UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK
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In re:

Chapter 11

CATCH 22 LINY CORP.
d/b/a Reel

Case No. 8-16-75160-reg

Debtor.
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DEBTOR'S DISCLOSURE STATEMENT

This Disclosure Statement is filed pursuant to Section 1125 of Title 11, United States Code, on behalf of CATCH 22 LINY CORP., DBA REEL (the "Debtor").

Dated: September 8, 2017

Spence Law Office, P.C.
Robert J. Spence, Esq. (RS3506)
Attorneys for the Debtor and
Debtor-in-Possession
55 Lumber Road, Ste. 5
Roslyn, New York 11576
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DISCLOSURE STATEMENT

I. Introduction

This is the Disclosure Statement (the "Disclosure Statement") in the chapter 11 case of CATCH 22 LINY CORP., DBA REEL (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the Debtor's Plan of Reorganization, dated November 6, 2017 (the "Plan"). A full copy of the Plan is attached to the Disclosure Statement as **Exhibit A**. Capitalized terms used in the Disclosure Statement shall have the respective meanings set forth in the Plan.

Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one. If you do not have an attorney, you may wish to consult one.

The proposed distributions under the Plan are discussed at pages 10 to 15 of this Disclosure Statement. Holders of Allowed Unsecured Claims are classified in Class 6 and will receive a pro rata distribution of approximately 27% of their Claims, payable over a maximum of 6 years, without interest.

A. Purpose of Disclosure Statement

The Disclosure Statement describes:

- The Debtor and significant events during the chapter 11 bankruptcy case;
- How the Plan proposes to treat Claims or Interests of the type you hold (i.e., what you will receive on your Claim or Interest if the Plan is confirmed)
- Who can vote on or object to the Plan;
- What factors the Court will consider when deciding to confirm the Plan;
- Why the Debtor believes the Plan is feasible, and how the treatment of your Claim or Interest under the Plan compares to what you would receive in liquidation; and

- The effect of Confirmation of the Plan.

Be sure to read the Plan, together with the Disclosure Statement. The Disclosure Statement describes the Plan, but it is the Plan itself, that will, if confirmed, establish your rights.

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

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

1. Time and Place of the Hearing to Confirm the Plan

The hearing at which the Court will determine whether to confirm the Plan will take place on **_____ at 10:30 a.m.** in Courtroom 860, at the United States Bankruptcy Court for the Eastern District of New York, Long Island Federal Courthouse, Federal Plaza, Central Islip, New York 11722.

2. Deadline for Voting to Accept or Reject the Plan

If you are entitled to vote to accept or reject the Plan, vote on the enclosed ballot (also attached as **Exhibit "L"** hereto) and return the ballot by **overnight delivery, mail, fax or email** to Spence Law Office, P.C., 55 Lumber Road, Suite 5, Roslyn, New York 11576, Attn: Robert J. Spence, Esq. (FAX NO. 516-605-2084; EMAIL: RSPENCE@SPENCELAWPC.COM) by **_____, 2017 at ___:00 p.m. EST**. See Section III(I) below for a discussion of voting eligibility requirements. Your ballot must be received by **_____, 2017 at ____:00 p.m. EST** or it will not be counted.

3. Deadline for Objecting to the Adequacy of the Disclosure Statement and Confirmation of the Plan

Objections to the Disclosure Statement or to confirmation of the Plan must be filed with the Court and served upon (a) the attorney for the Debtor, Spence Law Office, P.C., Attn: Robert J. Spence, Esq., 55 Lumber Road, Ste. 5, Roslyn, New York 11576 and (b) the United States Trustee, 560 Federal Plaza, Central Islip, New York 11722. The Deadline to object to the adequacy of the Disclosure Statement is **_____, 2017 by ____:00 p.m. EST.** Objections to the Plan or final approval of the Disclosure Statement must be made on or before **_____, 2017 by _____:00 p.m. EST**.

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact the attorney for the Debtor, Spence Law Office, P.C., Attn: Robert J. Spence, Esq., 55 Lumber Road, Ste. 5, Roslyn, New York 11576; Phone: 516-336-2060.

C. Disclaimer

The Court has conditionally approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The hearing on final approval of the Disclosure Statement is scheduled for _____, 2017 at 1:30 p .m.

D. Debtor's Recommendation

The debtor believes that confirmation of the Plan is in the best interests of all creditors and strongly recommends that all holders of Claims in Classes entitled to vote for the Plan vote to accept the Plan.

II. Background

A. Description, History and Management of the Debtor's Business

The Debtor is a New York corporation, formed on April 18, 2013. The Debtor

operates "Reel" restaurant at 99 Main Street and 1 Ocean Avenue, East Rockaway, New York where it has been for approximately 4 ½ years. "Reel" is located on the harbor in East Rockaway and seats approximately 150 inside and another 250 customers outside in the warmer months. The Debtor is owned by Louis Matarazzo, a restauranteur and businessman with over 20 years' experience in the restaurant and bar business. The restaurant business has been at the location for over 30 years.

B. Insiders of the Debtor

Louis Matarazzo is the president and sole owner of the Debtor. During the one year prior to the Filing Date, Mr. Matarazzo received compensation from the Debtor of approximately $30,478.00. Since the Filing Date and under the Plan, Mr. Matarazzo not and will not receive compensation from the Debtor.

C. Events Leading to the Chapter 11 Filing

The Debtor's bankruptcy filing was initiated by three (3) creditors who filed an involuntary petition against the Debtor under Chapter 11 of Title 11 of the Bankruptcy Code. The Debtor consented to the filing on November 28, 2016. Prior to the filing, the Debtor was a defendant in several proceedings: *Anthony Chiodi v Catch 22 LINY Corp., et al., AF Supply v. Catch 22 LINY Corp.;* and *Landmark Food Corp. v Catch 22 LINY Corp.* New York State also filed a tax warrant against the Debtor prior to the bankruptcy filing for unpaid sales taxes.

The Debtor alleges that under the guise of working with the Debtor to become an investor in the Debtor's business and to assist with cash flow and work-outs of the Debtor's liabilities, Mr. Chiodi circumvented the Debtor and directly approached the Debtor's Landlords who colluded with Chiodi in an attempt to terminate the Debtor's

Leases and for Mr. Chiodi to take possession of the business without having to pay the debts owed by the business. Chiodi was induced by the Landlords, through false promises and agreements to transfer the Leases to Chiodi, into ignoring and otherwise delaying the Debtor's attempts to pay off the debt to him. While delaying and preventing the Debtor's eventual resolution of the Chiodi debt, and otherwise acting in bad faith and in breach of the implied covenant of good faith and fair dealing, the Landlord's manufactured a purported "default" under the Debtor's Leases and attempted to terminate the Leases on or about November 1, 2016 by service of what the Debtor alleges are invalid and ineffectual 5-day termination notices (the "Notices"). Once the Landlords sent their purported termination notice(s), Mr. Chiodi, along with two other creditors, filed an involuntary Chapter 11 case prior to the date of lease termination under the Notices. The judgment debt to Mr. Chiodi of over $300,000.00 was paid in full by the Debtor's principal Louis Matarazzo on December 1, 2016 on notice to all creditors and parties in interest in this case.

D. The Debtor's Unexpired Leases

On or about June 27, 2013, the Debtor entered into two agreements entitled Assignment of Leases (the "Assignment") with the respective Landlords of the properties located at 1 Main Street, East Rockaway, New York ("Main Street Lease") and 99 Ocean Avenue, East Rockaway, New York (the "Ocean Avenue Lease"). Colrun Enterprises, Inc. is the Landlord on the Main Street Lease and Five Ann's Corp. is the Landlord on the Ocean Avenue Lease. The Landlords are allegedly owned and operated by Donald Colwell and his daughter Nancy Quinn.

Because the Leases are required for the continued operations of the Debtor, essential to the Debtor's reorganization, and otherwise central to this Chapter 11 case, copies of the Leases and assignments thereof are annexed to this Disclosure Statement. A copy of the Main Street Lease is annexed hereto as **Exhibit "B."** A copy of the Ocean Avenue Lease is annexed hereto as **Exhibit "C."** A copy of the Main Street Assignment is annexed hereto as **Exhibit "D."** A copy of the Ocean Avenue Assignment is annexed hereto as **Exhibit "E."** The Lease terms are identical in both Leases. With all extensions and renewal options, the terms under the Leases expire on July 31, 2034.

In connection with the Debtor's Motion to Assume (discussed below) the Debtor's counsel commissioned an appraisal of the Leases. The appraiser concluded that the Leases are "under market" and have a fair market value of $550,000.00. A copy of the summary appraisal report is annexed hereto as **Exhibit "F."**

F. Significant Events During the Chapter 11 Case

Involuntary Petition Filed – On November 5, 2016, an involuntary Chapter 11 case was filed against the Debtor by three (3) petitioners, *i.e.,* Anthony Chiodi, Willys Fish Co., Westbury Fish Co., Inc.

Consent to Chapter 11 – On November 29, 2016, the Debtor filed its Answer consenting to the entry of the Order for Relief in this Chapter 11 case.

Schedules and Required Statements – On December 16, 2016, the Debtor filed its Schedules and required statements with the Court. On December 31, 2016, the Debtor made its small business filings pursuant to 11 U.S.C. §1116 and filed the affidavit pursuant to 11 U.S.C. §1007-4 declaring that it was a small business debtor under 11 U.S.C. §101(51)(D).

Retention of Attorney for Debtor – By Order dated January 19, 2017, Spence Law Office, P.C. ("Spence PC") was authorized to represent the Debtor in this chapter 11 case. The compensation of Spence PC is subject to the approval of the Court in accordance with the Code and Bankruptcy Rules.

Retention of Accountant for Debtor – By Application dated May 31, 2017, the Debtor applied to the Court for retention of the Debtor's Accountant, E. Knice, CPA, P.C.. The Order has been submitted for signature and should be signed in the near future. The compensation of E. Knice, CPA, P.C. is subject to the approval of the Court in accordance with the Code and Bankruptcy Rules.

Creditors' Committee – No Committee of Unsecured Creditors was appointed in the Debtor's chapter 11 case.

Cash Collateral Motion – On January 3, 2017, the Debtor filed an emergency motion to utilize cash collateral and by Order dated January 19, 2017, the Debtor was authorized to use cash collateral on an interim basis. By Order dated March 31, 2017, the Debtor was authorized to use cash collateral on a final basis.

Motion to Extend Time to Assume or Reject Leases – By motion filed February 23, 2017, the Debtor requested that the Court extend the time within which the Debtor could either assume or reject its Leases. Because the Debtor was still in the planning stages of its reorganization and the Bar Date had yet to occur, it was premature to assume or reject the Leases. The motion was granted as the Debtor is and was current with its post-petition obligations. The Landlords and the Debtor have stipulated on several occasions to the extension of time for the Debtor to assume or reject the Leases pending the outcome of the Landlords' Motion (discussed below). The Debtor's time to

assume or reject has been extended by stipulation through and including February 2, 2018. The stipulation has been submitted to be so ordered by the Court.

Deadline for Filing Claims – By Order of the Court dated January 19, 2017, the Court established March 17, 2017 as the deadline for any party to file a proof of pre-petition Claim against the Debtor and May 31, 2017 as the deadline for governmental agencies. Any party that did not file a proof of Claim before the March 17, 2017 deadline, and was not listed by the Debtor in its Schedules as holding a Claim that was not contingent, unliquidated or disputed, is not entitled to vote such Claim or receive any distribution in respect of the Claim under the Plan.

Landlords' Motion To Terminate and or Lift Stay - On or about May 2, 2017, the Landlords filed a motion seeking, among other things, a declaratory judgment from the Court deeming the Leases terminated pre-petition or alternatively, lifting the automatic stay to allow the Landlord to file a summary proceeding in State Court to recover possession of the Premises [Docket Nos. 62, 63, 64] (the "Landlords' Motion"). The Landlords contend that the Leases were terminated pre-petition based on the Notices. The Landlords' Motion, a contested matter as defined under the Bankruptcy Code and Bankruptcy Rules, which seeks relief affecting the rights of all parties in interest in this bankruptcy case, was not served as required by the Bankruptcy Code and Bankruptcy Rules on the Debtor, the creditors or parties filing notices of appearance in this case.

The Debtor has opposed the relief sought by the Landlords' Motion.[1] In addition to due process and jurisdictional defects, the Debtor also contends, among other things, that:

[1] [See Debtor's Opposition at Docket Nos. 76 and 77]

a. The Debtor was paid current to date and was not in default at the time and the Landlords have admitted this in their opposition.

b. The Notice of Termination was signed by the Landlords' purported counsel Melissa Corrado, when the Lease specifically provides that only the Landlord may give the five (5) day notice of termination.

c. The Landlord has taken a number of positions in this case contrary to their argument that the Leases were terminated. (see, i.e., Landlords' Proof of Claim which provides for a cure amount).

d. the Landlords failed to failure to provide notice to cure or notice of default in advance of the Notices to Terminate;

e. provided contradictory written statements regarding payment of Additional Rent immediately before the purported termination, thus waiving strict compliance and waiving the right to terminate the Leases;

f. the Landlords waived any termination rights by election of remedy;

g. The Landlords failed to allege any defaults warranting termination;

h. The Landlords failed to otherwise comply with the notice requirements under the Leases;

i. The Landlords failed to provide any specificity as to the alleged "defaults," in its alleged termination notices;

j. The Landlords have acted in bad faith and come to the Court with unclean hands in their attempt to terminate the Debtor's Leases because the Landlords and Nancy Quinn, specifically, conspired with the Debtor's then secured creditor, Anthony Chiodi,

A full day evidentiary hearing was held on the Landlord's motion on September 28, 2017. Thereafter, at the Court's suggestion, the Landlord and Debtor met on October 6, 2017 and reached what the Debtor and participating creditor (Linda Prellwitz) believed was a tentative settlement resolving the Landlord's Motion, the Motion to Assume and the Landlord Adversary Proceeding (discussed below) subject to Bankruptcy Court approval. However, the Landlords failed to respond to a draft settlement agreement and on October 31, 2017, advised the Debtor that they were not interested in a settlement. The parties are awaiting the continuation of the evidentiary hearing on the Landlords'

Motion. Currently, the Court has scheduled January 25, 2018 as the date for the continued hearing but has advised that it may give the parties an earlier date if an earlier date becomes available on the Court's calendar.

Essentially, if the Landlords Motion is granted, the Landlords would be awarded the valuable Leases - a windfall - at the expense of the estate and the creditors. The Court noted at the September 28, 2017 hearing that courts generally do not favor a windfall result for one party particularly in bankruptcy cases.

The Sale of the Debtor's Assets in Connection with the Plan - In connection with the Plan, the Debtor shall sell at auction all of its assets including the Leases which are to be assigned to the highest and best offer at the auction. The Debtor has entered into a sale agreement with Roy Feicco and Domenico Vecchie (hereinafter collectively referred to as "Purchasers") (the "Stalking Horse Agreement"). The Stalking Horse Agreement is annexed hereto as **Exhibit "G"** and will be modified prior to auction sale to reflect, among other things, that the sale will be an asset sale, not a stock sale, and to reflect that the sale is subject to "highest and best" offers. In connection with the sale under the Stalking Horse Agreement, the estate will receive a cash infusion from the Purchasers in the amount of $300,000.00 (the "initial Payment") on the Effective Date in order to make the first distributions under the Plan and for funding of operations and an additional payout (under the Plan) of approximately $1.4MM which will be paid out over the term of the Plan. The Debtor submits that no consent for assignment from the Landlord(s) is necessary under the Bankruptcy Code and caselaw or under the Leases. The Leases expressly provide as follows:

> Notwithstanding anything to the contrary set forth herein, (i) Tenant shall have the right to sublet the premises to C.K. Haddocks[2], Inc. ("CK") without the consent of Landlord and without Landlord having a recapture option; and (ii) subject to Section 13.03(a), (b), (c) and (e), Tenant shall have the right to assign this Lease to an entity purchasing the assets or stock of Tenant and CK without the consent of Landlord and without Landlord having a recapture option.

(See Article 13 of Leases annexed hereto as Exhibits B and C, respectively).

Section 13.03 of the Leases provides for the following conditions on the assignment of the Leases:

> (a) In Landlord's judgment the proposed assignee or subtenant is engaged in the restaurant business, and the Demised Premises will be used in a manner, which is in keeping with the standards of the Demised Premises and is in compliance with all applicable laws;
>
> (b) the proposed assignee or subtenant is a reputable person or entity of good character and with sufficient financial worth considering the responsibility involved, and Landlord has been furnished with reasonable proof thereof;
>
> (c) the proposed assignee or subtenant is not entitled, directly or indirectly, to diplomatic or sovereign immunity and is subject to the service of process in, and the jurisdiction of the courts of New York State;
>
> (d) [NOT APPLICABLE]
>
> (e) Tenant shall reimburse Landlord on demand for any costs that may be incurred by Landlord in connection with such proposed assignment or sublease including, without limitation, the costs of making investigations as to the acceptability of the proposed assignee or subtenant...

(See Article 13 of Leases annexed hereto as Exhibits B and C, respectively).

While the Debtor will endeavor to select a purchaser who is qualified under Lease provisions 13.03 a, b, c and e, the Debtor does not waive any right to confirm a purchaser who does not meet these criteria as it is the Debtor's position that such criteria are not required by the Bankruptcy Code or the caselaw concerning assignments of leases in

[2] C.K. Haddocks was a predecessor to the Debtor under the Leases assigned to the Debtor in 2013. The Assignments provide that the Debtor receives, without limitation, all "right, title and interest" of the Tenant under the Leases.

connection with bankruptcy sales. The Debtor submits that the Purchasers will easily qualify under the above criteria. Mr. Matarazzo, the person named on the Debtor's liquor license, has also agreed to remain on as the owner and operator pending the sale and the approval of the transfer by the SLA and any other regulating body. The Purchaser, at the Closing (subject of course to highest and best offers and Bankruptcy Court approval), will pay the Initial Payment and will assume and take on all of the obligations of the Plan.

Any prospective bidders must produce similar credentials to those of Purchasers and the financial backing and capital necessary to fund the Plan and Debtor operations. While the successful bidder will likely be the highest offer, the Debtor reserves the right to choose the person(s) or entity(ies) who are the most qualified to manage the restaurant for the duration of the Plan.

The transfer of assets in connection with this Plan shall not be subject to any State transfer tax or Stamp Tax pursuant to the provisions under 11 U.S.C. §1146.

Adversary Proceeding Commenced Against the Landlord – On September 27, 2017, the Debtor commenced an adversary proceeding against the Landlords and their principals, Donald Colwell and Nancy Quinn (the "Landlord Adversary Proceeding"). The complaint in the Landlord Adversary Proceeding contains causes of action for breach of contract, tortious interference, turnover of property of the estate (the security deposits under the Leases), breach of the implied covenant of good faith and fair dealing, unjust enrichment, equitable subordination, setoff. The Defendants have filed their answer and the parties had the first pre-trial conference on November 1, 2017.

Debtor's Motion to Assume the Leases - On June 4, 2017, the Debtor filed its motion to assume the Leases [Doc. No. 75] (the "Motion to Assume"). The Landlords

have opposed the Motion to Assume based on the reasons set forth in the Landlords' Motion. The Debtor has replied to the Landlords' opposition and the motion is being carried by the Court along with the Landlords' Motion.

Monthly Operations - The Debtor reopened its operations on April 4, 2017. The Debtor had a successful Spring and Summer season and was able to remain current with its operating costs. A summary of the Debtor's operations since the Filing Date through August 31, 2017 is attached hereto as **Exhibit "H**." The Debtor expects that it will continue to operate post-confirmation and that its operations will be sufficient to pay the Debtor's ongoing expenses and Plan payments. The payments to creditors under the Plan will be made from ongoing operations and cash expected to be on hand on the Effective Date.

Hiring of Seasonal/Permanent Management – A restaurant that seats 400 people takes a great deal of planning and expertise to operate. In the ordinary course of its business, the Debtor typically hires managers to assist in all facets of the business operations – staffing (kitchen, bartenders, bus people, hosting and wait staff), ordering food and liquor, bookkeeping, quality control, advertising and general supervision of all functions during working hours. The Debtor's creditors played an active role in the selection of two (2) individuals with extensive experience in the restaurant, bar and nightclub business: The Purchasers of the business are experienced in the restaurant industry. Roy Feicco, has been in the restaurant and hospitality business for 33 years, and Domenico Vecchie, has approximately 11 years' experience in the business. Copies of curriculum vitae for Messrs. Feicco and Vecchie are annexed hereto as **Exhibit "I."**

Debtor's Motion to Extend Exclusivity Periods for Filing its Plan and

Soliciting Acceptances - The Debtor has moved on several occasions to extend its exclusivity periods while resolving issues related to the sale of its assets, Leases and claims. By Order of the Court dated October 25, 2017, the Debtor's exclusivity period to file a plan of reorganization was extended through, to and including, November 6, 2017 and the time to solicit votes thereon was extended through, to and including, February 6, 2018.

G. Projected Recovery of Avoidable Transfers

The Debtor is examining potential avoidance actions against creditors, insiders and parties in interest.

H. Claims Objections

The Debtor is reviewing the claims filed with the Court and has determined that there are several claims it will object to in the near future. A number of the claims such as the New York State Sales Tax Claim and the IRS Claim for withholding taxes, are premised on estimates for which the Debtor has filed the required returns. The NYS Claim has been amended several times to reflect the figures from actual returns as opposed to the estimated amounts. The Debtor reserves the right to file objections to any and all Claims including but not limited to late filed claims.

I. Financial Information

A summary of the Debtor's operations since the Filing Date through August 31, 2017 is attached hereto as **Exhibit "H**." Assets in the Debtor's possession are listed in the Debtor's schedules filed in this case and on **Exhibit "J"** hereto (the "Liquidation Analysis"). These assets currently amount to an estimated fair market value of $871,000.00. The Debtor expects that the distribution to unsecured creditors in a Chapter

7 liquidation would be about $60,000 or 1.7% to the existing claim pool of $3,500,000.00 based on the Liquidation Analysis. The Liquidation Analysis makes a number of assumptions and estimates. For instance, the value of the Leases ($550,000) is included but this value is contingent on the Debtor and or the Chapter 7 Trustee successfully defending against the relief sought in the Landlords' Motion. The Liquidation Analysis also has a value of $250,000 for the recovery in the Landlord Adversary Proceeding wherein, as with any litigation, the outcome is uncertain and results will vary. Therefore, based on the foregoing, it is the Debtor's position that the Plan provides for a far greater and much more likely recovery for the unsecured creditors than a Chapter 7 liquidation.

III. Summary of the Plan

A. What is the purpose of the Plan?

As required by the Code, the Plan places Claims and the Interest in various Classes and describes the treatment each Class will receive. The Plan also states whether each Class of Claims or Interest is impaired or unimpaired.

B. Unclassified Claims

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

1. Administrative Expenses – Administrative expenses are costs of

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

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

Type	Estimated Amount Owed	Proposed Treatment
Expenses arising in the ordinary course of business after the Filing Date	$0	Paid in full on the Effective Date, or according to the terms of the obligation, if later
The value of goods received in the ordinary course of business within 20 days before the Filing Date	$0	Paid in full on the Effective Date
Professional fees, as approved by the Court	$150,000.00 for Debtor's Counsel (exclusive of the pre-petition retainer of $25,000.00 and expenses) $15,000 for Debtor's Accountant	Paid $100,000 on the Effective Date and as agreed thereafter. Paid $10,000 on the Effective Date and as agreed thereafter.
Clerk's office fees	$0	Paid in full on the Effective Date

Other administrative expenses	$0	Paid in full on the Effective Date or as otherwise agreed
Office of the U.S. Trustee fees	$0	Paid in full on the Effective Date

2. Priority Tax Claims – Priority Tax Claims are unsecured taxes described by section 507(a)(8) of the Code. Unless the holder of a Priority Tax Claim agrees otherwise, it must receive the present value of such Claim, in regular installments paid over a period not exceeding five years from the Filing Date. The Debtor anticipates that NYS Tax will agree to accept payment on its claim as set forth herein and in the Plan.

The Debtor owes NYS Tax for unpaid priority sales tax in the aggregate estimated principal amount of $215,000.00. The Plan proposes to the principal priority portion of the claim $200,000.00, in full satisfaction of the NYS Sales Tax Claim (Secured, unsecured and priority claim) by making 96 monthly payments together with interest accruing thereon commencing on the Effective Date, at an annual rate equal to five percent (5%). NYS Sales Tax Claim shall commence on the Effective Date and continue thereafter for the next 96 successive months in the amount of $2630.00 per month. There shall be no penalty for early payment of part or all of the principal due and owing. Upon completion of the payments to NYS Sales Tax Claim hereunder, the NYS Sales Tax Claim liability shall be satisfied as against the Debtor and any other responsible parties.

The IRS has filed a priority claim for unpaid corporate tax and withholding tax in the aggregate estimated principal amount of $120,000.00. The Plan proposes to pay IRS's Allowed Priority Tax Claim in full by making 96 equal monthly payments in an amount sufficient to self-amortize the amount of the Allowed IRS Priority Claim, together with

interest accrued thereon from the Effective Date at an annual rate equal to 5%. Monthly payments in respect of the Allowed IRS Priority Claim shall commence on the Effective Date. The Debtor estimates that the amount of each monthly payment will be of $1520.00. There shall be no penalty for early payment of part or all of the principal due and owing. Upon completion of the payments to the IRS hereunder, the priority claim liability shall be satisfied as against the Debtor and any other responsible parties.

C. Classes of Claims and the Equity Interest

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

1. Classes of Secured Claims – Allowed Secured Claims are Claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) as determined by Section 506 of the Code. If the value of the collateral or the setoff securing the creditor's claim is less than the amount of the creditor's Allowed Claim, the deficiency will be classified as a Class 6 general Unsecured Claim.

The following chart lists all of the Classes containing Secured Claims and their proposed treatment under the Plan:

Secured Classes	Amount	Impaired Y/N	Treatment
Class 1 – American Express Bank FSB ("AMEX");	$130,000	Yes	Amex is in first position as far as the secured creditors are concerned based on its UCC1 filing dated February 16, 2016. Amex shall be paid in full and shall receive payments totaling $22,000 per year under the Plan (averaging $1,833.00 per month) as follows: commencing May 31, 2017 of $2,500 per month and $3,500 each month for June, July, August, $2,500 for September and October and $1000 per month for November, December, January, February, March and April, until its claim is paid in full. Because the foregoing treatment does not follow the specific terms of the loan wherein Amex was receiving interest from the Debtor's credit card receipts and would have been paid inside of one year based on those terms, the Amex claim is impaired and Amex is entitled to vote on the Plan. The Amex lien shall survive confirmation of the Plan and shall only be released upon payment pursuant to the Plan or, in a lesser amount as may be otherwise agreed.
Class 2 - Two Cousins Fish Market, Inc. ("Two Cousins")	$27,000	Yes	Two Cousins is in second position as far as its security interest in the Debtor's assets pursuant to a UCC1 filed on March 22, 2016. No security agreement was filed with the proof of claim for this creditor and there does not appear to be such a document. This claim shall be reclassified as a general unsecured claim and paid pursuant to the terms of Class 6. Two Cousins shall terminate the UCC–1 Financing Statement and release all other existing liens against the Debtor's asset[s] upon the Effective Date of this Plan. The Two Cousins lien(s) shall not survive confirmation of the Plan. the Two Cousins claim is impaired and Two Cousins is entitled to vote on the Plan.

Class 3 – NYS Sales Tax	$unk	Yes	NYS Sales Tax is in third position as far as its security interest in the Debtor's assets pursuant to tax warrants filed in July 2016. Since there are no assets to which the NYS Sales Tax claim can attach, it shall be reclassified as a general unsecured claim and paid pursuant to the terms of Class 6. NYS shall terminate the warrants and release all other existing liens against the Debtor's asset[s] upon the Effective Date of this Plan. The NYS lien(s) shall not survive confirmation of the Plan.
Class 4 - Sysco	$21,000.00	Yes	Sysco is in fourth position as far as its security interest in the Debtor's assets pursuant to a UCC1 filed November 4, 2016. This security interest constitutes an avoidable preference. Moreover, no security agreement was filed with the proof of claim for this creditor and there does not appear to be such a document. Nevertheless, since there are no assets to which the Sysco claim can attach, it shall be reclassified as a general unsecured claim and paid pursuant to the terms of Class 6. Sysco shall terminate the UCC and release all other existing liens against the Debtor's asset[s] upon the Effective Date of this Plan. The Sysco lien(s) shall not survive confirmation of the Plan.

2. Class 5 – Non-Tax Priority Claims. Certain Priority Claims that are referred to in Sections 507(a)(1), (4), (5), (6) and (7) of the Code are required to be placed in Classes. DOL has filed a priority claim for unpaid unemployment insurance contributions in the amount of $24,152.00. This claim is based on estimated amounts due from the Debtor. The Plan proposes to pay DOL's Allowed Priority Claim in the amount in full without interest by making 48 equal monthly payments without interest of $500.00 and one payment of $152.00. Monthly payments in respect of the Allowed DOL Priority Claim shall commence on the Effective Date. Upon completion of the payments to the DOL (the priority and general unsecured claim treatment of the DOL claim under the Plan) the DOL claim liability shall be satisfied as against the Debtor and any responsible parties. Class 5 claim is impaired and therefore entitled to vote on the Plan.

3 . Class of General Unsecured Claims –Class 6– General Unsecured Claims are not secured by any Assets of the Debtor and are not entitled to priority under Section 507(a) of the Code. Unless the holder of an Allowed Class 6 Claim agrees to less favorable treatment, the Debtor shall pay holders of Allowed Class 6 Claims 27% of their allowed unsecured claims. Claims in this class are in the aggregate amount of approximately $3,500,000.00. Accordingly, the estimated payout under the Plan is over six to seven years to this class and totals an estimated $970,000.00.

The holders of Class 6 Unsecured Claims are impaired under the Plan and are therefore entitled to vote on the Plan.

4. Class of Equity Interest / Class 7 – Equity interest holders are parties who hold an ownership interest in the Debtor. The only holder of an equity interest in the Debtor is Louis Matarazzo, its sole stockholder, and his Interest is classified as Class 7. There will be no distribution to Mr. Matarazzo under the Plan.

The Class 7 Interest is unimpaired under the Plan but is nevertheless not permitted to vote.

D. Means of Implementing the Plan

Pursuant to its Plan, the Debtor is selling all of its assets and its business. In connection with the sale, the Debtor is assigning its valuable commercial real estate leases. Payments to creditors under the Plan will be made on the Effective Date in the form of $300,000 received from the sale and from the ongoing operation of the restaurant business being sold. Following the Effective Date, the Debtor shall transfer its assets to the winning bidder at the auction sale of the Debtor's assets, subject only to the Liens expressly provided for in the Plan. Payments to creditors under the Plan will be made

from (a) the post-sale ongoing business operations and cash on hand on the Effective Date. Based on the cash infusion of $300,000 from the Purchasers and the seven (7) year projections annexed hereto as **Exhibit "K**," the Debtor will have sufficient cash flow to fund the Plan.

Mr. Matarazzo shall continue to manage and supervise the Reorganized Debtor pending the sale of the Debtor's assets. Mr. Matarazzo will not receive compensation during this period.

The Debtor is the disbursing agent under the Plan. Bi-annual statements concerning the Debtor's operations (i.e., bi-annual profit and loss statements) and accounting of Plan payments are compiled and distributed to all creditors on a bi-annual basis.

E. Risk Factors

The proposed Plan has the following risks:

- Ongoing Operations/Projections – The Plan is dependent upon the profitable business operations of the business based upon the projections. Future revenue and expenses are subject to many market variables including increases in expenses in the operation and the uncertainty of the restaurant business.

F. Executory Contracts and Unexpired Leases – The Debtor anticipates assuming both commercial real estate Leases. The Landlords' proof of claim filed at the deadline on March 17, 2017 reveals that the cure amount necessary to assume both Leases is $42,944.87 [Claim No. 20-1]. The Debtor does not agree with the cure amount and will ask the Court to fix the amount. The cure amount appears to include both pre- and post-petition charges and attorneys fees. Assumption means that the Debtor has elected to

continue to perform its obligations under contracts and leases, and to cure defaults of the type that must be cured under the Code.

The Plan provides that, unless the Debtor has assumed or rejected an executory contract or unexpired lease, or filed an application to assume or reject such contract or lease, all executory contracts or unexpired leases as of the Confirmation Date are rejected pursuant to section 365 of the Code.

REJECTION DAMAGE CLAIM BAR DATE: Any person or entity who has a Claim against the Debtor by virtue of rejection of an executory contract may file a Claim with the Clerk of the Court, and service such claim upon counsel for the Debtor no later than twenty-five (25) days after notice of the occurrence of the Confirmation Date. If such Claim is not filed within such specified time, it shall forever be barred from assertion against the Debtor and its estate.

G. Tax Consequences of the Plan

The Debtor does not believe that it will suffer any material adverse tax consequences from Confirmation of the Plan. **Creditors and the holder of the equity Interest concerned with how the Plan may affect their tax liability should consult with their own accountants, attorneys and/or advisors.**

H. Confirmation Requirements

To be confirmable, the Plan must meet the requirements listed in Sections 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired Class of Claims must accept the Plan, without counting the votes of insiders; the Plan must distribute to the creditor or equity interest holder at

least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in section 1129, and they are not the only requirements for Confirmation.

I. Who May Vote or Object

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

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

In this case, the Debtor believes that Classes 1, 2, 3 4, 5 and 6 are impaired and that holders of Claims in each of these Classes are therefore entitled to vote to accept or reject the Plan. The Debtor believes that Class 7 is unimpaired and that holders of Claims (or the Interest) in each of these Classes do not have the right to vote to accept or reject the Plan.

a. What is an Allowed Claim or Allowed Equity Interest? – Only a creditor or equity interest holder with an Allowed Claim or Interest has the right to vote on the Plan. Under the Plan, a Claim or equity interest is Allowed, if either (a) the Debtor has listed the Claim on the Schedules, unless the Claim has been listed as disputed, contingent or unliquidated or (b) the creditor has filed a proof of Claim or equity interest, unless an objection has been filed to the proof of Claim or equity interest. When a Claim or equity interest is not Allowed, the creditor or equity interest holder cannot vote unless

the Court, after notice and a hearing, either overrules the objection or allows the Claim or equity interest for voting purposes pursuant to Bankruptcy Rule 3018(a).

The deadline for filing a proof of claim in this case was March 17, 2017. The deadline for objecting to Claims is 60 days after the Confirmation Date.

b. What is an Impaired Claim or Impaired Equity Interest? – As noted above, the holder of an Allowed Claim or equity interest has the right to vote only if it is in a Class that is *impaired* under the Plan. As provided in section 1124 of the Code, a Class is considered impaired if the Plan alters the legal, equitable or contractual rights of the members of that Class.

c. Who is **Not** Entitled to Vote? – The holders of the following six types of claims and equity interests are *not* entitled to vote:

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

Even If You Are Not Entitled To Vote On The Plan, You Have A Right To Object To The Confirmation Of The Plan And To The Adequacy Of The Disclosure

Statement.

d. Who Can Vote in More Than One Class – A creditor whose Claim is Allowed, in part, as a Secured Claim and, in part, as an Unsecured Claim, or who otherwise holds Claims in multiple Classes, is entitled to vote to accept or reject the Plan in each capacity, and should cast one ballot for each Claim.

J. Votes Necessary to Confirm the Plan

If impaired Classes exist, the Court cannot confirm the Plan unless (1) at least one impaired Class of Claims has accepted the Plan without counting the votes of any insiders within that Class, and (2) all impaired Classes have voted to accept the Plan, unless the plan is eligible to be confirmed by "cram down" on non-accepting Classes.

a. Votes Necessary for a Class to Accept the Plan – A Class of Claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the Allowed Claims in the Class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the Allowed Claims in the Class, who vote, cast their votes to accept the Plan. In this case, because the holder of the Interest is not impaired under the Plan, Class 7 is deemed to have accepted the Plan and is therefore not entitled to vote.

b. Treatment of Non-Accepting Classes – Even if one or more impaired Classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting Classes are treated in the manner prescribed by Section 1129 of the Code. A Plan that binds non-accepting Classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind non-accepting creditors or equity interests if it meets all of the requirements for consensual Confirmation except the voting requirements of

section 1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each Class that has not voted to accept the Plan. **You should consult your own attorney if a "cram down" confirmation will affect your Claim or equity interest because the variations on this general rule are numerous and complex.**

c. The absolute priority rule comes into play when a class of similarly situated creditors do not accept the plan. The Court will only confirm a plan over the objections of this dissenting group of creditors if the dissenting creditors will be paid in full (see 11 U.S.C. § 1129(b)(2)(B)(i)), or, no one with a claim or interest that is junior to the claims of the dissenting creditor(s) will get or retain anything under the plan (see 11 U.S.C. § 1129(b)(2)(B)(ii)). It is unlikely that the absolute priority rule would apply in this case as Mr. Matarazzo is not retaining his equity. The Debtor anticipates that the all classes of impaired claims will accept the treatment under the Plan. Therefore, it is anticipated that the absolute priority rule will not apply in any event.

K. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive as much under the Plan as such Claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached hereto as **Exhibit J**. It is the Debtor's contention that it is worth more as a going concern than in a liquidation. The liquidation analysis shows that the unsecured creditors are unlikely to receive any meaningful distribution in a hypothetical Chapter 7 case.

L. Feasibility

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

a. Ability to Initially Fund Plan – The Debtor will have approximately $300,000.00 on hand through the sale of its assets on the Effective Date to pay all Claims and expenses that are entitled to be paid on that date. The Debtor is also proposing to pay creditors from current operations of the ongoing business. Projections of cash flow are annexed hereto as **Exhibit K.**

b. Ability to Make Future Plan Payments and Operate Without Further Reorganization – The Debtor must also show that it will have enough cash over the lifetime of the Plan to make the required Plan payments without the need for further reorganization. The Debtor submits that based on the projections of the continued business operations, there is every indication it will be able to fund the Plan and no indication that it will need a further reorganization.

IV. Effect of Confirmation of the Plan

A. Discharge of Debtor

The Effects of confirmation of the Plan are more fully detailed in the Plan. On (and subject to the occurrence of) the Effective Date, the Debtor shall be discharged from any debt that arose before Confirmation of the Plan, to the extent specified in section 1141(d)(1)(A) of the Code, except that the Debtor shall not be discharged of any debt (1) imposed by the Plan, (2) of a kind specified in section 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Bankruptcy Rules or (3) of a kind specified in section 1141(d)(6)(B). After the Effective Date of the Plan, your Claims

against the Debtor will be limited to the debts described in clauses (1) through (3) of the preceding sentence.

B. Modification of the Plan

The Debtor may modify the Plan at any time before Confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan. The Debtor may also seek to modify the Plan after Confirmation only if (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

Once the Plan has been substantially consummated as set forth in 11 U.S.C. §1101 (a)(2), the Debtor shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

V. Recommendation and Conclusion

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. The Debtor therefore recommends that each holder of a Claim that is entitled to vote on the Plan vote to accept the Plan.

Dated: November 6, 2017

CATCH 22 LINY CORP.
Debtor and Debtor in Possession

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