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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

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In re	Chapter 11
NORDIC INTERIOR, INC.,	Case No. 16-43163-ess
Debtor.	

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DISCLOSURE STATEMENT WITH RESPECT TO
THE DEBTOR'S PLAN OF REORGANIZATION

I. INTRODUCTION

General

Nordic Interior, Inc. (the "**Debtor**") submits this Disclosure Statement (the "**Disclosure Statement**"), pursuant to section 1125 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq*. (the "**Bankruptcy Code**"), in connection with the solicitation of acceptances or rejections of its Plan of Reorganization dated May 1, 2017 (the "**Plan**"),[1] a copy of which is annexed hereto as Exhibit "A." The Plan has been filed with the United States Bankruptcy Court for the Eastern District of New York (the "**Bankruptcy Court**").

THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN BY EACH HOLDER OF A CLAIM ENTITLED TO VOTE THEREON, BUT IS INTENDED TO AID AND SUPPLEMENT SUCH REVIEW. THE DESCRIPTION OF THE PLAN HEREIN IS A SUMMARY ONLY AND HOLDERS OF CLAIMS AND OTHER PARTIES IN INTEREST ARE CAUTIONED TO REVIEW THE PLAN ITSELF TO UNDERSTAND COMPLETELY ITS PROVISIONS. THIS DISCLOSURE STATEMENT IS QUALIFIED ENTIRELY BY REFERENCE TO THE PLAN. THE TERMS OF THE PLAN CONTROL WHERE ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT. THE APPROVAL OF THE ADEQUACY OF DISCLOSURE CONTAINED IN THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE MERITS OF THE PLAN.

THE PLAN CONSTITUTES A VALID AND LEGALLY BINDING AGREEMENT ENFORCEABLE IN ACCORDANCE WITH ITS TERMS AND CONDITIONS.

This Disclosure Statement and the Plan remain subject to modification and amendment. All financial information provided herein constitutes, and all projections and assertions made by the Debtor herein are based on, the best information available to the Debtor as of the date of the filing of the Disclosure Statement and remain subject to revision. The Debtor will provide any missing information indicated as missing on or before the date of the

[1] Capitalized terms used herein and not otherwise defined in this Disclosure Statement shall have the meanings ascribed to them in the Plan.

hearing on the Disclosure Statement, such other date as set forth in the Plan, or as otherwise directed by the Bankruptcy Court.

By order dated June __, 2017, the Bankruptcy Court has approved this Disclosure Statement as containing "adequate information."

A. Overview

The Debtor, which maintains its offices and production facility at 110-25 14th Avenue, College Point, NY 11356 (the "**New Premises**"), is one of the leading manufacturers and installers of high-end commercial architectural woodwork and cabinetry for clients primarily on the East Coast. The Debtor was founded in 1973 as a drywall and small woodworking company and, today, is used by many of the most creative and distinguished designers and contractors in the industry.

Existing management is comprised of Helge Halversen, who is the Debtor's President, and Lloyd Jacobsen, who is the Debtor's Secretary and Treasurer.

Currently, the Debtor has approximately 43 employees, 22 of whom are carpenters and project managers who are subject to a collective bargaining agreement (the "**CBA**") dated July 1, 2007, by and between the Manufacturing Woodworkers Association of Greater New York Incorporated on Behalf of its Employer Members and the District Council of New York City and Vicinity of the United Brotherhood of Carpenters and Joiners of America Affiliated with the AFL-CIO, Washington, DC (the "**Union**"), as amended from time to time. The Debtor also has 21 non-union, salaried employees spread throughout its engineering/drafting department, estimating department, and accounting department. The Debtor also employs one (1) project manager who is not subject to the CBA.

The Debtor's principal assets consist of its accounts receivable generated from its performance of services and machinery and equipment located in the Premises. As discussed more fully below, the Debtor leases the Premises under a sublease agreement for non-residential real property dated March 31, 2017 (the "**Sublease**"), by and between Entourage Commerce, LLC (" ") and the Debtor. Until April 13, 2017, the Debtor occupied premises located at 56-20 Maspeth Avenue, Maspeth, NY (the "**Maspeth Premises**"), pursuant to a lease agreement (the **Maspeth Lease**") by and between the Debtor and AJ-Bohea Co., Inc. ("**Bohea**").

For the six-month period ended June 30, 2016, the Debtor had net sales on a cash basis of approximately $7.5 million and generated a net profit of approximately $100,000. As of June 30, 2016, its books and records reflect assets totaling approximately $3.5 million and liabilities totaling approximately $5.0 million.

The Debtor's business suffered because of the slow recovery from the recession, which resulted in a reduced project workload and significant delays in the collection of receivables that, in turn, caused the Debtor to fall into substantial arrears with its principal creditors, including, but not limited to, the IRS, the NYS DTF, the NYS DOL, the Benefit Funds, and Bohea, its former landlord.

As of the Petition Date, the Debtor owed the IRS approximately $1.2 million (the "**Tax Claim**") on account of past due payroll taxes, including interest and penalties. To secure the Tax Claim, the IRS filed the Tax Liens.

At the Petition Date, the Debtor also owed the NYS DTF and the NYS DOL, respectively, approximately $162,000 on account of unpaid sales taxes and approximately $70,000 on account of unpaid unemployment insurance contributions.

The Debtor also owes the Benefit Funds approximately $1.4 million on account of unpaid contributions due under the CBA to employee benefit plans. Pursuant to Affidavits of Confession of Judgment dated November 19, 2015 (collectively, the "**Affidavits**"), Helge Halvorsen and Lloyd Jacobsen each confessed judgment in favor of the Benefit Funds in the amount of $857,230.24, representing amounts due to the Benefit Funds for the period February 1, 2014 through and including August 28, 2015, and agreed to cause the Debtor to remit to the Benefit Funds $25,000 per month beginning on December 15, 2015 through the date on which the arrears were satisfied. The affidavits provided further that the Debtor's failure to make a scheduled payment would constitute an event of default and permit the Benefit Funds to enter and docket the Affidavits against Helge Halvorsen and Lloyd Jacobsen, respectively.

Because the commencement of the Chapter 11 Case prevented the Debtor from making any further payments to the Benefit Funds on account of the pre-Petition Date debt, the Benefit Funds, by letters dated July 20, 2016, notified Helge Halvorsen and Lloyd Jacobsen that the Debtor was in default of its payment obligations in the amount of $667,514.86 and that if such default was not cured within ten (10) days, the Benefit Funds would enter and docket the Affidavits. Thereafter, on August 29, 2016, a judgment was entered against each of Helge Halvorsen and Lloyd Jacobsen in the amount of $657,455.34, plus interest, and the Benefit Funds have been garnishing 10% of their respective salaries.

Prior to the Petition Date, on May 25, 2016, Bohea, as landlord, commenced a non-payment summary proceeding in the Civil Court of the City of New York, County of Queens, Part 52 against the Debtor a seeking a judgment of eviction awarding it possession of the Maspeth Premises and a money judgment for rent arrears. Thereafter, the Debtor and Bohea entered into a stipulation, dated July 14, 2016, pursuant to which the Debtor agreed to pay the

Landlord $12,000 per week for 44 weeks on account of rent and past due rent due under the Maspeth Lease and consented to the entry of a final judgment of possession and a money judgment in the amount of $211,108.40 (the "**Rent Arrears**"). The Debtor also consented to the issuance of a warrant of eviction, which was stayed conditioned on the Debtor fulfilling its payment obligations under the stipulation. Bohea was stayed from enforcing its judgment against the Debtor by the commencement of the Chapter 11 Case.[2]

The Debtor commenced the Chapter 11 Case to afford it a centralized forum to restructure its various obligations and propose, confirm and consummate a plan of reorganization that will be in the best interests of its estate and all of its creditors.

Since the Petition Date, the Debtor has been operating its business and managing its property as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

On October 6, 2016, the office of the United States Trustee for Region 2 appointed an official committee of unsecured creditors (the "**Committee**") in this case. As of the date hereof, no trustee or examiner has been appointed.

On May 1, 2017, the Debtor filed the Plan, which sets forth the manner in which Claims against and Interests in the Debtor will be treated. The Debtor believes implementation of the Plan will accomplish the objectives of chapter 11 and is in its best interests and the interests of its creditors.

[2] On August 10, 2016, Bohea commenced a non-plenary action against Helge Halvorsen and Lloyd Jacobsen in the Supreme Court of the State of New York by filing a motion for summary judgment in lieu of complaint seeking to collect the Rent Arrears from them, jointly and severally, pursuant to the terms of a "Good Guy" Guarantee dated August 11, 2014. Under the terms of the "Good Guy" Guarantee, Helge Halvorsen and Lloyd Jacobsen guarantied the Debtor's payment obligations under the Maspeth Lease. This action is pending.

B. Summary of the Plan's Classification and Treatment of Claims and Distribution Provisions

1. Classification and Treatment of Claims

The Plan provides that distributions will be made only to Holders of Allowed Claims. The distribution to each Allowed Claim is calculated by reference to the treatment of the Class to which such Claim belongs. The Allowed Claims that comprise the same Class will be treated the same under the Plan.

2. Summary of Distributions to be Made Pursuant to the Plan and Other Significant Provisions Thereof

The following table sets forth a brief summary of the classification and treatment of Claims and the consideration distributable to the Holders of such Claims under the Plan.

The information set forth in the table is for ease of reference only. Each Holder of a Claim should refer to Section IV (C) hereof ("Classification and Treatment of Claims") and Article V of the Plan ("Treatment of Classes of Claims") for a full understanding of the classification and treatment of Claims provided under the Plan. The estimates set forth in the table may differ from actual distributions by reason of, among other things, variations in the amounts of Allowed Claims and/or the disallowance of Disputed Claims.

CLASS	TYPE OF CLAIM	ESTIMATED ALLOWABLE AMOUNT (Approximate)	TREATMENT UNDER THE PLAN
N/A	Allowed Administrative Expense Claims	IRS:$340,829.62	**IRS Administrative Expense Claim**: The Holder of the IRS Allowed Administrative Expense Claim shall be paid by the Disbursing Agent in Cash on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of such Allowed Administrative Expense Claim in full in

			consecutive equal monthly installments beginning on the first (1st) day of the month following the Effective Date and continuing each month thereafter, the last payment of which shall be made on or before the date that is seventy-two (72) months from the Petition Date. Each installment shall include interest at the non-penalty statutory rate provided for such taxes under applicable non-bankruptcy law in effect on the Confirmation Date. Interest at the non-penalty statutory rate provided for such taxes under applicable non-bankruptcy law in effect on the Effective Date shall be added to the IRS Allowed Administrative Expense Claim. The Debtor will remit to the IRS 20% of the proceeds it receives from Prestige for the purchase of each receivable under the Proposed Factoring Agreement and anticipates that at the Effective Date, the IRS Allowed Administrative Expense Claim will have been paid in full.
		NYS DTF: $87,231.99	**NYS DTF Administrative Expense Claim**: The Holder of the NYS DTF Allowed Administrative Expense Claim shall be paid by the Disbursing Agent in Cash on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of such Allowed Administrative Expense Claim in full, without interest, unless the Holder of such Allowed Administrative Expense Claim and the Debtor agree to a less favorable treatment of such Allowed Administrative Expense Claim, in which case such Holder will be paid in accordance with such agreement. Interest at the non-penalty statutory rate provided for such taxes under applicable non-bankruptcy law in effect on the Effective Date shall be added to the NYS DTF Allowed Administrative Expense Claim. The Debtor will remit to the NYS DTF 5% of the proceeds it receives from Prestige for the purchase of each receivable under the Proposed Factoring Agreement and anticipates that at the Effective Date, the NYS DTF Allowed Administrative Expense Claim will have been paid in full.
		NYS DOL: $945.54	**NYS DOL Administrative Expense Claim**: The Holder of the NYS DOL Allowed Administrative Expense Claim shall be paid by the Disbursing Agent in Cash on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of such Allowed Administrative Expense Claim in

			full, without interest, unless the Holder of such Allowed Administrative Expense Claim and the Debtor agree to a less favorable treatment of such Allowed Administrative Expense Claim, in which case such Holder will be paid in accordance with such agreement.
		Professional Fees $150,000.00	**Professional Fees Administrative Expense Claim**: Each Holder of an Allowed Administrative Expense Claim for fees and reimbursement of expenses incurred by Professionals shall be paid by the Disbursing Agent on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of such Allowed Administrative Expense Claim in full, without interest, from Cash unless the Holder of such Allowed Administrative Expense Claim and the Debtor agree to a less favorable treatment of such Allowed Administrative Expense Claim, in which case such Holder will be paid in accordance with such agreement. The Debtor expects to reach an agreement with Rosen & Associates, P.C. consistent with the Reorganized Debtor's ability to pay its Allowed Claim.
		Prestige	Prestige shall retain the Prestige Liens in the Reorganized Debtor and be paid according to the terms and conditions of the Proposed Factoring Agreement.
N/A	Priority Tax Claims	IRS $149,525.48	**IRS Priority Tax Claim:** The Holder of the IRS Allowed Priority Tax Claim shall be paid by the Disbursing Agent in Cash on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of such Allowed Priority Tax Claim full in consecutive equal monthly installments over sixty (60) months beginning on the first (1st) day of the month following the Effective Date and continuing each month thereafter, the last payment of which shall be made on or before the date that is sixty (60) months from the Petition Date. Each installment shall include interest on the unpaid balance of the IRS Allowed Priority Tax Claim at the non-penalty statutory rate of interest provided for such taxes under applicable non-bankruptcy law in effect on the Effective Date.

		NYS DTF: $162,436.54 NYS DOL: $70,537.89	**NYS DTF Priority Tax Claim:** The Holder of the NYS DTF Allowed Priority Tax Claim shall be paid by the Disbursing Agent in Cash on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of its Allowed Priority Tax Claim in consecutive equal monthly installments over sixty (60) months beginning on the first (1st) day of the month following the Effective Date and continuing each month thereafter, the last payment of which shall be made on or before the date that is sixty (60) months from the Petition Date unless the Holder of such Allowed Administrative Expense Claim and the Debtor agree to a less favorable treatment of such Allowed Administrative Expense Claim, in which case such Holder will be paid in accordance with such agreement. Each installment shall include interest on the unpaid balance of the Allowed NYS DTF Priority Tax Claim at the non-penalty statutory rate of interest provided for such taxes under applicable non-bankruptcy law in effect on the Effective Date. **NYS DOL Priority Tax Claim**: The Holder of the Allowed NYS DOL Priority Claim shall be paid by the Disbursing Agent in Cash on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of its Allowed Non-Tax Priority Claim in full and final satisfaction of the Allowed NYS DOL Priority Claim, in consecutive equal monthly installments over sixty (60) months beginning on the first (1st) day of the month following the Effective Date and continuing each month thereafter, the last payment of which shall be made on or before the date that is sixty (60) months from the Petition Date unless the Holder of such Allowed Priority Claim and the Debtor agree to a less favorable treatment of such Allowed Priority Claim, in which case such Holder will be paid in accordance with such agreement. Each installment shall include interest on the unpaid balance of the Allowed NYS DOL Priority Claim at the non-penalty statutory rate of interest provided for such taxes under applicable non-bankruptcy law in effect on the Effective Date.
N/A	United States Trustee fees	$10,000.00	All fees and interest payable by the Debtor to the United States Trustee under 28 U.S.C. §§ 1930 and 3717,

	payable by the Debtor under 28 U.S.C. § 1930 that have not been paid prior to the Effective Date		respectively, that have not been paid prior to the Effective Date shall be paid by the Reorganized Debtor with Cash on the Effective Date. Any future United States Trustee fees and interest shall be paid in Cash prior to the entry of the final decree closing the Chapter 11 Case.
Class 1	IRS Secured Claim	$960,585.66	The Holder of the IRS Allowed Secured Claim shall retain the Lien(s) securing such Claim. The Holder of the IRS Allowed Secured Claim shall be paid in Cash equal to the amount of such Allowed Claim in consecutive equal monthly installments beginning on the first (1st) day of the month following the Effective Date and continuing each month thereafter, the last payment of which shall be made on or before the date that is seventy-two (72) months from the Petition Date. Each installment shall include interest at the non-penalty statutory rate provided for such taxes under applicable non-bankruptcy law in effect on the Confirmation Date. Interest at the non-penalty statutory rate provided for such taxes under applicable non-bankruptcy law in effect on the Effective Date shall be added to the Allowed IRS Secured Claim. It shall be an event of default ("Event of Default") if the Debtor fails to make any Distribution to the IRS in accordance with the terms of this Plan or fails to timely file post-Confirmation Date business tax returns or pay any post-Confirmation Date tax liabilities. Upon an Event of Default, the IRS shall give the Debtor and its counsel written notice of the Event of Default and the Debtor shall have thirty (30) days from receipt of such notice to cure such default. In the event that the Debtor fails to cure such default, the IRS may collect all unpaid amounts due under this Plan through the administrative collection process and the IRS shall be relieved of the injunction provisions of this Plan contained in Article XIII thereof.
Class 2	Benefit Funds Priority Claim Hollow Metal Trust Fund Priority Claim	$532,198.15 $3,283.94	The Benefit Funds Priority Claim shall be paid in Cash equal to the amount of such Allowed Claim in full on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim. The Hollow Metal Trust Priority Claim shall be paid in Cash equal to the amount of such Allowed Claim in full on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim.

Class 3	Unsecured Claims	$4,081,541.68	Beginning on the later of October 1, 2018 (the first day of the Debtor's 2019 fiscal year), or at such time as an Unsecured Claim becomes an Allowed Unsecured Claim, the holder of such Allowed Claim shall receive annually for a period of five (5) years the greater of (i) its Pro Rata Distribution of $100,000, which shall be payable in twelve (12) equal consecutive monthly installments, or 30% of the Debtor's Annual Net Income for the fiscal year in which such Pro Rata Distribution of $100,000 shall have been made. To the extent that the Debtor's Annual Net Income is greater than $100,000 for any of such five (5) years, each Holder of an Allowed Unsecured Claim also shall receive, with respect to each such year, a Pro Rata Distribution of an amount equal to such excess, which amount shall be payable in twelve (12) equal consecutive monthly installments beginning on the first (1st) day of January following the fiscal year in which the Debtor's Annual Net Income is greater than $100,000.
Class 4	Tax Penalty Claims	NYS DTF: $5,141.67 IRS: $443,114.06	The Holder of the Allowed IRS Unsecured Claim for Tax Penalties and the Holder of the Allowed NYS DTF Unsecured Claim for Tax Penalties shall not receive any distribution on account of such claims.
Class 5	Insider Claims	$3,901,630.00	Allowed Insider Claims shall be subordinated to the payment of all other Allowed Claims.
Class 6	Interests	N/A	On the Effective Date, all Interests shall continue in full force and effect; however, the Holders thereof shall not receive any payment or property for and on account of such Interests.

C. Voting

The Plan contains six (6) classes. Class 1, which consists of the IRS Secured Claim, is unimpaired and, therefore, not entitled to vote on the Plan. Class 2, which consists of the Benefit Funds Priority Claim and the Hollow Metal Trust Fund Priority Claim, is unimpaired and, therefore, the Holders thereof are not entitled to vote on the Plan. Class 3, which consists of the Unsecured Claims, is impaired and, therefore, the Holders thereof are entitled to vote on the

Plan. Class 4 consists of the IRS Unsecured Claim for Tax Penalties and the NYS DTF Unsecured Claim for Tax Penalties. Because the Holders of the Allowed Unsecured Claim for Tax Penalties will not receive any distribution on account of such Claims, they are deemed to have rejected the Plan. Class 5 consists of the Allowed Claims of Insiders. Class 5 is impaired by this Plan and entitled to vote to accept or reject it. However, because the Holders of such Claims are Insiders, their votes shall not be counted. Class 6, which consists of Interests, is unimpaired, and, therefore, the Holders of Interests are not entitled to vote on the Plan.

Your vote on the Plan is important. As a general rule, confirmation of a plan of reorganization requires that all impaired classes of claims accept the Plan. Pursuant to section 1126(c) of the Bankruptcy Code, in order for a plan of reorganization to be accepted by classes of claims entitled to vote thereon, holders of claims entitled to vote holding at least two-thirds (⅔) in dollar amount and more than one-half (½) in number of the total claims allowed for voting purposes in such class, and who actually vote to accept or reject the plan, must vote to accept the plan.

Section 1126(a) of the Bankruptcy Code provides that only holders of "allowed claims" and "allowed interests" may vote on a plan.

To simplify the voting procedure, the Debtor has sent ballots to all known Holders of Allowed Claims that have been placed in a Class that is entitled to vote on the Plan. If you do not hold an impaired Claim in a Class entitled to vote on the Plan, you will not receive a ballot. If a creditor holds impaired Claims that are placed in different Classes, it will receive a separate ballot for each Claim in a different Class.

A Claim to which an objection has been filed is a Disputed Claim and not an Allowed Claim, unless the Bankruptcy Court denies such objection (in whole or in part) or

temporarily allows the Disputed Claim for the purpose of voting on the Plan. Holders of Disputed Claims that have not been allowed for the purpose of voting are not entitled to vote on the Plan.

If you hold a Claim in Class 1 or Class 3 (collectively, the "**Voting Classes**"), please indicate your vote for or against the Plan by completing and forwarding the enclosed ballot so as to be received no later than **__:_0 _.m. on _____, 2017, by the Debtor's counsel, Rosen & Associates, P.C., 747 Third Avenue, New York, NY 10017-2803, Attention: Nancy L. Kourland, Esq.** In voting for or against the Plan, please only use the ballot sent to you. **IF A BALLOT IS DAMAGED OR LOST, OR IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES, YOU MAY CONTACT:**

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Confirmation Hearing

Pursuant to section 1129(b) of the Bankruptcy Code, the Debtor will seek confirmation of the Plan. The Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan on **_____, 2017 at __:_0 _.m. (prevailing Eastern Time)**, at the United States Bankruptcy Court for the Eastern District of New York, Conrad B. Duberstein Courthouse, 271-C Cadman Plaza East, Brooklyn, NY 11201. The hearing may be adjourned from time to time without notice.

Recommendation

THE DEBTOR BELIEVES THAT THE PLAN IS FAIR AND THAT CONFIRMATION THEREOF IS IN THE BEST INTERESTS OF ALL CREDITORS.

If the Plan is not confirmed, the Debtor believes the Chapter 11 Case will be converted to one under chapter 7 of the Bankruptcy Code, which would entail additional administrative costs as a result of having to pay a chapter 7 trustee's fees, the fees and expenses of professionals retained by a chapter 7 trustee, and the costs incurred by the trustee in administering the chapter 7 case.

Even if a chapter 7 trustee were able to monetize all of the Assets, the amount of funds available for distribution to creditors (if any, after payment of administrative expenses) would be considerably less than would be the case if the Debtor remained in chapter 11. *See* Section - V(B) hereof ("Best Interests of Creditors"). **CONSEQUENTLY, THE DEBTOR RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN.**

It shall be a condition precedent to the occurrence of the Effective Date that the Confirmation Order shall have been entered and become a Final Order.

ONLY HOLDERS OF ALLOWED CLAIMS WILL RECEIVE DISTRIBUTIONS UNDER THE PLAN.

II. THE DEBTOR AND EVENTS LEADING TO THE FILING OF THE CHAPTER 11 PETITION

As noted above, on July 18, 2016, the Petition Date, the Debtor commenced in the Bankruptcy Court a voluntary case under chapter 11 of the Bankruptcy Code. The Debtor's business suffered because of the slow recovery from the recession, which resulted in a reduced project workload and significant delays in the collection of receivables, which, in turn, caused the Debtor to fall into substantial arrears with its principal creditors, including, but not limited to,

the IRS, the NYS DTF, the NYS DOL, the Benefit Funds, and AJ-Bohea Co., Inc., its former landlord.

The Debtor commenced the Chapter 11 Case to afford it a centralized forum for the restructuring of its various obligations and the opportunity to propose, confirm and consummate a plan of reorganization that will be in the best interests of its estate and all of its creditors.

III. SIGNIFICANT EVENTS DURING THE CASE

Cash Collateral

On July 20, 2016, the Debtor filed a motion for the entry of interim and final orders authorizing it to use cash collateral as defined under section 363 of the Bankruptcy Code ("**Cash Collateral**"), in which the IRS had an interest and granting the IRS replacement liens (the "**IRS Replacement Liens**") as adequate protection, pursuant to sections 105(a), 361, 363, 541, and 552 of the Bankruptcy Code and Bankruptcy Rule 4001.

On July 21, 2016, the Bankruptcy Court entered the Interim Order (I) Authorizing Use of Cash Collateral, (II) Granting Adequate Protection, and (III) Scheduling a Final Hearing and, thereafter, on August 6, 2016, entered the Cash Collateral Final Order.

Pursuant to the most recent order, such authority has been extended through and including August 1, 2017 on substantially the same terms and conditions as those set forth in the Cash Collateral Final Order.

Payroll

On July 20, 2016, the Debtor filed a motion for an order authorizing the payment of (a) pre-petition employee wages and salaries, (b) pre-petition employee withholdings and taxes, and (c) pre-petition contributions to, and benefits under, employee benefit programs (the

"**First Payroll Motion**"), which was granted by the Bankruptcy Court on July 21, 2016.

A. Retention of Bankruptcy Counsel

On September 1, 2016, the Bankruptcy Court entered an order authorizing the Debtor to retain Rosen & Associates, P.C. as its bankruptcy counsel *nunc pro tunc* to the Petition Date and authorized the Debtor to pay Rosen & Associates, P.C. a post-Petition Date retainer in the amount of $80,000.

A. Adequate Assurance to Utilities

On August 4, 2016, the Debtor filed a motion for the entry of an interim order (i) prohibiting the utility providers from altering, refusing, discontinuing service to, or discriminating against the Debtor, (ii) deeming the utility providers adequately assured of future performance, (iii) establishing procedures for determining requests for additional adequate assurance of future performance, and (iv) scheduling a final hearing on the motion. On August 9, 2016, the Bankruptcy Court entered an order approving the Debtor's proposed adequate assurance to utility providers and the proposed procedures for determining adequate assurance of future performance, and scheduled a final hearing on the motion for August 22, 2016. Thereafter, on August 26, 2016, the Bankruptcy Court entered the final order granting the motion.

B. Filing of Schedules of Assets and Liabilities and Statement of Financial Affairs

On August 17, 2016, the Debtor filed its Schedules of Assets and Liabilities, together with its Statement of Financial Affairs (collectively, the "**Schedules**"). The Debtor's Schedules are available on the Bankruptcy Court's website, www.nyeb.uscourts.gov (log-in and password required), or from counsel for the Debtor upon written request.

C. Additional Motions

On September 1, 2016, the Debtor filed a motion for the entry of an order authorizing the payment of certain critical trade claims in the ordinary course of business.

Thereafter, on September 6, 2016, the Debtor, because the First Payroll Motion covered only amounts due to the Debtor's employees on the Petition Date for services provided during the pay period ending on July 8, 2016, but not the payroll and related expenses associated with services provided by employees during pre-Petition Date pay period ending on July 15, 2016 (which were due to be paid on July 22, 2016), filed a second motion for an order authorizing the payment of (a) pre-petition employee wages and salaries, (b) pre-petition employee withholdings and taxes, and (c) pre-petition contributions to, and benefits under, employee benefit programs (the "**Second Payroll Motion**"). The Second Payroll Motion also sought authorization to pay pre-Petition Date car allowances owed to certain non-union employees, reimburse business-related expenses incurred pre-petition by certain non-union employees, and remit certain 401(k) plan contributions in the amount of approximately $90,000 to Fidelity Investments.

On October 16, 2016, the Debtor filed a motion to establish procedures for monthly compensation and reimbursement of expenses of professionals.

October 13, 2016, the Bankruptcy Court granted that portion of the Second Payroll Motion seeking authorization to pay wages and salaries, withholdings and taxes, and certain contributions to employee benefit plans. However, because the Debtor was in arrears with respect to certain post-Petition Date taxes owed to the IRS and NYS DTF, it determined to adjourn the critical vendor motion, the monthly compensation motion, and that portion of the Second Payroll Motion seeking authorization to pay the car allowances and expense

reimbursements.

D. Bar Date

Pursuant to an order of the Bankruptcy Court dated October 18, 2016, November 29, 2016 (January 16, 2017 for governmental entities) was established as the last date by which proofs of claim were to be filed against the Debtor. The Debtor served a notice of the Bar Date, together with a proof of claim form, upon all known creditors of the Debtor and all parties that had filed a notice of appearance in the Chapter 11 Case.

E. Retention of Accountants

On April 5, 2017, the Bankruptcy Court entered an order authorizing the Debtor to retain Anchin, Block & Anchin LLP as its accountants *nunc pro tunc* to December 15, 2016.

F. Rejection of Maspeth Lease

Prior to the Petition Date, the Landlord commenced a non-payment proceeding against the Debtor in the Civil Court of the City of New York, County of Queens (the "**Non-Payment Proceeding**"), seeking, among other things, the payment of rent and additional rent due under the lease between the Debtor and the Landlord.

Thereafter, the Debtor and the Landlord entered into a stipulation of settlement (the "**Stipulation**"), which was "so ordered" by the Civil Court, pursuant to which the Debtor agreed to the entry of a money judgment in favor of the Landlord in the amount $211,108.40, which represented all rent and additional rent due under the Maspeth Lease through and including July 31, 2016.

Pursuant to the Stipulation, the Debtor was required to make weekly payments of rent and additional rent and consented to the issuance of a warrant of eviction in the event of its default of the Stipulation's payment terms.

On August 10, 2016, Bohea filed a motion seeking the entry of an order granting it relief from the automatic stay, pursuant to section 362 of the Bankruptcy Code, to permit it to prosecute the Non-Payment Proceeding to execute on the warrant of eviction and/or, pursuant to section 365(d)(3) of the Bankruptcy Code, for an order directing the Debtor to pay the Bohea post-Petition Date rent for the entire month of July 2016.

Thereafter, on October 17, 2016, the Bankruptcy Court entered a consent order, under which the Debtor was ordered to remain current with respect to its post-Petition Date monthly rent payment obligations under the Maspeth Lease. The consent order also adjourned that portion of Bohea's motion seeking relief from the automatic stay to prosecute the Non-Payment Proceeding.

On October 28, 2016, the Debtor filed a motion for an order extending the time within which to assume or reject the Maspeth Lease, which otherwise would have expired on November 15, 2016.

After the Landlord filed an objection to the motion, Bohea and the Debtor agreed to the terms of a consent order (the "**Consent Order**"), which was entered on November 11, 2016, under which the Debtor's time to assume or reject the Maspeth Lease was extended through and including February 13, 2017 and the Debtor agreed that it would not seek an extension of the February 13, 2017 deadline unless Bohea consented. The consent order also provided that, in the event the Debtor did not assume the Maspeth Lease on or before the February 13, 2016 deadline, the Maspeth Lease would be deemed rejected and the automatic stay provisions of the Bankruptcy Code deemed modified to permit Bohea to pursue its rights under applicable law with respect to the Maspeth Premises, including causing the Marshal to execute on the warrant of eviction.

After the Consent Order was entered, the Debtor, because it did not wish to assume the Maspeth Lease, began, at the end of November 2016, the process of identifying potential sites to which it could relocate its production facility and offices. In that regard, the Debtor began working with real estate brokers in Queens, Westchester, and Long Island and toured 30 - 40 locations. Although the Debtor identified several locations that would have been suitable, it faced significant challenges negotiating lease terms with landlords due to the fact that it is in chapter 11. Consequently, although the Debtor was able to identify a new production facility before the February 13, 2017 deadline, its lease negotiations had not been completed by then.

Thereafter, on March 2, 2017, Bohea caused the Marshal to serve a notice of eviction on the Debtor with eviction set to occur as early as March 10, 2017. After Bohea caused the notice of eviction to be served, the Debtor contacted counsel for Bohea and requested that it be allowed to remain in the Maspeth Premises until the New Premises was ready to be occupied and offered to pre-pay the rent due for the month of April. Because Bohea declined such request and notified the Debtor that it wished to proceed with the eviction, the Debtor filed a motion seeking relief from the Consent Order so that it could relocate in an orderly manner.

Accordingly, on March 9, 2017, the Debtor filed an emergency motion seeking relief from the Consent Order so that it could relocate in an orderly manner, which is in the best interest of its estate and creditors. By order entered on March 10, 2017, the Bankruptcy Court entered a consent order pursuant to which the Debtor agreed to pay Bohea $84,000 (which included rent for the month of April 2017) by March 15, 2017 and to vacate the Maspeth Premises by April 13, 2017.

On March 21, 2017, the Debtor filed a motion for an order, pursuant to section 363 of the Bankruptcy Code, authorizing it to enter into the Sublease with Entourage and expend approximately $100,000 to make certain leasehold improvements to the New Premises prior to relocating.

Pursuant to an order entered by the Bankruptcy Court on April 7, 2017, the Bankruptcy Court authorized the Debtor to enter into the Sublease and expend the funds necessary to make the lease improvements. The Debtor vacated the Maspeth Premises and completed its relocation to the New Premises on April 13, 2017.

G. Mediation with the Benefit Funds.

On July 22, 2016, the Benefit Funds filed a proof of claim against the Debtor in the amount of $1,371,146.72. Of that amount, the Benefit Funds assert that $555,120.34 is entitled to priority under section 507(a)(5) of the Bankruptcy Code. Thereafter, on December 19, 2016, the Benefit Funds filed an amended proof of claim in the amount of $1,443,267.38 and asserted that $537,175.51 of that amount is entitled to priority in accordance with section 507(a)(5) of the Bankruptcy Code.

The Debtor believes that the amount asserted by the Benefit Funds on account of its priority claim greatly exceeds that which is due. On March 31, 2017, the Debtor and the Benefit Funds agreed to mediate the dispute and the Bankruptcy Court entered a Stipulation and Mediation Order on April 6, 2017 pursuant to which the parties have agreed to non-binding mediation with respect to the amount of the Benefit Funds Priority Claim. The mediation will be conducted by Elliott Shriftman on May 18, 2017.

H. The Proposed Factoring Agreement with Prestige.

Since the Petition Date, the Debtor, which is engaged in a highly capital intensive business, has been funding its working capital requirements for expenses such as such as payroll, taxes, union obligations, capital expenditures, and other general corporate expenses, including the purchase of raw materials, solely through the collection of its accounts receivable.

After the Petition Date, the Debtor's sales volume decreased and it sustained a loss for the first quarter of its current fiscal year ended December 31, 2016. The Debtor attributes these results solely to its status as a debtor in possession.

In addition, many of the Debtor's vendors have refused to extend it ordinary credit terms; consequently, it has had to pay for raw materials before or at the time of delivery. The absence of credit has severely impaired the Debtor's buying power and, in turn, caused the Debtor to pay higher prices for an insufficient amount of goods. The purchase of a sufficient amount of product at competitive prices is essential to the Debtor's ability not only to meet the demand for its product at competitive prices, but also to assure customers that it is capable of doing so.

The Debtor's lack of liquidity also has made it difficult for the Debtor to stay current with respect to post-Petition Date obligations. The Debtor is in arrears with respect to post-petition FICA taxes owed to the IRS. As of March 31, 2017, the Debtor owed the IRS approximately $341,000, exclusive of interest, for such taxes. The Debtor also is in arrears with respect to post-Petition Date withholding taxes owed to the NYS DTF. As of March 31, 2017, the Debtor owed NYS DTF approximately $80,000 on account of such taxes.

The Debtor, to ensure adequate liquidity to meet its operating needs for the duration of the Chapter 11 Case, has filed a motion seeking authorization from the Bankruptcy Court to enter into a factoring agreement (the "**Proposed Factoring Agreement**") with

Prestige for an initial period of four (4) months, pursuant to which Prestige will pay the Debtor 80% of the face value of eligible accounts receivable (up to 90 days from the date of invoice) sold to it up to a maximum amount of $750,000.

Prestige will hold in reserve the difference between the purchase price for the accounts receivable and the 80% face value of the receivable. Provided that there are no outstanding chargebacks or disputes, Prestige will pay the Debtor the reserve, less any sums due to Prestige, within five (5) business days from the date on which the accounts are collected by Prestige. Prestige will earn a fee on each account receivable purchased based on a sliding scale that is tied to the timing of collections.

The Debtor proposes to grant to Prestige (a) a lien on the Debtor's accounts receivable, pursuant to section 364(d)(1) of the Bankruptcy Code, which lien will be senior to the existing pre-petition liens and post-petition adequate protection liens of the IRS on such accounts receivable and (b) a junior lien on all other assets of the Debtor, pursuant to section 364(c)(3) of the Bankruptcy Code, which lien will be junior to the liens of the IRS on such assets.

The Debtor has obtained the consent of the IRS to the relief sought by the Debtor and the Debtor has reached an agreement with the IRS to allocate a portion of the proceeds it obtains under the Proposed Factoring Agreement to amortize the IRS Administrative Expense Claim. Specifically, the Debtor will remit to the IRS 20% of the proceeds it receives from Prestige for the purchase of each receivable under the Proposed Factoring Agreement and 5% of such proceeds to the NYS DTF to amortize the NYS DTF Administrative Expense Claim. The remaining 75% of such proceeds will be available to the Debtor to meet its working capital requirements.

A hearing to consider the Debtor's motion is scheduled for May 18, 2017.

IV. PLAN DESCRIPTION

A. Introduction

THE FOLLOWING IS A SUMMARY OF THE MATTERS CONTEMPLATED TO OCCUR EITHER PURSUANT TO OR IN CONNECTION WITH THE PLAN. THIS DISCLOSURE STATEMENT ONLY HIGHLIGHTS THE SUBSTANTIVE PROVISIONS OF THE PLAN AND IS NOT, NOR IS IT INTENDED TO BE, A COMPLETE READING OF THE PLAN. STATEMENTS REGARDING PROJECTED AMOUNTS OF CLAIMS OR DISTRIBUTIONS ARE ESTIMATES BY THE DEBTOR BASED ON CURRENT INFORMATION AND ARE NOT A REPRESENTATION THAT THESE AMOUNTS ULTIMATELY WILL BE CORRECT. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN ANNEXED AS EXHIBIT "A" HERETO.

B. Treatment of Administrative Expense Claims and Priority Claims (Unclassified)

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Priority Claims of the IRS, the NYS DTF, the NYS DOL, Prestige, and statutory fees due to the United States Trustee have not been classified in the Plan and are to be treated as discussed below.

The Debtor will pay from Cash only Holders of Allowed Claims against it. The Disbursing Agent shall make all payments and other distributions to be made under the Plan.

1. Administrative Expense Claims.

(a) Professionals.

Each Holder of an Allowed Administrative Expense Claim for fees and reimbursement of expenses incurred by Professionals shall be paid by the Disbursing Agent on

the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of such Allowed Administrative Expense Claim in full, without interest, from Cash unless the Holder of such Allowed Administrative Expense Claim and the Debtor agree to a less favorable treatment of such Allowed Administrative Expense Claim, in which case such Holder will be paid in accordance with such agreement. The Debtor expects to reach an agreement with Rosen & Associates, P.C. consistent with the Reorganized Debtor's ability to pay its Allowed Claim.

(b) Prestige.

Prestige shall retain its Liens in the Debtor and the Reorganized Debtor and be paid according to the terms and conditions of the Proposed Factoring Agreement.

(c) IRS.

The Holder of the IRS Allowed Administrative Expense Claim shall be paid by the Disbursing Agent in Cash on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of such Allowed Administrative Expense Claim in full in consecutive equal monthly installments beginning on the first (1st) day of the month following the Effective Date and continuing each month thereafter, the last payment of which shall be made on or before the date that is seventy-two (72) months from the Petition Date. Each installment shall include interest at the non-penalty statutory rate provided for such taxes under applicable non-bankruptcy law in effect on the Confirmation Date. Interest at the non-penalty statutory rate provided for such taxes under applicable non-bankruptcy law in effect on the Effective Date shall be added to the IRS Allowed Administrative Expense Claim. The Debtor will remit to the IRS 20% of the proceeds it receives from Prestige for the purchase of each receivable under the Proposed Factoring Agreement and anticipates that at the Effective Date,

the IRS Allowed Administrative Expense Claim will have been paid in full

(d) NYS DTF.

The Holder of the NYS DTF Allowed Administrative Expense Claim shall be paid by the Disbursing Agent in Cash on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of such Allowed Administrative Expense Claim in full, without interest, unless the Holder of such Allowed Administrative Expense Claim and the Debtor agree to a less favorable treatment of such Allowed Administrative Expense Claim, in which case such Holder will be paid in accordance with such agreement. Interest at the non-penalty statutory rate provided for such taxes under applicable non-bankruptcy law in effect on the Effective Date shall be added to the NYS DTF Allowed Administrative Expense Claim. The Debtor will remit to the NYS DTF 5% of the proceeds it receives from Prestige for the purchase of each receivable under the Proposed Factoring Agreement and anticipates that at the Effective Date, the NYS DTF Allowed Administrative Expense Claim will have been paid in full

(e) NYS DOL.

The Holder of the NYS DOL Allowed Administrative Expense Claim shall be paid by the Disbursing Agent in Cash on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of such Allowed Administrative Expense Claim in full, without interest, unless the Holder of such Allowed Administrative Expense Claim and the Debtor agree to a less favorable treatment of such Allowed Administrative Expense Claim, in which case such Holder will be paid in accordance with such agreement.

2. Priority Claims.

(a) IRS.

The Holder of the IRS Allowed Priority Tax Claim shall be paid by the Disbursing Agent in Cash on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of such Allowed Priority Tax Claim full in consecutive equal monthly installments over sixty (60) months beginning on the first (1st) day of the month following the Effective Date and continuing each month thereafter, the last payment of which shall be made on or before the date that is sixty (60) months from the Petition Date. Each installment shall include interest on the unpaid balance of the IRS Allowed Priority Tax Claim at the non-penalty statutory rate of interest provided for such taxes under applicable non-bankruptcy law in effect on the Effective Date.

(b) NYS DTF.

The Holder of the NYS DTF Allowed Priority Tax Claim shall be paid by the Disbursing Agent in Cash on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of its Allowed Priority Tax Claim in consecutive equal monthly installments over sixty (60) months beginning on the first (1st) day of the month following the Effective Date and continuing each month thereafter, the last payment of which shall be made on or before the date that is sixty (60) months from the Petition Date unless the Holder of such Allowed Administrative Expense Claim and the Debtor agree to a less favorable treatment of such Allowed Administrative Expense Claim, in which case such Holder will be paid in accordance with such agreement. Each installment shall include interest on the unpaid balance of the Allowed NYS DTF Priority Tax Claim at the non-penalty statutory rate of interest provided for such taxes under applicable non-bankruptcy law in effect on the Effective Date.

(c) NYS DOL.

The Holder of the Allowed NYS DOL Priority Claim shall be paid by the Disbursing Agent in Cash on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim, the amount of its Allowed Non-Tax Priority Claim in full and final satisfaction of the Allowed NYS DOL Priority Claim, in consecutive equal monthly installments over sixty (60) months beginning on the first (1st) day of the month following the Effective Date and continuing each month thereafter, the last payment of which shall be made on or before the date that is sixty (60) months from the Petition Date unless the Holder of such Allowed Priority Claim and the Debtor agree to a less favorable treatment of such Allowed Priority Claim, in which case such Holder will be paid in accordance with such agreement. Each installment shall include interest on the unpaid balance of the Allowed NYS DOL Priority Claim at the non-penalty statutory rate of interest provided for such taxes under applicable non-bankruptcy law in effect on the Effective Date

3. United States Trustee Fees.

All fees and interest payable by the Debtor to the United States Trustee under 28 U.S.C. §§ 1930 and 3717, respectively, that have not been paid prior to the Effective Date shall be paid by the Reorganized Debtor with Cash on the Effective Date. Any future United States Trustee fees and interest shall be paid in Cash prior to the entry of the final decree closing the Chapter 11 Case.

C. Classification and Treatment of Claims

Classified Claims against the Debtor are described below. A Claim will be deemed classified in a particular Class only to the extent that such Claim qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any

remainder of such Claim qualifies within the description of such different Class. Secured Claims are any Claims secured by a Lien, to the extent of the value of the creditor's interest in the Debtor's estate's interest in the property subject to such creditor's Lien, as determined by the Bankruptcy Court, pursuant to section 506(a) of the Bankruptcy Code.

The Plan provides for the division of Claims into the following Classes:

Class 1 consists of the Allowed IRS Secured Claim.

Class 2 consists of the Allowed Benefit Funds Priority Claim and the Allowed Hollow Metal Trust Fund Priority Claim;

Class 3 consists of all Allowed Unsecured Claims;

Class 4 consists of the Allowed Tax Penalty Claims;

Class 5 consists of the Allowed Claims of Insiders; and

Class 6 consists of the Interests in the Debtor.

1. Class 1 – Allowed IRS Secured Claim (Impaired).

The Holder of the IRS Allowed Secured Claim shall retain the Lien(s) securing such Claim. The Holder of the IRS Allowed Secured Claim shall be paid in Cash equal to the amount of such Allowed Claim in consecutive equal monthly installments beginning on the first (1st) day of the month following the Effective Date and continuing each month thereafter, the last payment of which shall be made on or before the date that is seventy-two (72) months from the Petition Date. Each installment shall include interest at the non-penalty statutory rate provided for such taxes under applicable non-bankruptcy law in effect on the Confirmation Date. Interest at the non-penalty statutory rate provided for such taxes under applicable non-bankruptcy law in effect on the Effective Date shall be added to the Allowed IRS Secured Claim. It shall be an event of default ("Event of Default") if the Debtor fails to make any Distribution to

the IRS in accordance with the terms of this Plan or fails to timely file post-Confirmation Date business tax returns or pay any post-Confirmation Date tax liabilities. Upon an Event of Default, the IRS shall give the Debtor and its counsel written notice of the Event of Default and the Debtor shall have thirty (30) days from receipt of such notice to cure such default. In the event that the Debtor fails to cure such default, the IRS may collect all unpaid amounts due under this Plan through the administrative collection process and the IRS shall be relieved of the injunction provisions of this Plan contained in Article XIII thereof.

The Debtor estimates that the amount of the Class 1 Claim is approximately $960,000.

2. Class 2: Benefit Funds Priority Claim and Hollow Metal Trust Fund Priority Claim (Unimpaired)

The Holder of the Benefit Funds Allowed Priority Claim and the Holder of the Hollow Metal Trust Fund Priority Claim each shall be paid in Cash equal to the amount of such Allowed Claim in full on the later of (i) the Effective Date or (ii) ten (10) days after such Claim becomes an Allowed Claim.

Class 2 is not impaired by the Plan and not entitled to vote to accept or reject it.

The Debtor estimates that the aggregate amount of the Class 2 Claims is approximately $535,000.

3. Class 3: Unsecured Claims (Impaired).

Beginning on the later of October 1, 2018 (the first day of the Debtor's 2019 fiscal year), or at such time as an Unsecured Claim becomes an Allowed Unsecured Claim, the holder of such Allowed Claim shall receive annually for a period of five (5) years the greater of (i) its Pro Rata Distribution of $100,000, which shall be payable in twelve (12) equal consecutive monthly installments, or 30% of the Debtor's Annual Net Income for the fiscal year in which

such Pro Rata Distribution of $100,000 shall have been made. To the extent that the Debtor's Annual Net Income is greater than $100,000 for any of such five (5) years, each Holder of an Allowed Unsecured Claim also shall receive, with respect to each such year, a Pro Rata Distribution of an amount equal to such excess, which amount shall be payable in twelve (12) equal consecutive monthly installments beginning on the first (1st) day of January following the fiscal year in which the Debtor's Annual Net Income is greater than $100,000.

Class 3 is impaired by the Plan and entitled to vote to accept or reject it.

The Debtor estimates that the aggregate amount of the Class 3 Claims is approximately $4.0 million.

4. Class 4: Tax Penalty Claims (Impaired).

Class 4 consists of the Allowed Tax Penalty Claims. The Plan provides that the Holder of the Allowed IRS Unsecured Claim for Tax Penalties and the Holder of the Allowed NYS DTF Unsecured Claim for Tax Penalties shall not receive any distribution on account of such Claims.

Class 4 is impaired under the Plan and, because the Holders of Class 4 Claims will receive no distribution hereunder, is deemed to have rejected this Plan.

5. Class 5: Claims of Insiders (Impaired).

The Allowed Claims of Insiders shall be subordinated under this Plan to all other Allowed Claims.

Class 5 is impaired by the Plan and entitled to vote to accept or reject it. However, because the Holders of such Claims are Insiders, their votes shall not be counted.

6. Class 6: Interests (Unimpaired).

Class 6 consists of Interests in the Debtor. The Plan provides that, on the

Effective Date, all Interests shall continue in full force and effect; however, the Holders thereof shall not receive any payment or property for and on account of such Interests.

Class 6 is unimpaired by the Plan, deemed to have accepted it, and not entitled to vote to accept or reject it.

D. Funding of Plan Distributions

Distributions to be made pursuant to the Plan shall be made from Cash.

E. Summary of Other Significant Plan Provisions

1. Revesting of Assets

Upon the occurrence of the Effective Date, pursuant to the provisions of sections 1141(b) and 1141(c) of the Bankruptcy Code, all of the Assets then owned by the Debtor shall revest in the Reorganized Debtor free and clear of all Liens and Claims therein, except to the extent provided by the terms of this Plan (including any supplement or modification to this Plan and the Confirmation Order), including, but not limited to the Prestige Liens, which shall be approved pursuant to a Final Order entered by the Bankruptcy Court approving the Proposed Factoring Agreement.

2. Prior to the Effective Date

The Confirmation Order shall empower and authorize the Debtor to take or cause to be taken, prior to the Effective Date, all actions that are necessary to enable it to implement effectively the provisions of the Plan.

3. Distributions of Cash

Distributions of Cash required to be made by the Plan in amounts less than $50,000 shall be made by check mailed by first class mail to the address of the creditor set forth in its proof of claim, or in the event no proof of claim has been filed, at the address set forth in the

Schedules, or to such other address as may be designated by the claimant. Payments of Cash in amounts of $50,000 or more shall be made by wire transfer.

4. Objections to Claims

The Debtor shall review the proofs of claim and file objections thereto within sixty (60) days after the Effective Date, provided that the Debtor may apply to the Bankruptcy Court for an extension of time to file such objections. All timely-filed proofs of claim as to which no objection has been timely filed shall be deemed Allowed Claims.

5. Disputed Claims

Any distribution to the Holder of a Disputed Claim will be made if, when, and only to the extent such Disputed Claim becomes an Allowed Claim and in accordance with the terms of the Plan.

On, or as soon as practicable after, the Effective Date, the Disbursing Agent shall reserve on account of each Holder of a Disputed Claim, and hold in trust (without interest), from Cash, that Cash that would otherwise be distributable to such Holder on such date in accordance with the Plan if such Disputed Claim were an Allowed Claim on such date. The Cash, if any, so reserved for the Holder of such Disputed Claim shall be distributed to such Holder, to the extent such Disputed Claim is allowed, only after such Disputed Claim becomes an Allowed Claim. To the extent such Disputed Claim becomes a disallowed Claim in whole or in part, the Disbursing Agent shall distribute such Cash to the Reorganized Debtor available for distribution.

6. Unclaimed Distributions

The Debtor shall use reasonable efforts to locate a correct mailing address for any Holder of an Allowed Claim who is entitled to receive a distribution. If a Holder of an Allowed Claim fails to negotiate a check issued to such Holder pursuant to the provisions of the Plan

within sixty (60) days of the date such check was forwarded to said Holder or if a distribution under the Plan to any Holder of an Allowed Claim is returned to the Disbursing Agent due to an incorrect or incomplete address for such Holder, the Disbursing Agent, in the case of a check that was not returned and was not negotiated, shall issue a "stop payment order" in connection with non-negotiated check(s) and, in the case of a check which was returned for any reason including insufficient address, the amount of Cash attributable to such check(s) will be deemed vested in the Reorganized Debtor and such Cash shall constitute Cash to be distributed by the Disbursing Agent in accordance with the Plan and the payee of such check and Holder of the concomitant Allowed Claim will be deemed to have no further Claim in respect of such check and will not participate in any further distributions under the Plan.

7. Severability

Should any Plan provision be determined to be unenforceable, such determination shall in no way affect the enforceability and operative effect of any other Plan provision.

8. Post-Effective Date Fees and Expenses of Professionals

Retained Professional who perform post-Confirmation Date services for the Reorganized Debtor shall provide monthly invoices to the Reorganized Debtor describing the services rendered, and the fees and expenses incurred in connection therewith, on or before the twentieth (20th) day following the end of the calendar month during which such services were performed. Retained Professional Persons who timely tender such invoices shall be promptly paid by the Disbursing Agent for such services from Cash, once a ten (10) day period following the receipt of said monthly invoices has elapsed, unless, within said ten (10) day period, a written objection to said payment is made by the Reorganized Debtor in which event such payment shall be made only upon entry of an order of the Bankruptcy Court.

9. Retention and Enforcement of Claims

Pursuant to section 1123(b)(3)(B) of the Bankruptcy Code, the Reorganized Debtor shall retain any and all claims of the Debtor or its estate including, without limitation, Causes of Action.

10. Assumption, Rejection, or Assignment of Executory Contracts and Unexpired Leases.

Any unexpired lease or contract that is executory, in whole or in part, to which the Debtor is a party and which has not been rejected, assumed, or assumed and assigned pursuant to section 365 of the Bankruptcy Code during the pendency of the Chapter 11 Case shall be deemed rejected as of the Effective Date.

11. Claims Relating to Rejected Executory Contracts and Unexpired Leases

Any Claim for damages arising by reason of the rejection of any Executory Contract may constitute an Allowed Claim, if, but only if, a proof of claim therefor is timely filed, and the Debtor does not file a timely objection thereto. The Confirmation Order will fix the last day for filing proofs of claim arising by reason of the rejection of any Executory Contract and the last day that the Debtor may object thereto. Any Claim arising from the rejection of an Executory Contract will constitute a Claim in Class 3.

12. Conditions Precedent to the Consummation of Plan and the Occurrence of the Effective Date

It shall be a condition precedent to the occurrence of the Effective Date that the Confirmation Order shall have been entered and shall have become a Final Order.

13. Retention of Jurisdiction

Following the Confirmation Date, the Bankruptcy Court shall retain and have

exclusive jurisdiction over the Chapter 11 Case and the Plan (whether or not an order closing the Chapter 11 Case has been entered) with respect to the following non-exclusive list of matters:

(a) to adjudicate all controversies concerning the classification or allowance of any Claims, whether existing at the Confirmation Date or occurring thereafter;

(b) to hear and determine any and all objections to the allowance of Claims, whether existing at the Confirmation Date or occurring thereafter;

(c) to hear and determine any applications for allowance of compensation and reimbursement of expenses authorized to be paid or reimbursed under the Bankruptcy Code or the Plan, whether existing at the Confirmation Date or occurring thereafter;

(d) to hear and determine any and all pending applications for rejection or assumption of any Executory Contract and the allowance of any Claim resulting from the rejection of any Executory Contract pursuant to the Plan;

(e) to hear and determine any and all applications, adversary proceedings and contested or litigated matters that may be pending on the Confirmation Date or filed thereafter;

(f) to hear and determine any requests to modify the Plan pursuant to section 1127 of the Bankruptcy Code, or to remedy any defect or omission or reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order, to the extent authorized by the Bankruptcy Code;

(g) to hear and determine all controversies, suits and disputes that may arise in connection with the interpretation, enforcement or consummation of the Plan or any provision thereof from and after the Confirmation Date;

(h) to consider and act on the compromise and settlement of any Claim against or Cause of Action by or against the Debtor and the Debtor's estate;

(i) to hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with respect to the Debtor or its estate relating to the period of administration of its chapter 11 case;

(j) to issue such orders in aid of execution of the Plan or any provision thereof to the extent authorized by section 1142 of the Bankruptcy Code;

(k) to enter and implement such orders as may be appropriate in the event that the Confirmation Order is for any reason stayed;

(l) to enforce all orders, judgments, injunctions, and rulings entered in connection with the Chapter 11 Case;

(m) to hear and determine such other matters as may be set forth in the Confirmation Order or which may arise in connection with the Plan or the Confirmation Order;

(n) to enter a final decree closing the Chapter 11 Case; and

(o) to hear and determine all controversies, suits and disputes that may arise in connection with the prosecution of Causes of Action.

V. CONFIRMATION OF THE PLAN

Before confirming the Plan, the Bankruptcy Court must determine that the Debtor has complied with the requirements of section 1129 of the Bankruptcy Code regarding the Plan, including, but not limited to, the following: (a) the Plan and its contents comply with the technical requirements of chapter 11 of the Bankruptcy Code; (b) Holders of Claims are grouped into classes in a permissible fashion; (c) confirmation of the Plan is in the "best interest" of creditors; (d) the Plan is feasible; and (e) the Plan has been proposed in good faith.

THE DEBTOR BELIEVES THAT ALL SUCH REQUIREMENTS HAVE BEEN SATISFIED AND IT WILL SEEK RULINGS TO THAT EFFECT FROM THE BANKRUPTCY COURT AT THE CONFIRMATION HEARING. THE DEBTOR RESERVES THE RIGHT TO MODIFY THE PLAN PRIOR TO AND AFTER ITS CONFIRMATION.

Additionally, the Plan must be accepted by the requisite number of votes of Holders of Claims in the Voting Classes. Even if the Holders of Claims in the Voting Classes vote to accept the Plan, the Bankruptcy Court has an independent duty to determine the matters described above, particularly that the Plan is feasible and that it meets the "best interests" test. If the Voting Classes accept the Plan, the Debtor believes that the Plan should be confirmed.

Even if one or more of the Voting Classes rejects the Plan, provided at least one Voting Class accepts the Plan, the Debtor will seek confirmation of the Plan under the "cram down" provisions of the Bankruptcy Code, notwithstanding the rejection of the rejecting Voting Classes. (See "Cram Down" discussion below, at section V(D)).

A. Classification of Claims

The Bankruptcy Code requires that a plan place each creditor's claim and each interest holder's interest in a class with "substantially similar" claims or interests.

The Plan establishes six (6) classes of Claims. Under the Plan, Class 1 consists of the Secured IRS Claim, Class 2 consists of the Benefit Funds Priority Claim and the Hollow Metal Trust Fund Priority Claim, Class 3 consists of the Unsecured Claims, Class 4 consists of the Tax Penalty Claims, Class 5 consists of the Claims of Insiders, and Class 6 consists of the Interests. The Debtor believes that the Plan's classification of Claims and Interests into the foregoing Classes complies with the requirements of the Bankruptcy Code and applicable case law.

B. "Best Interests" of Creditors

Notwithstanding acceptance of the Plan, the Bankruptcy Court must determine, independently of whether or not anyone objects to confirmation of the Plan, that the Plan is in the best interests of Holders of Claims. Generally, bankruptcy courts equate the term "best interests" with the Bankruptcy Code's requirement under section 1129(a)(7) of the Bankruptcy Code that under any plan of reorganization, each member of an impaired class of creditors must either (a) accept the Plan or (b) receive or retain on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount such creditor would receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF CREDITORS.

To determine whether the Plan meets the "best interests" test, the value of the Debtor's property must be reduced by the anticipated costs of completing a liquidation under chapter 7 of the Bankruptcy Code, including costs incurred by a chapter 7 trustee in liquidating Claims that would otherwise have been settled under the Plan, a chapter 7 trustee's fees, the fees

and expenses of professionals retained by a chapter 7 trustee, and costs incurred by the trustee in administering the chapter 7 case.

In valuing the potential distributions in the context of a chapter 7 liquidation, the delay caused by conversion to, and administration of, a chapter 7 case also must be considered. Once the net present value of a chapter 7 distribution to an impaired Class is calculated, it then must be compared to the aggregate distribution provided for that Class under the Plan.

In the event of the conversion of the Chapter 11 Case to one under chapter 7 of the Bankruptcy Code, the Debtor would cease operating its business. The chapter 7 trustee would monetize the Debtor's accounts receivable and machinery and equipment. Amounts collected by the chapter 7 trustee on account of accounts receivable not factored by Prestige and proceeds from the sale of the Debtor's machinery and equipment subject to the IRS's Liens, would first be used to satisfy the Benefit Funds Priority Claim and the Hollow Metal Trust Fund Priority Claim in accordance with section 724 of the Bankruptcy Code. Remaining proceeds would then be used to satisfy the IRS Secured Claim. To the extent that any funds are available once the IRS Secured Claim is paid, they would be used to pay the chapter 7 trustee and its professionals followed by the costs of administration allowed under section 503(b) of the Bankruptcy Code. The Debtor believes that there would be no funds to pay any other Claims, including Unsecured Claims. A liquidation analysis is attached hereto as Exhibit "B." Because each Holder of a Class 1, Class 2, Class 3, and Class 5 Claim will receive distributions equal to or greater than the present value of the distributions such Holder would receive in a chapter 7 liquidation, the Plan satisfies the "best interests" test.

C. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires a judicial determination that confirmation of a plan of reorganization will not likely be followed by liquidation or the need for further financial reorganization of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan and the plan contemplates the liquidation of the debtor's assets.

As discussed above, the Debtor is one of the leading manufacturers and installers of high-end commercial architectural woodwork and cabinetry for clients primarily on the East Coast. Existing management is comprised of Helge Halversen, who is the Debtor's President, and Lloyd Jacobsen, who is the Debtor's Secretary and Treasurer. Both Helge Halvorsen and Lloyd Jacobsen will continue in their respective positions with the Reorganized Debtor.

As set forth in the profit and loss projections attached hereto as Exhibit "A," the Debtor anticipates having sufficient Cash to confirm the Plan on or about August 1, 2018. The projections demonstrate that the Debtor's profitability will enable it to accumulate cash from operations sufficient to make payments on the Effective Date.

The Debtor's current business plan anticipates sales recovery to $8.5 million by September 30, 2017, $12.6 million by September 30, 2018, $15.2 million by September 30, 2019, and $16.2 million by September 30, 2020. The projections also demonstrate that the Debtor's gross margin will increase from approximately $2.16 million for fiscal year ending September 30, 2017 to $4.54 million for the fiscal year ending September 30, 2020 resulting in an increase of Annual Net Income from approximately $500,000 for the fiscal year ending September 30, 2017 to approximately $1.0 million for the fiscal years ending

September 30, 2019 and September 30, 2020. The Debtor believes that it will have more than sufficient Cash to make all payments due under the Plan.

With respect to the Allowed Administrative Expense Claim of the IRS, the Debtor anticipates that by the Confirmation Date, it will have reduced the amount of such Claim by approximately $340,000 by remitting to the IRS 20% of the proceeds it receives from Prestige for the purchase of each receivable under the Proposed Factoring Agreement. To the extent that amounts remain outstanding to the IRS on account of its Allowed Administrative Expense Claim, the IRS has consented to the payment of such Claim in the same manner as its Allowed Secured Claim. With respect to the Allowed Administrative Expense Claim of the NYS DTF, the Debtor anticipates that by the Confirmation Date it will have reduced the amount of such Claim by approximately $85,000 by remitting to the NYS DTF 5% of the proceeds it receives from Prestige for the purchase of each receivable under the Proposed Factoring Agreement. .

D. Cram Down

The Bankruptcy Code contains provisions for confirmation of a plan even if that plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted the plan. These "cram-down" provisions for confirmation of a plan, despite the non-acceptance of one or more impaired classes of claims or interests, are set forth in section 1129(b) of the Bankruptcy Code.

Under the "cram down" provisions, upon the request of a debtor, the Bankruptcy Court will confirm a plan despite the lack of acceptance by an impaired class or classes if it finds that (a) the plan does not discriminate unfairly with respect to each non-accepting impaired class; (b) the plan is fair and equitable with respect to each non-accepting impaired class; and (c) at least one (1) impaired class has accepted the plan. As used by the Bankruptcy Code, the phrases

"discriminate unfairly" and "fair and equitable" have narrow and specific meanings unique to bankruptcy law. A plan does not discriminate unfairly if claims or interests in different classes but with similar priorities and characteristics receive or retain property of similar value under a plan. By establishing separate Classes for the holders of each type of Claim and by treating each holder of a Claim in each class identically, the Plan has been structured so as to meet the "unfair discrimination" test of section 1129(b) of the Bankruptcy Code.

The Bankruptcy Code sets forth different standards for establishing that a plan is "fair and equitable" with respect to a dissenting class, depending on whether the class is comprised of secured or unsecured claims or interests. In general, section 1129(b) of the Bankruptcy Code permits confirmation notwithstanding non-acceptance by an impaired class if that class and all junior classes are treated in accordance with the "absolute priority" rule, which requires that the dissenting class be paid in full before a junior class may receive anything under the plan. In addition, case law surrounding section 1129(b) requires that no class senior to a non-accepting impaired class receive more than payment in full on its claims.

Here, Holders of Claims in Class 3 and Class 5 are entitled to vote, but only the votes of Holders of Class 3 will be counted. The Debtor believes that if Classes 3 does not accept the Plan, the Plan cannot be confirmed and the Chapter 11 Case will be converted to one under chapter 7 of the Bankruptcy Code. The Debtor believes, however, that Classes 1 and 3 will accept the Plan because it provides them with the maximum and most cost-efficient distribution of the Debtor's Assets. The Debtor reserves the right to employ the "cram down" provisions as to Class 3 because it is impaired and may not accept the Plan.

In order to cram down the Plan on Class 3, an unsecured Class, the Debtor must demonstrate to the Bankruptcy Court that the Plan provides: (a) that each holder of a claim of

such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (b) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property. 11 U.S.C. § 1129(b)(2)(B). If all the applicable requirements for confirmation of the Plan are met, as set forth in sections 1129, and Class 3 rejects the Plan, the Debtor will request that the Bankruptcy Court confirm the Plan over its rejection in accordance with section 1129(b) of the Bankruptcy Code.

The Debtor believes that the Plan satisfies the "cram down" requirements of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will determine that the Plan meets the requirements of section 1129(b) of the Bankruptcy Code.

E. Effect of Confirmation

1. Injunction

The Plan provides that, on the Effective Date, all Persons who have held, hold, or may hold Claims or Interests arising on or before the Effective Date or who have held, hold, or may hold Interests acquired on or before the Effective Date will be enjoined from taking any of the following actions with respect to such Claims or Interests, provided, however, that the injunction shall not affect the liability of any other entity on, or the property of any other entity for, such Claims or Interests: (a) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against the Debtor, any of the Assets or any direct or indirect transferee of any Assets of, or successor in interest to, the Debtor or any assets of any such transferee or successor; (b) enforcing, levying, attaching, collecting, or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree, or order against the Debtor, any of the Assets, or any direct or indirect transferee

of any Assets of, or successor in interest to, the Debtor or any assets of any such transferee or successor; (c) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien or encumbrance of any kind against the Debtor, any of the Assets or any direct or indirect transferee of any Assets of, or successor in interest to, the Debtor or any assets of any such transferee or successor; (d) asserting any set-off, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the Debtor, any of the Assets or any direct or indirect transferee of any Assets of, or successor in interest to, the Debtor or any assets of any such transferee or successor; and (e) proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan. This injunction shall remain in place only until the Debtor's estate is fully administered in accordance with the terms of the Plan.

2. Exculpation

Neither the Debtor nor the Reorganized Debtor nor any of its respective members, officers, directors, trustees, general partners, managing agent, owners, or employees (acting in such capacity), nor any professional person employed by the Debtor or Reorganized Debtor, shall have or incur any liability to any person and/or entity for any action taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, confirmation, or consummation of the Plan, the Disclosure Statement, or any other contract, instrument, release, or other agreement or document created or entered into, or any other action taken or omitted to be taken in connection with the Chapter 11 Case or the Plan; provided, however, that the foregoing exculpation from liability will not apply to actions or omissions taken in bad faith or as a result of gross negligence or willful misconduct.

VI. CERTAIN RISK FACTORS AFFECTING THE DEBTOR

ALL HOLDERS OF CLAIMS SHOULD READ AND CAREFULLY

CONSIDER THE FACTORS SET FORTH BELOW, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT.

A. General

The following provides a summary of various important considerations and risk factors associated with the Plan. However, it is not exhaustive.

B. Certain Bankruptcy Considerations

1. Parties in Interest May Object to the Debtor's Classification of Claims

Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class.

The Debtor believes that the classification of Claims under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtor has created six (6) classes of Claims or Interests, each class encompassing Claims or Interests that substantially are similar to the other Claims or Interests in each such class.

2. Risk that the Plan May Not Be Confirmed

There is no assurance that the Bankruptcy Court will confirm the Plan. A creditor or a party in interest might challenge the adequacy of this Disclosure Statement, or any amendment hereto. Even if the Bankruptcy Court determined that this Disclosure Statement or any amendment hereto were appropriate, the Bankruptcy Court could decline to confirm the Plan if it found that any of the statutory requirements for confirmation had not been met. Section 1129 of the Bankruptcy Code sets forth the statutory requirements for confirmation of the Plan and requires that the Bankruptcy Court find, among other things, that (a) the Plan "does not

unfairly discriminate" and is "fair and equitable" with respect to any non-accepting Classes, (b) the Plan is "feasible," *i.e.,* is not likely to be followed by a liquidation or a need for further financial reorganization, and (c) the value of distributions to non-accepting Holders of Claims within a particular class under the Plan will not be less than the value of distributions such Holders would receive if the Debtor was liquidated under chapter 7 of the Bankruptcy Code.

3. Tax Consequences of Confirmation

Confirmation may have federal income tax consequences for the Holders of Claims and Interests. The Debtor has not obtained, and does 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. The creditors and Holders of the 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 distributions under the Plan. The federal, state and local tax consequences of distributions under the Plan may be complex in some circumstances and, in some cases, uncertain. Accordingly, each holder of a Claim or 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 distributions under the Plan, including, but not limited to, the receipt of cash under the Plan.

4. Variances from Projections

The fundamental premise of the Plan is the implementation and realization of the Debtor's business plan, as reflected in the projections contained in this Disclosure Statement. The projections reflect numerous assumptions concerning the anticipated future performance of the Reorganized Debtor, some of which may not materialize. Such assumptions include, among

other items, assumptions concerning the general economy, the ability to make necessary capital expenditures, the ability to maintain market strength, consumer preferences, and the ability to increase gross margins and control future operating expenses.

The Debtor believes that the assumptions underlying the projections are reasonable. However, unanticipated events and circumstances occurring subsequent to the preparation of the projections may affect the actual financial results of the Reorganized Debtor. Therefore, the actual results achieved throughout the periods covered by the projections necessarily will vary from the projected results and such variations may be material and adverse.

VII. RECOMMENDATION

THE DEBTOR BELIEVES THAT THE PLAN PROVIDES THE GREATEST AND EARLIEST POSSIBLE RECOVERY TO HOLDERS OF ALLOWED CLAIMS AND IS IN THE BEST INTERESTS OF CREDITORS. THEREFORE, THE DEBTOR RECOMMENDS THAT EACH HOLDER OF AN ALLOWED CLAIM VOTE TO ACCEPT THE PLAN.

Dated: New York, New York
May 1, 2017

ROSEN & ASSOCIATES, P.C.
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Debtor in Possession

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