of any nature whatsoever against the Debtor or any of its Assets or properties, and regardless of whether any Assets or property shall have been distributed or retained pursuant to the Plan on account of such Claims, to the fullest extent permitted under the Bankruptcy Code. Upon the Effective Date, the Debtor shall be deemed discharged and released under § 1141(d) of the Bankruptcy Code from any and all Claims, including, but not limited to, demands and liabilities that arose on or before the Confirmation Date. Further, upon the Effective Date all debts of the kind specified in §§ 502(g), 502(h), or 502(i) of the Bankruptcy Code shall be terminated, extinguished and canceled. The foregoing discharges and releases shall not apply to the mortgages and security interests of the Class 2 Creditor.

E. Exculpation

Except as otherwise specifically provided in this Plan, upon the Effective Date, the Debtor or any of its respective officers, directors, shareholders, members and/or employees, representatives, advisors, attorneys, financial advisors, agents, or affiliates, or any of their successors or assigns, shall have or incur, and are hereby released from, any Claim, obligation, Cause of Action or liability to one another or to any holder of a Claim or an Interest, or any other party in interest, for any act or omission in connection with, relating to, or arising out of, the Debtor's Chapter 11 Case, the formation, negotiation, and pursuit of Confirmation of this Plan, the consummation of this Plan, or the administration of this Plan or the property to be distributed under this Plan, except for their gross negligence, willful misconduct or fraud, and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities (if any) under this Plan.

F. Injunctions

Except as otherwise specifically provided in the Plan or the Confirmation Order, all Persons who have held, hold or may hold Claims, rights, Causes of Action, liabilities or any Interests based upon any act or omission, transaction or other activity of any kind or nature related to the Debtor or the Debtor's Chapter 11 Case that occurred prior to the Effective Date, other than as expressly provided in this Plan or the Confirmation Order, regardless of the Filing, lack of Filing, allowance or disallowance of such a Claim or Interest, and regardless of whether such Person has voted to accept or reject the Plan, and any successors, assigns or representatives of such Persons, shall be precluded and permanently enjoined on and after the Effective Date from (a) the commencement or continuation in any manner of any claim, action or other proceeding of any kind with respect to any Claim, Interest or any other right or claim against the Debtor, or any Assets of the Debtor which they possessed or may possess prior to the Effective Date, (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order with respect to any Claim, Interest or any other right or claim against the Debtor, or any Assets of the Debtor which such Entities possessed or may possess prior to the Effective Date, and (c) the creation, perfection or enforcement of any encumbrance or Lien of any kind with respect to any Claim, Interest or any other right or claim against the Debtor or any assets of the Debtor which they possessed or may possess prior to the Effective Date.

G. Limitation of Liability

Except as expressly set forth in the Plan, following the Effective Date, the Debtor and any of its respective members, officers, directors, employees, advisors, attorneys, professionals or agents shall have or incur any liability to any holder of a Claim or Interest for any act or omission in connection with, related to, or arising out of, the Debtor's Chapter 11 Case, the negotiation and pursuit of confirmation of the Plan, the consummation of the Plan or any contract, instrument, release or other agreement or document created in connection with this Plan, or the administration of the Plan or the property to be distributed under the Plan, except for fraud, gross negligence or willful misconduct.

ARTICLE VIII

CONDITIONS PRECEDENT

A. Conditions Precedent to Confirmation of the Plan

It is a condition to Confirmation that (i) the Confirmation Order shall approve in all respects all of the provisions, terms and conditions of the Plan, and (ii) the Confirmation Order is satisfactory to the Debtor in form and substance in its sole discretion.

B. Condition Precedent to Effective Date

The Effective Date is conditioned upon the Confirmation Order becoming a Final Order. The conditions set forth in this Article VIII can be waived by the Debtor in writing.

ARTICLE IX

CONFIRMATION REQUIREMENTS AND PROCEDURE

The following discussion is intended to be a non-exclusive summary of certain risks attendant upon the Confirmation of the Plan. You are encouraged to supplement the summary with your own analysis, an evaluation of the Plan and Disclosure Statement in their entirety, and in consultation with your own advisors. The Debtor believes that the Plan is viable and will meet all the requirements for Confirmation under Bankruptcy Code § 1129.

PERSONS CONCERNED WITH CONFIRMATION OF THE PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS AND/OR TAX ADVISORS BECAUSE THE LAWS CONCERNING CONFIRMING A PLAN ARE COMPLEX.

The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well as certain deadlines for filing objections and/or Claims. The Debtor does not represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Bankruptcy Court can confirm the Plan. Some of the requirements include that the Plan must be proposed in good faith, that the Creditors have accepted the Plan, that the Plan pays Creditors at least as much as they would receive in a Chapter 7 liquidation, and that the Plan is feasible. These requirements are not the only requirements for confirmation.

A. Who May Vote or Object

1. Who May Object to the Confirmation of the Plan

Any party-in-interest, Creditor or Interest Holder may object to Confirmation of the Plan, but as explained below, not everyone is entitled to vote to accept or reject the Plan.

2. Who May Vote to Accept or Reject the Plan

A Creditor or Interest Holder has a right to vote for or against the Plan if that Creditor or Interest Holder has a Claim that is both (i) allowed or allowed for voting purposes, and (ii) classified in an Impaired Class that will receive some distribution or recovery under the Plan.

B. What Is An Allowed Class or Interest

As noted above, a Creditor or Interest Holder must first have an Allowed Claim or Interest to have the right to vote. Generally, any proof of Claim or Interest will be Allowed, unless a party-in-interest files an objection to the Claim or Interest. When an objection is so filed, the Creditor or Interest Holder cannot vote unless the Bankruptcy Court, after notice and a hearing, either overrules the objection or allows the Claim or Interest for voting purposes.

A Creditor or Interest Holder may have an Allowed Claim or Interest even if a proof of Claim or Interest was not timely filed. A Claim is deemed allowed if it is scheduled on the Debtor's Schedules and such Claim is not scheduled as disputed, contingent or unliquidated. An Interest is deemed Allowed if it is scheduled and no party-in-interest has objected to the Interest.

C. What is an Impaired Claim or Interest

As noted above, an Allowed Claim or Interest only has the right to vote if it is in a Class that is Impaired under the Plan. A Class is Impaired if the Plan alters the legal, equitable or contractual rights of the members of the Class. For example, the Class comprised of Unsecured Claims is Impaired because the Plan will not pay members of this Class 100% (with interest) of what they are owed on the Effective Date.

In these Bankruptcy Cases, Allowed Claims in Classes 3, 4 and 5 are Impaired, and Interests in Class 6 are Impaired. However, only the Holders of Claims in Classes 3 and 4 are entitled to vote to accept or reject the Plan because Classes 5 and 6 shall not receive any dividend under the Plan, and therefore Classes 5 and 6 are deemed (pursuant to the Bankruptcy Code) to have rejected the Plan. A party who disputes the Debtor's characterization of a Claim as being Impaired or unimpaired may file an objection to the Plan stating that its Claim has been incorrectly characterized.

1. Who is Not Entitled to Vote

The following four types of Claims are not entitled to vote: (i) Claims that have been disallowed or are otherwise filed as contingent or unliquidated and have not been estimated for voting purposes; (ii) Claims in an unimpaired Class; (iii) Claims entitled to Priority pursuant to Bankruptcy Code §§ 507(a)(1), (a)(2) and (a)(8); and (iv) Claims in Classes that do not receive or retain any value under the Plan. Claims in unimpaired Classes are not entitled to vote because such Classes are deemed to have accepted the Plan. Claims entitled to Priority pursuant to Bankruptcy Code §§ 507(a)(1), (a)(2), and (a)(8) are not entitled to vote because such Claims are not placed in Classes and they are required to receive certain treatment specified by the Bankruptcy Code. Claims in Classes that did not receive or retain any value under the Plan do not vote because

such Classes are deemed to have rejected the Plan. Even if your Claim is of the type described above, you may still have the right to object to Confirmation of the Plan.

2. 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 is entitled to accept or reject the Plan in both capacities by casting one ballot for the Secured part of the Claim and another ballot for the Unsecured part of the Claim. The Debtor does not believe that any Creditor has a Claim in more than one Class.

3. Votes Necessary to Confirm the Plan

If Impaired Classes exist, the Court cannot confirm the Plan unless (i) at least one Impaired Class has accepted the Plan without counting the votes of any Insiders within that Class, and (ii) all Impaired Classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cram down” of the non-accepting classes, as discussed later herein.

4. Votes Necessary for Class to Accept the Plan

A Class of Claims is considered to have accepted the Plan when more than one half in number and at least two-thirds in a dollar amount of the Claims that have actually voted have voted in favor of accepting the Plan. A Class of Interests is considered to have accepted the Plan when at least two-thirds in the amount of the Interest Holders of such Class that have actually voted have voted to accept the Plan.

5. Treatment of Non-Accepting Classes

As noted above, even if all Impaired Classes do not accept the proposed Plan, the Court can nonetheless confirm the Plan if the non-accepting Classes are treated in the manner required by the Bankruptcy Code. The process by which non-accepting Classes are forced to be bound by the terms of the Plan is commonly referred to as “cramdown.” The Bankruptcy Code

allows the Plan to be “crammed-down” on non-accepting Classes of Claims or Interests if the Plan (i) meets all consensual requirements except the voting requirements of § 1129(a)(8) of the Bankruptcy Code, and (ii) if the Plan does not discriminate “unfairly” and is “fair and equitable” toward each impaired Class that has not voted to accept the Plan, as referred to in Bankruptcy Code § 1129(b) and the applicable case law.

6. Request for Confirmation Despite Non-Acceptance by an Impaired Class

In the event an Impaired Class of Claims or Interests with the right to vote on the Plan ultimately votes to reject the Plan, the Debtor will request the Court to confirm the Plan by “cramdown”.

D. Liquidation Analysis

Another Confirmation requirement is the “best interests test” which requires a liquidation analysis. Under the best interests test, if a Claimant or Interest Holder is an Impaired Class and the Claimant or Interest Holder does not vote to accept the Plan, then that Claimant or Interest Holder must receive or retain under the Plan property of the value not less than the amount that such Holder would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code.

In a Chapter 7 case, a debtor’s assets are usually sold by a Chapter 7 Trustee. Secured Creditors are paid first from the sale proceeds from the property in which the Secured Creditor has a lien. Administrative and Priority Claims are paid next. Unsecured Creditors are paid from any remaining proceeds from the liquidation of the assets. Unsecured Creditors with the same priority share in proportion to the amount of their Allowed Claims. Finally, Interest Holders receive the balance that remains after all Creditors are paid in full, if anything.

In order for the Bankruptcy Court to be able to confirm the Plan, the Court must find that all Creditors and Interest Holders who do not accept the Plan will receive as much under the Plan as such Holders would receive under Chapter 7 liquidation. The Debtor submits that this requirement is met here. A copy of the liquidation analysis is annexed hereto as **Exhibit B**.

Under the Plan, the Debtor's Assets are to be distributed in accordance with the priority scheme as established by Congress in the Bankruptcy Code. Thus, Unsecured Creditors will receive as much under the Plan as they would in a Chapter 7 liquidation because there will be less administrative expenses.

E. Feasibility

Another requirement for confirmation involves the feasibility of the Plan, which means the confirmation of the Plan is not likely to be followed by the liquidation or need for further financial reorganization of the Debtor or any successor debtor under the Plan, unless such a liquidation or reorganization is proposed in the Plan.

The Debtor believe that the Plan meets the requirements of the Feasibility Test and of the Best Interest Test. A copy of the Debtor's projects demonstrating feasibility is annexed hereto as **Exhibit C**.

F. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan after the ballots have been cast. The Confirmation Hearing has been scheduled for ____ __, 2017 at __:___.m., prevailing eastern time. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjournment made at the Confirmation Hearing. At the Confirmation Hearing, the Bankruptcy Court will (i) determine whether the Plan has been accepted by the

requisite majority of Creditors in the applicable voting classes; (ii) hear and determine all objections to the Plan and to confirmation of the Plan; (iii) determine whether the Plan meets the requirements of the Bankruptcy Code and has been proposed in good faith; and (iv) confirm or refuse to confirm the Plan.

THE DEBTOR BELIEVES THAT THE PLAN DOES NOT DISCRIMINATE UNFAIRLY WITH RESPECT TO ANY CLASS, AND THAT IT IS FAIR AND EQUITABLE WITH RESPECT TO EACH IMPAIRED CLASS. THEREFORE, THE DEBTOR RECOMMENDS THAT ALL CREDITORS VOTE TO ACCEPT THE PLAN.

G. Objections to Confirmation

Objections to confirmation must be in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or the Interest in the Debtor held by the objector. Any such objection must be Filed with the Bankruptcy Court and served upon each of the following so that it is received by them on or before 4:00 p.m. prevailing Eastern Time on _____, 2017:

VOGEL BACH & HORN, LLP
1441 Broadway, 5th Floor
New York, New York 10018
Attn: Eric H. Horn, Esq.
Shirin Movahed, Esq.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

ARTICLE X

TITLE TO PROPERTY AND TAX CONSEQUENCES

A. Vesting of Property

Except as otherwise provided in the Plan or the Confirmation Order, upon the Effective Date, all Assets, not otherwise disposed of in the Plan, of the Debtor's Estate, wherever situated, shall vest in the Debtor free and clear of all liens, security interests, Interests, and Claims of Creditors, except obligations pursuant to the Plan and Confirmation Order and the liens and security interests, if any, granted or maintained pursuant to the Plan or Confirmation Order.

B. Tax Consequences of Confirmation

Circular 230 Disclaimer: To ensure compliance with requirements imposed by the Internal Revenue Service (the "IRS"), we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or tax-related matter(s) addressed herein.

Confirmation may have federal income tax consequences for the Debtor and Holders of Claims or Interests. The Debtor has not obtained and do not intend to request a ruling from the IRS, nor has the Debtor obtained an opinion of counsel with respect to any tax matters. Any federal income tax matters raised by Confirmation of the Plan are governed by the Internal Revenue Code and the regulations promulgated thereunder. Creditors and Holders of Interests are urged to consult their own counsel and tax advisors as to the consequences to them, under federal and applicable state, local and foreign tax laws, of the Plan. The following is intended to be a summary only and not a substitute for careful tax planning with a tax professional. The federal, state and local tax consequences of the Plan may be complex in some circumstances and, in some cases, uncertain. Accordingly, each Holder of a Claim or Interest is strongly urged to consult with his or her own tax advisor regarding the federal, state and local tax consequences of the Plan.

1. Tax Consequences to the Debtor

The Debtor may not recognize income as a result of the discharge of debt pursuant to the Plan because § 108 of the Internal Revenue Code provides that taxpayers in bankruptcy proceedings do not recognize income from the discharge of debt. However, a taxpayer is required to reduce its “tax attributes” by the amount of the debt discharged. Tax attributes are reduced in the following order: (i) net operating losses; (ii) general business credits; (iii) capital loss carryovers; (iv) basis in assets; and (v) foreign tax credits.

2. Tax Consequences to Unsecured Creditors

An Unsecured Creditor that receives only Cash in satisfaction of its Claim may recognize gain or loss, with respect to the principal amount of the Claim, equal to the difference between (i) the Creditor’s basis in the Claim (other than the portion of the Claim, if any, attributable to accrued interest), and (ii) the balance of the Cash received after any allocation to accrued interest. The character of the gain or loss as capital gain or loss, or ordinary income or loss, will generally be determined by whether the Claim is a capital asset in the Creditor’s hands. A Creditor will also recognize income or loss in respect of consideration received for accrued interest on the Claim. The income or loss will generally be ordinary, regardless of whether the Creditor’s Claim is a capital asset in its hands.

3. Disclaimer

Holders of Claims or Interests should not rely on this Disclosure Statement with respect to the tax consequences of the Plan. They should consult with their own tax counsel or

advisor. The discussion of tax consequences in this Disclosure Statement is not intended to be a complete discussion or analysis.

RECOMMENDATION

THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN IS PREFERABLE TO ANY OF THE ALTERNATIVES DESCRIBED ABOVE AND THAT THE PLAN IS DESIGNED TO PROVIDE GREATER RECOVERIES THAN THOSE AVAILABLE IN ANY OTHER FORM OF LIQUIDATION. ANY OTHER ALTERNATIVE WOULD CAUSE SIGNIFICANT DELAY AND UNCERTAINTY, AS WELL AS ADDITIONAL ADMINISTRATIVE COSTS.

THUS, THE DEBTOR RECOMMENDS THAT YOU VOTE TO “ACCEPT” THE PLAN.

SIGNATURES

Dated: December 1, 2016

SHEPHERD AVE. REALTY, INC.

By: /s/ Sanford Solny
Name: Sanford Solny
Title: Owner

VOGEL BACH & HORN, LLP

Attorneys for Shepherd Ave. Realty, Inc.

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