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

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In re

Chapter 11

SALOMAO LANIADO and
MARGOLIT LANIADO,

Case No. 14-43854-nhl

Debtors.
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**SUPPLEMENTAL DISCLOSURE STATEMENT WITH
RESPECT TO THE DEBTORS' PROPOSED MODIFICATIONS TO
THEIR CONFIRMED MODIFIED FOURTH AMENDED
CHAPTER 11 PLAN OF REORGANIZATION**

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE DEBTORS' PROPOSED MODIFICATIONS TO THEIR CONFIRMED PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A SUPPLEMENTAL DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS SUPPLEMENTAL DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BY THE BANKRUPTCY COURT.

Salomao Laniado and Margalit Laniado, the above-captioned reorganized debtors (collectively, the "**Debtors**"), submit this Supplemental Disclosure Statement With Respect to the Debtors' Proposed Modifications to Their Confirmed Modified Fourth Amended Chapter 11 Plan of Reorganization (the "**Supplemental Disclosure Statement**") pursuant to sections 1125 and 1127 of title 11 of the United States Code (the "**Bankruptcy Code**") and Rule 3017 of the

Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), in connection with the solicitation of acceptances or rejections of the confirmed Plan as modified by the Debtors’ Proposed Modifications to Their Confirmed Modified Fourth Amended Chapter 11 Plan of Reorganization (the “**Proposed Modifications**”), a copy of which is annexed hereto as Exhibit “A.”

I. INTRODUCTION

A. The Approved Disclosure Statement and Confirmed Plan

On October 14, 2015, the Debtors filed their Fourth Amended Chapter 11 Plan of Reorganization (the “**Original Plan**”) and their Fourth Amended Disclosure Statement With Respect to the Debtors’ Fourth Amended Chapter 11 Plan of Reorganization (the “**Disclosure Statement**”). By order entered on October 20, 2015, the Court approved the Disclosure Statement as containing “adequate information” within the meaning of section 1125 of the Bankruptcy Code.

On December 11, 2015, subsequent to the close of voting on the Debtors’ Original Plan, the Debtors filed their Modified Fourth Amended Chapter 11 Plan of Reorganization dated December 11, 2015 (the “**Plan**”),¹ accompanied by their Motion for the Entry of an Order (a) Finding That No Further Disclosure is Necessary or Required With Respect to the Debtors’ Modified Fourth Amended Chapter 11 Plan of Reorganization and (b) Deeming the Prior Accepting Vote to Apply to the Modified Plan (the “**Pre-Confirmation Motion**”).

¹ The confirmed Plan and approved Disclosure Statement are available for review at the Office of the Clerk, United States Bankruptcy Court for the Eastern District of New York, Conrad B. Duberstein Courthouse, 271-C Cadman Plaza East, Brooklyn, NY 11201 or through the website for Public Access to Court Electronic Records (PACER) at <https://www.pacer.gov> (login and password required), or copies may be obtained from the Debtors’ counsel, Rosen & Associates, P.C., 747 Third Avenue, New York, NY 10017-2803, Attn.: Alice P. Ko, Esq., (212) 223-1100, ako@rosenpc.com. The confirmed Plan is Docket Entry No. 134 and the Disclosure Statement is Docket Entry No. 121 on the Bankruptcy Court’s electronic docket.

By order entered on January 7, 2016,² the Bankruptcy Court granted the Pre-Confirmation Motion. By order entered on February 12, 2016,³ the Bankruptcy Court confirmed the Plan.

B. The Modifications and Approval of the Supplemental Disclosure Statement

On October 5, 2016, the Debtors filed the Proposed Modifications and this Supplemental Disclosure Statement. By order entered on _____, 2016, the Bankruptcy Court approved this Supplemental Disclosure Statement as containing “adequate information” within the meaning of 11 U.S.C. § 1125.

THE APPROVAL OF THE ADEQUACY OF THE DISCLOSURE IN THIS SUPPLEMENTAL DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT’S APPROVAL OF THE PROPOSED MODIFICATIONS TO THE CONFIRMED PLAN.

II. SIGNIFICANT EVENTS SINCE CONFIRMATION

A. Rosen & Associates, P.C. Professional Fee Award

On February 16, 2016, Rosen & Associates, P.C., counsel to the Debtors, filed a First and Final Application for an Allowance of Compensation and Reimbursement of Expenses. By order entered on May 31, 2016,⁴ the Court awarded Rosen & Associates, P.C. fees in the amount of \$203,330.00 and reimbursement of expenses in the amount of \$4,906.03 for the period of March 13, 2015 through and including December 31, 2015. Rosen & Associates, P.C. has agreed to accept \$150,000.00 in full and complete satisfaction of the award of fees and expenses, provided that the Debtors timely pay Rosen & Associates that amount in accordance with the

² The order was dated January 6, 2016.

³ The order was dated February 11, 2016.

⁴ The order was dated May 29, 2016.

terms of the confirmed Plan, as may be amended or modified in accordance with the provisions of the Bankruptcy Code.⁵

B. Claim Objections and Schedule Amendments

On May 18, 2016, Margalit Laniado filed: (a) an Objection to Claim No. 4-1 of American Honda Finance Corporation (the “**American Honda Claim Objection**”), in which she requested that the Bankruptcy Court reduce American Honda Finance Corporation’s claim from \$8,292.72 to \$1,283.37 and (b) an Objection to Claim No. 9-1 of the City of New York Department of Finance, in which she requested that the Bankruptcy Court disallow and expunge the City of New York Department of Finance’s claim in the amount of \$2,885.66 in its entirety. The City of New York Department of Finance subsequently withdrew its claim. By order entered on July 12, 2016,⁶ the Court granted the relief sought in the American Honda Claim Objection and reduced American Honda Finance Corporation’s claim to \$1,283.37.

On May 20, 2016, the Debtors filed amendments to their Schedules of Assets and Liabilities (the “**Schedules**”), in which they reduced the amounts of certain claims and removed certain other claims. Pursuant to the Bankruptcy Court’s bar date order, claimholders affected by the amendments to the Schedules had until June 20, 2016 to file proofs of claim if they did not agree with the reduction or removal of their claims. In connection therewith, the Debtors moved for an extension of their deadline to file claim objections to July 25, 2016.

By order entered on July 6, 2016, the Bankruptcy Court granted the Debtors’ motion and extended their deadline to file claim objections to July 25, 2016. No additional

⁵ Rosen & Associates, P.C., anticipates that the post-confirmation preparation of the Proposed Modifications, this Supplemental Disclosure Statement, and associated motion papers and other court filings will result in approximately \$15,000 in additional fees.

⁶ The order was dated July 11, 2016.

proofs of claim were filed in response to the amendments to the Schedules, and the Debtors do not anticipate filing any additional claim objections.

The Debtors estimate that the amount of unsecured claims is approximately \$40,000.

C. Certificate of Occupancy and Amendment of the Settlement Agreement

As discussed in the approved Disclosure Statement, on July 29, 2015, the Debtors entered into a settlement agreement (the “**Settlement Agreement**”) with Courtwood Capital LLC (“**Courtwood Capital**”), which, as successor in interest to Fairmont Capital LLC, holds a junior mortgage on the Debtors’ residence located at 2105 Ocean Parkway, Brooklyn, New York 11233 (the “**Residence**”) and a secured claim in the amount of \$2,218,030 as of July 29, 2014, the date on which the Debtors filed their petition for relief under chapter 11 of the Bankruptcy Code. Under the Settlement Agreement, the Debtors were entitled to pay Courtwood Capital an amount between \$2.3 million and \$2.6 million, with the exact amount to be determined by the date on which the Debtors made such payment, on or before a final payment deadline of July 31, 2016, in full and complete satisfaction and discharge of Courtwood Capital’s claim. The Debtors intend to fund the payment of Courtwood Capital’s claim from the proceeds of a private sale or refinancing of the Residence. Under the Confirmed Plan, except as otherwise provided therein, distributions to secured and unsecured creditors are also to be funded by the refinancing or private sale of the Residence. In order to maximize the value of the Residence, the Debtors have been in the process of obtaining a certificate of occupancy for the Residence from the City of New York. As of the date hereof, the City of New York has not yet issued such certificate. The Debtors anticipate that the City of New York will issue a temporary certificate of occupancy in short order, which will suffice to allow the sale or refinancing of the Residence.

In light of the foregoing, on or about July 21, 2016, the Debtors and Courtwood Capital amended the Settlement Agreement (as amended, the “**Amended Settlement Agreement**”). Under the Amended Settlement Agreement, the Debtors’ final deadline to pay Courtwood Capital is now January 31, 2017 (the “**New Final Payoff Deadline**”), and the Debtors shall be entitled to pay Courtwood Capital \$2.6 million in full and complete satisfaction and discharge of Courtwood Capital’s claim provided that such payment is made on or before the New Final Payoff Deadline. Pending the payment of Courtwood Capital’s claim, the Debtors shall make monthly payments to Courtwood Capital in the amount of \$19,000, comprising an adequate protection payment in the amount of \$4,000 and an interest payment in the amount of \$15,000. The Amended Settlement Agreement, designated as Exhibit “A2,” is annexed to the Proposed Modifications.

III. MATERIAL MODIFICATIONS TO THE CONFIRMED PLAN

A. Extension of Final Payoff Deadline

The first material modification to the confirmed Plan is that the term “Final Payoff Deadline,” set forth in Paragraph 1.28 of the confirmed Plan, is now defined as January 31, 2017. **Because the Payment Date (as defined in the confirmed Plan)⁷ for creditors of the Debtor other than Courtwood Capital is dependent on when Courtwood Capital receives payment, the practical effect of this modification is that the Payment Date must now take place on or before January 31, 2017, or as soon as practicable thereafter, rather than July 31, 2016.**

⁷ Paragraph 1.34 of the confirmed Plan provides the following definition of the term “Payment Date”: “‘Payment Date’ shall mean, with respect to the Claims in Classes 1, 3, and 4 [comprising the secured claim of the senior mortgagee of the Residence, the first priority secured claim of the New York City Water Board, and general unsecured claims, respectively] and the Priority Tax Claims, the date on or before the Final Payoff Deadline on which such claims are paid, which date shall be the same date as the date on which the Claim in Class 2 [held by Courtwood Capital] is paid, or as soon thereafter as practicable.”

B. Treatment of Class 2 Claim

The other material modification to the Confirmed Plan is in the treatment of the Class 2 Claim (i.e., Courtwood Capital's claim), which is now based on the terms of the Amended Settlement Agreement. As previously stated, under the Amended Settlement Agreement, the Debtors' New Final Payoff Deadline is January 31, 2017, and the Debtors shall be entitled to pay Courtwood Capital \$2.6 million in full and complete satisfaction and discharge of Courtwood Capital's claim provided that such payment is made on or before the New Final Payoff Deadline. Pending the payment of Courtwood Capital's claim, the Debtors shall make monthly payments to Courtwood Capital in the amount of \$19,000, comprising an adequate protection payment in the amount of \$4,000 and an interest payment in the amount of \$15,000.

As the rights of the holder of the Class 2 Claim are now established by the Amended Settlement Agreement, Class 2 remains unimpaired under this proposed modification to the confirmed Plan, is deemed to have accepted the Proposed Modifications to the confirmed Plan, and is not entitled to vote on the Proposed Modifications to the confirmed Plan.

Pursuant to the Amended Settlement Agreement, the amount of the Class 2 Claim is now set at \$2.6 million.

Under the Proposed Modifications, Exhibit "A" to the confirmed Plan, which is the statement memorializing the original Settlement Agreement, is removed and replaced in its entirety by Exhibit "A2," which is the Amended Settlement Agreement.

IV. VOTING

Because the Proposed Modifications have an adverse effect on the treatment of impaired creditors' claims, i.e., payment later in time, and the confirmed Plan as modified by the Proposed Modifications will become the confirmed Plan, holders of allowed impaired claims

have a statutory right to vote on the confirmed Plan, as modified. To simplify the voting procedure, the Debtors have sent ballots to all known holders of allowed impaired claims. If you do not hold an impaired claim in a class of claims entitled to vote, you will not receive a ballot. If you hold impaired claims that are placed in different classes, you will receive a separate ballot for each claim in a different class. **If you voted to accept or reject the confirmed Plan and do not submit a ballot, your prior accepting or rejecting vote for the confirmed Plan will be deemed to apply to the confirmed Plan as modified by the Proposed Modifications.**

HOLDERS OF CLAIMS ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THE MATTERS DESCRIBED IN THIS SUPPLEMENTAL DISCLOSURE STATEMENT. THIS SUPPLEMENTAL DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE CONFIRMED PLAN, WHICH IS ELECTRONICALLY FILED ON THE COURT'S DOCKET AS DOCKET ENTRY NO. 134, AS MODIFIED BY THE PROPOSED MODIFICATIONS, WHICH ARE ANNEXED AS EXHIBIT "A" HERETO.

In the event creditors change their votes in light of the Proposed Modifications such that the confirmed Plan as modified does not become the confirmed Plan, the Debtors will be in default of the unmodified confirmed Plan because the Final Payment Deadline as defined therein passed on July 31, 2016. Consequently, Courtwood Capital would be entitled to foreclose on the Residence and it would not be likely that any other creditor, with the exception of the New York City Water Board, which holds the first priority lien on the Residence, and Maspeth Federal Savings & Loan Association, the holder of the first mortgage on the Residence, would receive any distribution under the unmodified confirmed Plan. Therefore, the Debtors urge creditors to vote

to accept the confirmed Plan as modified and thereby preserve the opportunity to be paid in full, as provided in the confirmed Plan.

V. TAX CONSEQUENCES

Should the Court approve the Proposed Modifications, the confirmed Plan as modified by the Proposed Modifications shall become the confirmed Plan. The confirmed Plan as modified may have federal income tax consequences for the Debtors and holders of claims, and such federal income tax consequences may differ from what they were under the terms of the original unmodified confirmed Plan. The Debtors have not obtained and do not intend to request a ruling from the Internal Revenue Service, nor have the Debtors obtained an opinion of counsel with respect to any tax matters. Any federal income tax matters raised by the confirmed Plan as modified are governed by the Internal Revenue Code and the regulations promulgated thereunder. The federal, state and local tax consequences of the confirmed Plan as modified may be complex in some circumstances and, in some cases, uncertain. Accordingly, each holder of a claim or other interest in estate property is strongly urged to consult with his or her own tax advisor regarding the federal, state, and local tax consequences of the confirmed Plan as modified by the Proposed Modifications, including but not limited to the consequences of the receipt of cash under the confirmed Plan as modified.

RECOMMENDATION

THE DEBTORS BELIEVE THAT THE PROPOSED MODIFICATIONS TO THE CONFIRMED PLAN ARE NECESSARY AND APPROPRIATE, PROVIDE THE GREATEST AND EARLIEST POSSIBLE RECOVERY TO HOLDERS OF ALLOWED CLAIMS AND ARE IN THE BEST INTERESTS OF CREDITORS.

Dated: New York, New York
October 5, 2016

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