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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

CALGI CONSTRUCTION COMPANY, INC.,

Chapter 11
Case No. 14-22249 (RDD)

Debtor.

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**DEBTOR'S SECOND AMENDED DISCLOSURE STATEMENT
PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE
FOR THE DEBTOR'S PLAN OF REORGANIZATION**

**THIS IS NOT A SOLICITATION OF ACCEPTANCE OR
REJECTION OF THE PLAN. ACCEPTANCES OR
REJECTIONS MAY NOT BE SOLICITED UNTIL A
DISCLOSURE STATEMENT HAS BEEN APPROVED BY
THE BANKRUPTCY COURT. THIS DISCLOSURE
STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT
HAS NOT BEEN APPROVED BY THE COURT.**

Dated: White Plains, New York
October 6, 2016

The above-captioned debtor and debtor-in-possession, Calgi Construction Company, Inc. (the “Debtor”), submits this Second Amended Disclosure Statement (“Disclosure Statement”) pursuant to Section 1125(b) of the Bankruptcy Code and Bankruptcy Rule 3017 in connection with its Second Amended Chapter 11 Plan of Reorganization (“Plan”) dated October 6, 2016 to all known holders of Claims¹ against or Interests in the Debtor in order to adequately disclose information deemed to be material, important and necessary for the Debtor’s creditors to make a reasonably informed judgment about the Plan. A copy of the Plan is attached hereto as Exhibit “A.”

Plan Summary

The Debtor will continue operating under existing management. Payments under the Plan will be funded a contribution from by Calgi Realty LLC and from profits from continued operations. Distributions to creditors will occur quarterly over a five year period beginning on the Effective Date to creditors except professional fees, which will be paid 50% on the Effective Date and 50% over eight quarters starting beginning three months after the Effective Date pursuant to agreement between the Professionals and the Debtor. Currently there are approximately (i) administrative claims in the approximate amount of \$80,000; (ii) secured claims in the approximate amount of \$120,450.06; (iii) priority tax claims in the approximate amount of \$142,594.87; (iv) priority non-tax claims in the amount of zero; (v) general unsecured claims in the approximate amount of \$402,525.73; and (vi) insider claims in the amount of \$60,000.

Following is a chart containing a summary of the classes and treatment under the Plan:

¹ Unless otherwise defined herein, capitalized terms shall ² have the same meaning ascribed to them in the Plan.

<u>Class</u>	<u>Treatment</u>
Class 1 (Non-Tax Priority)	Unimpaired.
Class 2 (Secured)	Unimpaired.
Class 3 (General Unsecured)	Impaired. Estimated distribution 10%
Class 4 (Insider)	Impaired. No distribution.
Class 5 (Equity Interests)	Unimpaired. No distribution, but Retained interests.

The Bankruptcy Court has scheduled the hearing on confirmation of the Plan for December ____, 2016 at 10:00 a.m. Under Section 1126(b) of the Bankruptcy Code, only Classes of Claims that are “impaired” under the Plan, as defined by Section 1124 of the Bankruptcy Code, are entitled to vote on the Plan. Holders of Claims and interests in Classes 1, 2 and 5 are not required to vote on the Plan and are conclusively presumed to have accepted the Plan because their Claims are not impaired. Holders of Allowed Claims in Classes 3 and 4 are deemed Impaired inasmuch as they will receive a lesser amount on account of their Claims than they would be entitled to under applicable law. The Debtor reserves the right to commence avoidance and recovery actions under Sections 510, 544, 547, 548, 550 and 553 of the Bankruptcy Code within 120 days of the date of the Confirmation Order.

A Class is impaired if its legal, contractual or equitable rights are materially altered or reduced. This means that a creditor or class whose rights are impaired will receive less than they would have received, and at a later date, than they would have in the absence of an insolvency proceeding. Accordingly, holders of Claims and interests in Classes 3 and 4

are entitled to vote. Pursuant to Section 1126 of the Bankruptcy Code, the Plan must be accepted by more than one half in number and two-thirds in amount of at least one class of impaired creditors of those voting in order for the Plan to be confirmed.

NO REPRESENTATIONS CONCERNING THE DEBTOR ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS WHICH ARE OTHER THAN AS CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON BY YOU, AND ANY SUCH REPRESENTATIONS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR, DELBELLO, DONNELLAN, WEINGARTEN, WISE & WIEDERKEHR, LLP, ONE NORTH LEXINGTON AVE., WHITE PLAINS, NEW YORK 10601, ATTENTION: DAWN KIRBY, ESQ., WHO IN TURN SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE. THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. FOR THE FOREGOING REASON, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY, ALTHOUGH GREAT EFFORTS HAVE BEEN MADE TO BE ACCURATE.

THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN. WHILE THE DEBTOR BELIEVES THAT THE SUMMARY IS FAIR AND ACCURATE, SUCH SUMMARY IS QUALIFIED TO THE EXTENT THAT IT DOES NOT SET FORTH THE ENTIRE TEXT OF THE PLAN. REFERENCE IS HEREBY MADE TO THE PLAN FOR A COMPLETE STATEMENT OF THE TERMS AND PROVISIONS THEREOF. **IF ANY INCONSISTENCIES EXIST BETWEEN THE PLAN**

AND THIS DISCLOSURE STATEMENT, THE PLAN SHALL CONTROL.

THE STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, UNLESS ANOTHER TIME IS SPECIFIED IN THIS DISCLOSURE STATEMENT. THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN ANY FACTS SET FORTH IN THIS DISCLOSURE STATEMENT SINCE THE DATE HEREOF.

AMENDMENTS TO THE PLAN THAT DO NOT MATERIALLY AND/OR ADVERSELY CHANGE THE TREATMENT OF CLASSES MAY BE MADE TO THE PLAN PRIOR TO CONFIRMATION. SUCH AMENDMENTS MAY BE APPROVED BY THE COURT AT THE CONFIRMATION HEARING WITHOUT ENTITLING MEMBERS OF ANY CLASSES WHOSE TREATMENT IS NOT ADVERSELY CHANGED TO WITHDRAW ANY VOTES TO ACCEPT OR REJECT THE PLAN.

THE COURT HAS APPROVED THIS DISCLOSURE STATEMENT BY ORDER DATED **NOVEMBER ____, 2016** AS CONTAINING ADEQUATE INFORMATION UNDER THE PARTICULAR CIRCUMSTANCES OF THIS CASE. APPROVAL OF THE DISCLOSURE STATEMENT, HOWEVER, IS NOT TO BE CONSTRUED AS AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT. CONFIRMATION OF THE PLAN BY THE BANKRUPTCY COURT WILL BE CONSIDERED AT A HEARING TO BE SCHEDULED. CREDITORS ARE URGED TO CONSULT WITH EACH OTHER AND THEIR COUNSEL REGARDING THE PLAN. Accompanying this Disclosure Statement are copies of the following documents (**Exhibits A, B, C, D, and E**):

- A. **The Plan;**
- B. **Current Balance Sheet;**
- C. **Liquidation and Distribution Analysis;**
- D. **Income and Expense Summary during Chapter 11 period;**
- E. **Projections of the Debtor's income and cash flows for 2016-2021 and**

I. INTRODUCTION

A. Background

Calgi Construction Company was founded 95 years ago by Domenico Calgi in New Rochelle, New York. An immigrant from Italy, Domenico specialized in the construction of high end residential homes in lower Westchester and built many of the large English Tudor and Spanish style houses that characterize the Bonnie Crest area of New Rochelle and Larchmont Woods.

A pioneer of her time, his wife Dora Calgi worked in the business preparing estimates and contracts. Unfortunately, in 1932, at the age of 37 and at the start of the Great Depression, Domenico succumbed to cancer leaving Dora a 31 year old widow with nine children and a business to run. Dora was determined to keep the business alive. She moved her family to the basement of her home and sold the family's investment properties to make ends meet. Dora continued to run the business with the assistance of Michael Agostinelli, a civil engineer who had worked for Domenico. Michael eventually proposed to Dora, and the company name changed to Agostinelli & Calgi.

In the early 1940's the company took a back seat while Michael and Dora worked in the war effort. Dora built planes on the assembly line at the GM Tarrytown plant. Michael performed construction and engineering work at the Naval Base in Geneva, New York. Their

four sons, Anthony, Michael, Rudolf and Raymond all joined the war effort in the Navy or Army.

After the War, the four brothers joined the business. Operations changed from residential construction to commercial and industrial construction, emerging markets in the late 1940's and 1950's. In 1958, Michael suffered a stroke and retired from the business. The four sons continued running the business, and in 1961 the company's name changed back to Calgi Construction Company.

During the 1950's, 1960's and 1970's, the company was heavily involved in the construction of educational, health care, institutional and industrial facilities. Clients at the time included many of Westchester's best known companies: NY Seven-Up, General Foods, Iona College, WVOX, New Rochelle Hospital, and American Standard, to name a few. During the Cold War, the company was involved in the construction of the Nike Hercules missile defense sites in Fairfield County, Connecticut. During the 1970's two of the sons Anthony and Michael passed away. Rudolf and Raymond continued to run the business.

Dominic Calgi, the current President of the Debtor, spent most of his free time as a child following his father, Anthony, to jobsites or in the office. He knew from a young age he wanted to work in the construction industry. In 1974, Dominic graduated from Bradley University with a B.S. degree in Construction Engineering and went on to work in the Nuclear Power Industry, then in the General Construction industry. In 1980, he decided he was ready to join his Uncles Rudolf and Raymond in the family business.

During the 1980's Calgi Construction Company expanded into the public sector, significantly increasing its volume of business. It had a field crew of up to 90 tradesmen of various union affiliations, and an office staff of 10. The company reached gross revenues in the \$10 - \$20

million range. Significant clients included Westchester Country Club, Kraft Foods, the County of Westchester, Iona College, College of New Rochelle, Rotanelli Foods, Calvary Hospital, Frances Schervier Nursing Home in Riverdale, and Sterns Department Stores.

In 1990, Rudolf and Raymond retired from the business. Dominic became the sole shareholder. The retirement of his uncles affected the company's ability to bond large jobs because a major factor in construction bonding is the net worth of the owners of the business.

Partially because of bonding issues, during the 1990's the company expanded to provide Construction Management services, overseeing construction of public projects such as libraries, police stations and schools, and Owner's Representation services, representing property owners in overseeing construction projects.

The company continued to work for its long term clients and Dominic developed new clients, including Northern Westchester Hospital, Consumers Union, Sisters of the Congregation of Notre Dame, Metropolitan Jewish Health System, Volunteers of America, St. John's Riverside Hospital and Augustan Lutheran Nursing Home.

By the 2000s, the Construction Management and Owner's Representation services had grown to 70% of the company's business, with only 30% General Construction business. In this capacity, the company has assisted in the construction and renovation of local public projects for clients such as the Villages of Briarcliff Manor, Bronxville, Irvington, Larchmont, Mamaroneck, Mount Kisco, Ossining, Rye Brook, and Tarrytown; the Towns of Ossining and Mamaroneck; and the Cities of Rye and New Rochelle.

As the Debtor's General Construction business declined, so did the need for construction equipment. As the Debtor moved from a construction-type practice to a consulting services-type

practice, it limited the amount of equipment it leased or owned. Today, the company is a leader in construction management services. Municipalities depend on the Debtor for advice, from the initial concept of a municipal project to the selection of the architects and design team. Dominic has given seminars on the design and construction of police facilities to the Westchester County Chiefs of Police and representatives from the Port Authority, MTA and Rockland County. He serves as a Trustee of the Construction Advancement Institute of Westchester and the Mid-Hudson. He is a Past President of the Building Contractors Association of Westchester and the Mid-Hudson Region. Calgi Construction Company is a member of the Construction Management Association of America (CMAA) and the Associated General Contractors of America (AGC), where Dominic has served on various national committees.

Prior to the Chapter 11 case, pending projects included (i) Owner's Representative for the Great Neck Library; (ii) Construction Management of the Millwood Fire House; (iii) Inspection and evaluation of the Town Center roof for the Town of Mamaroneck; (iv) Owner's Representative for the Menorah Home and Hospital for the Aged and Infirm in Brooklyn; and (iv) General Contractor for Volunteers of America Rose House Project, apartments for disadvantaged and homeless people on West 85th Street in Manhattan.

Events Leading to Chapter 11

During the downturn in the economy starting in 2009, the Debtor saw a significant decrease in the volume of work as the construction industry as a whole suffered. Most significantly, the Debtor's main market niche providing construction management services to municipalities declined because state and local governments were cutting their budgets.

In addition, the cost of insurance increased exponentially. In 2013 alone, the cost of

insurance increased by approximately 30%. The burden of the insurance premiums took a toll on the Debtor's cash flow, causing the company to fall behind with a portion of 2013 withholding taxes.

Finally, there was an unexpected drain on the Debtor's cash flow to pay legal fees in defending a lawsuit commenced by a general contractor who was terminated by the City of Rye from the Locust Avenue Firehouse project. As construction manager on the project, the Debtor was included as a defendant in the lawsuit. The legal fees incurred over the years strained the Debtor's cash flow to a point it could no longer afford its trial counsel.

B. The Chapter 11 Filing

In order to reorganize and restructure its affairs, on February 28, 2014, (the "Petition Date"), the Debtor filed a voluntary petition for reorganization pursuant to Chapter 11 of the Bankruptcy Code. The Debtor has continued in possession of its property and the management of its business affairs as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

1. Employment of the Debtor's Professionals

On March 3, 2014, the Debtor filed an application to retain DelBello Donnellan Weingarten Wise & Wiederkehr, LLP, as its bankruptcy counsel *nunc pro tunc*, to the Petition Date. On May 5, 2014, an order was entered granting the application.

On March 3, 2014, the Debtor filed an application to retain Klinger & Klinger, LLP, as its accountants *nunc pro tunc*, to the Petition Date. On May 5, 2014, an order was entered granting the application.

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

On February 28, 2014, the Debtor filed its Schedules of Assets and Liabilities, together with its Statement of Financial Affairs (collectively, the “Schedules”). On March 4, 2014, the Debtor filed its amended Schedule F. The Debtor anticipates filing a second amendment to its Schedules prior to the hearing to approve this Disclosure Statement. The Debtor’s Schedules are available on the Bankruptcy Court’s website: www.nysb.uscourts.gov. (login/password required).

3. Establishment of a Claims Bar Date and Claims Process; No Avoidance Actions

Pursuant to an Order of the Bankruptcy Court entered on April 9, 2014, May 22, 2014 was established as the last date by which creditors may file proofs of claim in the Chapter 11 case (“Bar Date”) and subsequently notice of the Bar Date was served on all creditors listed on the Debtor’s creditor matrix filed with the Bankruptcy Court as well as parties filing notices of appearance and creditors who had previously filed a proof of claim in the case.

The Debtor filed a motion objecting to proof of claim # 5 filed by Great America Finance, which was resolved by Stipulation expunging the claim. The Debtor also filed motions objecting to proof of claim #11 filed by NYSDTF, and to proofs of claim #12 and #13 filed by the IRS, which are scheduled for hearings on September 15, 2016. The Debtor does not currently anticipate filing any additional motions objecting to claims.

4. Assumption of the Debtor’s Office Lease

The Debtor remained current on its rent payments during the chapter 11 case. On May 20, 2014, the Debtor filed a motion to assume its office lease. The motion was granted by order dated June 27, 2014.

C. **Resolution of Significant Pre-Petition Litigation.** Before the Petition Date, the Debtor was involved in a costly and time consuming state court litigation, *Omni Construction*

Company, Inc. v. the City of Rye and Calgi Construction Company. The Debtor listed Omni Construction Company (“Omni”) and the City of Rye in its Schedules as contingent, disputed creditors. Omni filed a significant unsecured claim in the Chapter 11 case in the amount of \$440,339.22. The City of Rye did not file a claim.

After much negotiation, the Debtor and Omni reached an agreement that was approved by the Bankruptcy Court on May 11, 2015. Pursuant to the agreement, Omni waived the right to distribution on its claim in exchange for modification of the automatic stay to allow Omni to continue to assert its claims against the City of Rye. As a result of the stipulation greatly reducing the amount due to unsecured creditors, the Debtor is now in a position to promulgate the Plan.

D. Resolution of Personal Injury Claims. On the Petition Date, the Debtor was also a defendant in an action commenced by Sefton Boyd, an alleged personal injury litigation claimant. Mr. Boyd filed a claim in the amount of \$25,000,000. After negotiation, the Debtor and Mr. Boyd reached an agreement whereby Mr. Boyd withdrew his claim in exchange for modification of the automatic stay to permit him to continue his litigation on the condition that any recovery is limited to recovery of insurance proceeds.

On the Petition Date, the Debtor was also a defendant in an action commenced by Trevor Caraballo, another alleged personal injury litigation claim. Before the deadline to file Proofs of Claim passed, This Court entered an order modifying the automatic stay to permit Mr. Caraballo to continue the litigation on the condition that his recovery is limited to insurance proceeds.

By resolving both of these personal injury claims and limiting recovery to insurance proceeds, the Debtor greatly reduced the amount due to unsecured creditors.

E. Reduction of Subcontractor Claims. On the Petition Date, the Debtor was performing General Contracting services for which it was anticipated receiving payment from property owners, which funds were due to subcontractors hired by the Debtor pursuant to Article 3A of the Lien Law. The Debtor listed the subcontractors in its Schedules as follows:

“Subcontractor on pending project. Payment from owner will be turned over as Article 3A Lien Law trust funds to subcontractor when received”. As monies were received from the property owners, they were paid over to the subcontractors as required by New York’s Lien Law. As a result, the body of unsecured creditors has been greatly reduced during the chapter 11 case.

F. Amendment of the Debtor’s Schedules to Reflect Fewer Claims

On August 17, 2016, the Debtor amended its Schedules to reflect reduced claims due to (i) subcontractors who were paid during the chapter 11 case pursuant to Article 3A of the Lien Law; (ii) credit card companies that were paid by the Debtor’s principal during the chapter 11 case because he was a co-debtor on the cards; (iii) miscellaneous minor claims that were mistakenly paid during the chapter 11 case; and (iv) miscellaneous minor claims that upon further inspection of its books and records the Debtor determined were in fact not due.

G. Subordination of Dominic Calgi Claim

Dominic Calgi has agreed to subordinate his general unsecured claim in the amount of \$60,000, which significantly reduces the pool of unsecured creditors.

H. The Debtor’s Chapter 11 Operations

During the first months of the Chapter 11 case, the Debtor returned to profitability, albeit a modest profit. Eventually, the business stabilized. With the benefit of the automatic stay the Debtor was able to seek new projects. Business turned around and the Debtor is now

consistently operating at a profit. As of June 2016, the Debtor had a net operating profit during the chapter 11 case in the amount of \$294,484.

The Debtor's operations have migrated to Construction Management instead of General Contracting. Very soon the Debtor anticipates being able to drop its General Contracting insurance. The significance in the change is that General Contracting insurance is extremely expensive, costing the Debtor approximately \$40,000 per year. Once that insurance is canceled, the Debtor's expenses will decrease substantially.

The Debtor was retained in numerous projects during the Chapter 11 case that supported its profitability, and has been recently retained in a number of new projects which the Debtor believes will support payments to creditors under the Plan.

I. Funding of the Plan of Reorganization

The Debtor has been awarded several new projects which it foresees will keep the Debtor busy and in the black for the foreseeable future, including:

Peekskill Firehouse:

Selected as Construction Manager by the City of Peekskill on their \$10 million, 30,000 SF new Central Fire Station. This 2 story facility will include a total of 8 bays to accommodate fire – fighting apparatus, offices, training space, kitchen facilities and meeting space for both the department and the public. The 2nd floor will provide living accommodations, fitness , and recreational areas. The Central Fire Station will be an “essential facility” under NYS Building Code. “Essential Facilities” are intended to remain operational in the event of extreme weather, flood, wind, snow or earthquakes

Dobbs Ferry Unified School District:

Selected by the Dobbs Ferry Union Free School District to be Construction Managers for their \$14 million capital project. This project includes renovating and installing athletic fields, health and safety updates, art and technology updates, updates to infrastructure including abatement, roof work, insulation, ventilation.

Lakeland Central School District:

Selected by the Lakeland Central School District to manage Phase 2 of the District's Safety and Security Project. Calgi will work in conjunction with an Architect, Facility Director and the

Director of Information Technology. This phase primarily consists of specific site work improvements, hazardous material abatement, installation of generators, air conditioning and a complete upgrade of IT infrastructure including phones and security cameras.

Levittown Library:

Selected by the Levittown Public Library Board of Trustees as Construction Manager for the Library's HVAC Total System Upgrade project. The library is a 2 level, 30,000SF building built in the 1960's. Calgi is responsible for the overseeing, coordination and on-site management of the single Prime Contractor for the Library's HVAC Total System Upgrade. During the Construction and Close Out Phase Calgi will ensure that the project is being constructed in accordance with the contract documents and in the best interest of the Library. Additionally, Calgi will oversee, coordinate and manage the work of other contractors and/or vendors that may be employed directly by the Library to perform services directly related to the project.

Great Neck Library:

This complex project involves the complete interior renovation of a 40,000 sf + facility, originally opened to the public in 1970. The renovation will include new energy efficient mechanical, plumbing and electrical systems and services as well as tele/data cabling upgrades, infrastructure improvements, elevator upgrade, new roof, windows and automatic entry doors along with ADA accommodations. This exciting project also calls for the complete redesign of the space to provide more "people space" and enlarged children's reading and storytelling areas.

The Debtor is confident these new projects and existing work will enable it to make its Plan payments and maintain profitability upon emergence from Chapter 11.

In addition, Calgi Realty LLC ("Calgi Realty") will make a cash contribution (the "Calgi Realty Contribution") to fund the initial Plan payments. Calgi Realty is owned by the Debtor's shareholder, Dominic Calgi.

For years, Calgi Realty was attempting to sell its only asset, a plot of vacant land located at 1 Ye Olde Road, Danbury, Connecticut 06811. The property finally sold in April 2016. Calgi Realty has agreed to contribute the net proceeds of the sale in the amount of \$103,831.72 to the Debtor to fund initial payments to creditors, as set forth in more detail below.

With the assistance of the contribution from Calgi Realty, the Debtor believes it is now in a position to promulgate a plan of reorganization.

II. THE PLAN OF REORGANIZATION

THE FOLLOWING IS A SUMMARY OF THE PLAN; THE TERMS OF THE PLAN GOVERN, AS THE PLAN REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT AND CREDITORS ARE URGED TO CONSULT WITH THEIR COUNSEL IN ORDER TO FULLY UNDERSTAND THE PLAN AND TO MAKE AN INTELLIGENT JUDGMENT CONCERNING IT.

The Plan will be funded with the Calgi Realty Contribution, the Debtor's cash on hand, and the Debtor's cash flow and projected earnings on a going forward basis. These funds are expected to be sufficient to pay all Allowed Administrative, Priority and Secured Claims in full. In addition, the Debtor expects to be able to fund an aggregate 10% distribution without interest to the holders of Allowed Unsecured Claims over 5 years. The Debtor shall effectuate all payments due under the Plan. The Debtor believes that the Plan is fair and reasonable and strongly recommends that Creditors accept the Plan.

A. Treatment of Unclassified Claims Under the Plan

1. Allowed Administrative Claims other than Claims of Professionals: The Debtor has not accumulated any significant or aged trade payables during the Chapter 11 case. Allowed Administrative Claims of the Debtor's vendors will continued to be paid on a timely basis and in the ordinary course of the Debtor's ongoing business operations. There are two Administrative tax claims consisting of the Internal Revenue Service in the amount of \$15,487.74 [claims register # 13-2] and New York State Department of Tax & Finance in the amount of \$1,061.51 [claims register # 11-10]. There is a pending motion objecting to the claim filed by the Internal

Revenue Service, which the Debtor believes will be reduced or expunged. The Allowed Amount of each claim will be paid in full on the Effective Date.

2. Allowed Administrative Claims of Professionals: The Debtor's professionals consist of its attorneys, DelBello, Donnellan, Weingarten, Wise & Wiederkehr, LLP, and its accountants, Klinger & Klinger, LLP. The claims of professionals are estimated, as of the Effective Date, to be owed the net unpaid aggregate Administrative Expense Claim of approximately \$80,000. Allowed Administrative Claims of the Debtor's Professionals shall be paid \$50,000 in cash, from the Debtor's cash on hand and the Calgi Realty Contribution, on the later of (i) allowance by the Court pursuant to Section 330 of the Bankruptcy Code or (ii) the Effective Date; and the balance of approximately \$30,000 eight quarterly payments commencing with the second payment due under the Plan, unless the Professionals agree to different treatment.

3. United States Trustee's Fees: Under the Plan, all United States Trustee statutory fees arising under 28 U.S.C. § 1930 and statutory interest under 31 U.S.C. §3717 shall be paid in full, in cash, in such amount as they are incurred in the ordinary course of business by the Debtor. The Debtor shall be responsible for the payment of United States Trustee quarterly fees through the entry of a final decree closing the Chapter 11 Case.

4. Allowed Tax Priority Claims: The Debtor shall pay, in full and in Cash, all Allowed Priority Tax Claims (including those entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code) in equal quarterly installments commencing no later than 90 days after the Effective Date over a period not exceeding five (5) years after the Petition Date, equal to the Allowed amount of such Claim, with interest at the rate prescribed by relevant statute, and as

such, will be paid a sum equal to the present value amount of the Allowed Priority Tax Claim. Allowed Priority Tax Claims total \$142,594.87 and consists of the Internal Revenue Service in the estimated amount of \$117,187.20 [claims register #12-2]; New York State Department of Tax & Finance in the amount of \$21,069.89 [claims register # 1-5] and (c) NYS Dept. of Labor in the amount of \$4,337.78 [claims register #17].

B. Treatment of Classes Under the Plan

CLASS 1 – Non-Tax Priority Claims. Class 1 consists of Allowed Non-Tax Priority Claims. The Debtor does not believe there are any such Allowed Claims. Allowed Class 1 Claims, if any, shall be paid in full on or shortly after the Effective Date. Class 1 Claims are unimpaired under the Plan and are deemed to accept the Plan.

CLASS 2 – Allowed Secured Claims of JP Morgan Chase Bank. Class 2 consists of the Allowed Secured Claim of JP Morgan Chase Bank in the Allowed amount of \$120,450.06. The Allowed Class 2 Secured Claim shall be paid in full in the Allowed Amount of \$120,450.06, with interest thereon at the applicable contract rate of 5.25%, payable in equal quarterly installments commencing on the Effective Date. The Class 2 claimholder shall retain its security interests and liens upon the Debtor's property until the Class 2 Claim is paid in full. Class 2 is unimpaired under this Plan and is deemed to accept the Plan.

CLASS 3 - General Unsecured Claims: Class 3 consists of the holders of Allowed Unsecured Claims, which total approximately \$402,525.73. Each holder of an Allowed Class 3 Unsecured Claim shall receive 10% of such Allowed Claim payable in twenty (20) equal quarterly installments of .5% each without interest, on the Effective Date. Allowed Class 3

Claims are impaired under the Plan and, therefore, holders of such Claims are entitled to vote to accept or reject the Plan.

CLASS 4 – Insider Claims: Class 4 consists of the insider claim of Dominic Calgi in the amount of \$60,000. The holder of the Allowed Class 4 Insider Claim has agreed to waive his right to distribution. Class 4 Claims will receive no distribution on account of such Claims. Class 4 is Impaired and entitled to vote on the Plan.

CLASS 5 – Equity Interests: Class 5 consists of the Allowed Interest of Dominic Calgi, the holder of 100% of the equity Interest in the Debtor. The holder of the Class 5 Interest shall retain his Interest in the reorganized Debtor, **subject to acceptance of the Plan by Class 3 Unsecured Creditors.** The Class 5 Interest is not impaired under the Plan and is deemed to have accepted the Plan.

C. Resolution Of Disputed Claims & Reserves

(a) Objections. An objection to the allowance of a Claim shall be in writing and may be filed with the Bankruptcy Court by the Debtor or any other party in interest on or before the Effective Date, subject to an extension of such deadline by the Bankruptcy Court, for cause.

(b) Amendment of Claims. A Claim may be amended after the Confirmation Date only as agreed upon by the Debtor and the holder of such Claim and as approved by the Bankruptcy Court or as otherwise permitted by the Code and Bankruptcy Rules.

(c) Reserve for Disputed Claims. The Debtor shall reserve, on account of each holder of a Disputed Claim, that Cash which would otherwise be distributable to such holder on such date and thereafter were such Disputed Claim an Allowed Claim on the Effective Date, or such other property as the holder of such Disputed Claim and the Debtor may agree upon. The Cash

reserved for the holder, to the extent such Disputed Claim is Allowed, and only after such Disputed Claim becomes a subsequently Allowed Claim, shall thereafter be distributed within 10 days of the order resolving the Disputed Claim becomes a Final Order to such holder, in the amount allocable under Section III of the Plan to such Allowed Claim.

(d) Claims Estimation. The Debtor may, at any time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to Section 502(c) of the Bankruptcy Code, regardless of whether the Debtor has previously objected to such Claim, and the Bankruptcy Court retains jurisdiction to estimate any Claim at any time, including, without limitation, during litigation concerning any objection to such Claim. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount constitutes either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtor may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim.

(e) Disputes Regarding Rights to Payments or Distribution. In the event of any dispute between and among claimants (including the entity or entities asserting the right to receive the disputed payment or distribution) as to the right of any entity to receive or retain any payment or distribution to be made to such entity under the Plan, the Debtor may, in lieu of making such payment or distribution to such entity, remit the disputed portion of the Claim into an escrow account or to a distribution as ordered by a court of competent jurisdiction as the interested parties to such dispute may otherwise agree among themselves. Notwithstanding anything to the contrary, the Debtor shall make distributions on account of the undisputed portion of a Claim to such claimants.

(f) Claims Procedures Not Exclusive. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. On and after the Effective Date, Claims which have been estimated may subsequently be compromised, settled, withdrawn, or otherwise resolved without further order of the Bankruptcy Court.

D. Amendment, Modification, Withdrawal or Revocation of the Plan.

The Debtor reserves the right, in accordance with the Section 1127 of the Code, to amend or modify the Plan and to seek the authorization of the Bankruptcy Court as may be required.

The Debtor may withdraw or revoke the Plan prior to the Confirmation Date. If such a withdrawal or revocation occurs, or if Confirmation does not occur, the Plan will be null and void. In such event, nothing contained in the Plan will constitute a waiver or release of any Claim by or against the Debtor or any other person or to prejudice in any manner the rights of the Debtor or any other person in any further proceedings involving the Debtor.

E. Unclaimed Property

Except as otherwise provided herein, in the event any claimant fails to claim any distribution within 120 days from the date of such distribution, such claimant shall forfeit all rights thereto, and to any and all future payments, and thereafter the Claim for which such cash was distributed shall be treated as a disallowed Claim. Distributions to Claimants entitled thereto shall be sent to their last known address set forth on a proof of claim filed with the Bankruptcy Court or, if no proof of claim is filed, on the Schedules filed by the Debtor or to such other address as may be later designated by a creditor in writing. The Debtor shall use its best efforts to obtain current addresses for all claimants. The Debtor shall notify the Debtor of all returned

distributions. All unclaimed cash shall be returned to the reorganized Debtor.

F. Distribution Agent. Counsel to the Debtor, DelBello Donnellan Weingarten Wise & Wiederkehr LLP will be the distribution agent responsible for making all distributions and maintaining the disputed Claims Reserve under the Plan. Unless the Bankruptcy Court orders otherwise, the distribution agent will not be bonded against the faithful performance of its duties under the Plan.

G. Post-Petition Management and Insider Compensation. The reorganized Debtor will continue to be operated by Dominic Calgi, its current President. He will earn a salary of \$80,000 per year, cash flow permitting.

H. Discharge and Plan Injunction. *Upon the Effective Date, the Debtor shall receive a discharge, as provided for under Section 1141 of the Bankruptcy Code. Except as otherwise expressly provided in the Plan, any and all entities who have held, hold or may hold Claims or Interests, including Administrative Claims, against or in the Debtor shall, as of the Effective Date, be enjoined from:*

(a) commencing, conducting, or continuing, in any manner, any suit, action, or other proceeding of any kind (including, without limitation, in any judicial, arbitral, administrative or other forum) against the Debtor or reorganized Debtor with regard to such entities' Claim against the Debtor;

(b) enforcing, levying, attaching (including, without limitation, any pre-judgment attachment), collection or otherwise recovering by any manner or means, whether directly or indirectly, or any judgment, award, decree, or order against the Debtor or reorganized Debtor with regard to such entities' Claim against the Debtor;

(c) creating, perfecting or otherwise enforcing, in any manner, directly or indirectly, any encumbrance of any kind against the Debtor or reorganized Debtor, the property of the Debtor or reorganized Debtor, or any successor-in-interest to the Debtor or reorganized Debtor with regard to such entities' Claim against the Debtor;

(d) asserting any set off, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the Debtor, the property of the Debtor, or any successor-in-interest to the Debtor with regard to such entities' Claim against the Debtor; and

(e) acting in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan.

I. Exculpation. *Subject to the limitations set forth in section 1125(e) of the Bankruptcy Code, Neither the Debtor nor any of its shareholders, officers, directors, employees, attorneys, advisors, agents, representatives and assigns (the "Released Parties") shall have or incur any liability to any 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 the Plan except with respect to its obligations under the Plan and any related agreement, with the exception of any such act or omission taken in bad faith, willful misconduct, gross negligence, breach of fiduciary duty, malpractice, fraud, criminal conduct, unauthorized use of confidential information that causes damages, and/or ultra vires acts. Notwithstanding any other provision hereof, nothing in Section 8.3 of the Plan shall (a) effect a release of any claim by the United States Government or any of its agencies or any state and local authority whatsoever, including, without limitation, any claim arising under the Internal Revenue Code, NYS Tax Law, the*

environmental laws or any criminal laws of the United States or any state and local authority against the Debtor or any of the Released Parties, nor shall anything in Section 8.3 of the Plan enjoin the United States or any state or local authority from bringing any claim, suit, action or other proceedings against any Released Party for any liability whatever, including, without limitation, any claim, suit or action arising under the Internal Revenue Code, NYS Tax Law, the environmental laws or any criminal laws of the United States or any state and local authority, nor shall anything in Article VIII of the Plan exculpate any party from any liability to the United States Government or any of its agencies or any state and local authority whatsoever, including liabilities arising under the Internal Revenue Code, NYS Tax Law, the environmental laws or any criminal laws of the United States or any state and local authority against the Parties referred to herein, or (b) limit the liability of the Debtor's Professionals pursuant to Rule 1.8(h)(1) of the New York Rules of Professional Conduct.

J. Full and Final Satisfaction

Pursuant to the Plan, all payments and all distributions thereunder shall be in full and final satisfaction, settlement, release and discharge of all Claims and Interests, except as otherwise provided in the Plan.

K. Retention of Jurisdiction

The Bankruptcy Court shall retain jurisdiction of the Chapter 11 case:

- (a) To determine all controversies relating to or concerning the allowance and/ or distribution on account of such Claims or Interests, upon objection thereto, such Claims by any party in interest, including the estimation of Claims under Section 502(c) of the Code;
- (b) To determine requests for payment of Claims entitled to priority under Section

507(a)(2) of the Code, including any and all applications for compensation for professional fees and expenses;

(c) To determine any and all applications, adversary proceedings, and contested or litigated matters over which the Bankruptcy Court has subject matter jurisdiction pursuant to 28 U.S.C Sections 157 and 1334;

(d) To determine all disputed, contingent or unliquidated Claims;

(e) To determine requests to modify the Plan pursuant to Section 1127 of the Code or to remedy any defect or omission or reconcile any inconsistencies in this Plan or Confirmation Order to the extent authorized by the Code;

(f) To make such orders as are necessary or appropriate to carry out the provisions of, and enforce, the Plan;

(g) To resolve controversies and disputes regarding the interpretation or enforcement of the terms of the Plan; and

(h) To enter a final decree closing the Chapter 11 Case.

L. Contracts and Unexpired Leases

Any unexpired lease or executory contract that has not been expressly assumed or rejected by the Debtor or has not naturally expired during the course of the Chapter 11 case shall, as of the Effective Date, be deemed to have been assumed by the Debtor. **Parties to executory contracts or unexpired leases must file their demand for a cure payment owing (other than payments owing in the ordinary course), within 30 days after the Confirmation hearing date, subject to the Debtor's right to object to the assertion of such payment and/or to**

reject the applicable contract, or they will not receive a cure payment in connection with such assumption.

M. Post-Confirmation Fees, Final Decree

The reasonable compensation and out-of-pocket expenses incurred post-Confirmation Date by the professionals retained in the Chapter 11 Case shall be paid by the Debtor within ten (10) days upon presentation of invoices for such post-Confirmation Date professional services. All disputes concerning post-Confirmation Date fees and expenses shall be subject to Bankruptcy Court jurisdiction. A final decree shall be entered as soon as practicable after distributions have commenced under the Plan.

N. Continuation of Bankruptcy Stays

All stays provided for in the chapter 11 case under Section 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

O. Avoidance and Recovery Actions

As of and subject to the occurrence of the Effective Date, the Debtor will waive and release any causes of action under Sections 544, 547, 548, 550, 551 and 553 of the Bankruptcy Code, except that such waiver shall not extend to any defense asserted by the Debtor pursuant to Section 502(d) of the Bankruptcy Code to a Claim. The Debtor believes, after a thorough investigation and review with its counsel, that there are no such causes of action that would provide a meaningful source of funds for the Debtor's estate.

III. FINANCIAL INFORMATION

A. The Debtor's Schedules of Assets and Liabilities. Schedules of the Debtor's assets and liabilities and monthly operating reports have been filed with the Clerk of the Court and may be inspected by all interested parties.

B. The estimated amounts required to be paid on the Effective Date are:

Secured Claim of Chase Bank	\$6,022.50
Priority Tax Claims	\$7,129.74
General Unsecured Claims	\$2,012.62
Professional Fees & Expenses	\$50,000
Estimated Total Required on Effective Date.....	\$65,164.86

The payments required on Confirmation shall be funded from the Calgi Realty Contribution.

C. Chapter 7 Liquidation Analysis. If this case was converted to a case under Chapter 7 of the Bankruptcy Code and the Debtor's assets were liquidated by a Chapter 7 trustee, the holders of Class 3 Unsecured Claims would receive no distribution. Thus the Debtor believes that the Plan satisfies the "best interests of creditors" test under Section 1129(a)(7) of the Code. As clearly set forth in the liquidation analysis prepared by the Debtor and annexed hereto as Exhibit "C", in a Chapter 7 liquidation, the Administrative Claims would be substantially higher than in a Chapter 11 due a variety of factors. First, a Chapter 7 trustee would be entitled to earn commissions and would hire his/ her own professionals (e.g. legal counsel and financial advisor), which would result in additional expenses payable from the estate. Second, all operations would cease. Finally, the Debtor has current outstanding post-Petition payables which will be paid in the ordinary course if the Plan is confirmed but which would result in a minimum of approximately

\$ _____ of additional Administrative Claims in the event of a conversion and termination of the business. These additional Claims mean that there would be no distribution to unsecured creditors in the event of a liquidation. Therefore, the Debtor has satisfied Section 1129(a)(7) of the Bankruptcy Code, which requires that creditors receive a recovery under the Plan as they would receive in a hypothetical Chapter 7 case. Under the Plan, Unsecured Creditors are receiving over five years Cash equal to approximately 10% of the full amount of their Allowed Claims.

THE DEBTOR THEREFORE STRONGLY RECOMMENDS ACCEPTANCE OF THE PLAN. CREDITORS ARE URGED TO CONSULT WITH THEIR ATTORNEYS AND AMONGST THEMSELVES IN DETERMINING WHETHER TO ACCEPT OR REJECT THE PLAN.

IV. CONFIRMATION PROCEDURE

A. Time to Vote. Pursuant to a Court order, ballots on the Debtor's Plan must be filed on or before **December __, 2016**. All ballots should be properly completed as set forth on the instructions on the ballot, indicating as to whether the creditor accepts or rejects the Plan and be forwarded, in accordance with the instructions on the ballot, to DelBello Donnellan Weingarten Wise & Wiederkehr, LLP, One North Lexington Avenue, 11th Floor, White Plains, New York 10601, Attn: Dawn Kirby, Esq.

B. Solicitation of Votes. Any holder of a Claim in Class 3 and 4 is entitled to vote if either (i) such holder's Claim has been scheduled by the Debtor in the Schedules filed with the Bankruptcy Court (provided that such Claim has not been scheduled as disputed, contingent or unliquidated), or (ii) such holder has filed a proof of Claim on or before May 22, 2014 , the Bar Date (or, if not filed by such date, any proof of Claim filed with leave of the Bankruptcy Court),

unless an objection to such Claim has been duly filed, or if the Bankruptcy Court has provisionally allowed the Claim for voting purposes. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that an acceptance or rejection was not solicited or procured or made in good faith or in accordance with the provisions of the Bankruptcy Code.

C. Acceptance. A Class will be deemed to have accepted the Plan if the Plan is accepted by at least two-thirds in dollar amount and more than one-half in number of the holders of Claims actually voting of such Class. Any ballot which is executed by the holder of an Allowed Claim or Interest but which does not indicate an acceptance or rejection of the Plan, shall be deemed an acceptance of the Plan.

D. Confirmation Hearing. The Code requires the Bankruptcy Court to hold a hearing on the Debtor's request for Confirmation of the Plan after the ballots have been cast. The Confirmation Hearing has been scheduled for **October __, 2016** at 10:00 a.m. before the Honorable Robert D. Drain, in the United States Bankruptcy Court for the Southern District of New York, 300 Quarropas Street, Courtroom 118, White Plains, New York 10601, set forth on the Order which accompanies this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjournment made at the Confirmation Hearing. At the Confirmation Hearing, the Bankruptcy Court will (a) determine, of a final basis, whether this Disclosure Statement contains adequate information for the purpose of Section 1121 of the Code, and (b)(i) determine whether the Plan has been accepted by the requisite majorities of each voting class; (ii) hear and determine all objections to the confirmation of the Plan; (iii) determine whether the Plan

meets the requirements of the Bankruptcy Code and has been proposed in good faith; and (iv) confirm or refuse to confirm the Plan.

E. Time to Object to Disclosure Statement and the Plan. The last date to object to Confirmation of the Plan is **October __, 2016**. Objections must be filed and served as set forth in the Order accompanying the Disclosure Statement.

F. Statutory Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Debtor will request that the Bankruptcy Court determine that the Plan satisfies the requirements of Section 1129 of the Bankruptcy Code. If it does so, the Bankruptcy Court shall enter an order confirming the Plan. Some of the applicable requirements of Section 1129 of the Bankruptcy Code are as follows:

- (a) The Plan must comply with the applicable provisions of the Bankruptcy Code;
- (b) The Debtor must have complied with the applicable provisions of the Bankruptcy Code;
- (c) The Plan has been proposed in good faith and not by any means forbidden by law;
- (d) Any payment made or promised to be made by the Debtor under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 case, or in connection with the Plan and incident to the Chapter 11 case, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;
- (e) The Debtor has disclosed the identity and affiliation of any individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Debtor under

the Plan. Moreover, the appointment to, or continuance in, such office of such individual, is consistent with the interests of holders of Claims and Interests and with public policy.

(f) Feasibility: The Bankruptcy Code requires that in order to confirm the Plan, the Bankruptcy Court must find that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtor (the “Feasibility Test”).

For a plan to meet the Feasibility Test, the Bankruptcy Court must find that the Debtor will possess the resources to meet its obligations under the Plan. The Debtor intends to show that it will have sufficient funds on hand at Confirmation and projected thereafter to satisfy its cash obligations under the Plan and as such, the feasibility requirement would be satisfied. Moreover, the Debtor does not anticipate the need for further financial reorganization based upon the significant cost cutting measures that it has undertaken and its successful identification and focus on the most profitable aspects of its business. The Debtor’s projections annexed hereto as Exhibit “E” illustrate the Debtor’s anticipated income and expenses going forward, which estimates are conservatively based upon the Debtor’s operations and growth trends over the last two years.

The Debtor believes that the Plan satisfies all of the statutory requirements of Chapter 11 of the Code, including the Feasibility Test, that it is “fair and equitable,” “does not discriminate unfairly,” and has been proposed in good faith.

G. Objections to Confirmation. Objections to confirmation must be in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim held by the objector. Any such objection must be filed with the Bankruptcy Court and served upon the following, with a copy to the Bankruptcy Court’s chambers, so that it

is received by them on or before **October __, 2016**, as set forth in the Order which accompanies this Disclosure Statement:

DELBELLO DONNELLAN WEINGARTEN
WISE & WEIDERKEHR, LLP
Attorneys for the Debtor
One North Lexington Avenue, 11th Floor
White Plains, New York 10601
Attn: Dawn Kirby, Esq.

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

H. Continuation of Bankruptcy Stays

All stays provided for in the Chapter 11 Case under Section 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

I. Revesting of Assets

Except as otherwise provided by the Plan, upon the Effective Date, title to all properties and assets of the Debtor shall vest in the reorganized Debtor free and clear of all Claims, liens, encumbrances and Interests of Creditors and the Confirmation Order shall be a judicial determination of discharge and extinguishment of all Claims, liens or Interests (except those created or retained pursuant to the Plan).

J. Conditions to Effective Date of the Plan

The Plan shall not become effective unless and until the Confirmation Order in form and substance reasonably acceptable to the Debtor and the United States Trustee shall have been entered by the Bankruptcy Court and shall have become a Final Order.

**V. ALTERNATIVES TO CONFIRMATION
AND CONSUMMATION OF THE PLAN.**

If the Plan is not confirmed and consummated the alternatives include: (i) preparation and presentation of an alternative plan of reorganization; (ii) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code; or (iii) dismissal of the Chapter 11 case, which would result in all creditor claims and rights of collection and enforcement being restored in full.

VI. POST-CONFIRMATION

The Debtor shall be responsible for filing post-Confirmation Date reports with the Bankruptcy Court and shall pay all quarterly fees required under 28 U.S.C. Section 1930(a)(6) and 31 U.S.C. §3717 until the earlier of (a) conversion or dismissal of the Chapter 11 Case or (b) entry of a final decree closing the Chapter 11 Case.

The Debtor shall also be responsible for the filing of pre-Confirmation and post-Confirmation reports, until a final decree is entered. A final decree shall be entered as soon as practicable after distributions have commenced under the Plan.

VII. TAX CONSEQUENCES

A. Tax Consequences of Confirmation. Confirmation may have federal income tax consequences for the Debtor and holders of Claims and Interests. The Debtor has not obtained and does not intend to request a ruling from the Internal Revenue Service (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 Debtor, creditors and holders of Interests are urged to consult their own counsel and tax advisors as to the consequences to them, under federal and applicable state, local and foreign tax laws, of the Plan. The following is intended to be a summary only and not a substitute for careful tax planning with a tax professional. The federal, state and local tax consequences of the Plan may be complex in some circumstances and, in some cases, uncertain. Accordingly, each holder of a Claim or Interest is strongly urged to consult with his or her own tax advisor regarding the federal, state and local tax consequences of the Plan, including but not limited to the receipt of cash under this Plan.

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

VIII. RECOMMENDATION

The Debtor believes that Confirmation of the Plan is preferable to any of the alternatives described above. The Plan will provide greater recoveries than those available in liquidation to all holders of Claims. Any other alternative would cause significant delay and uncertainty, as well as substantial administrative costs.

THUS, THE DEBTOR STRONGLY RECOMMENDS HOLDERS OF ALL CLAIMS VOTE TO ACCEPT THE PLAN. THE FOREGOING IS A BRIEF SUMMARY OF THE PLAN AND SHOULD NOT BE RELIED ON FOR VOTING PURPOSES. THE PLAN REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BETWEEN THE DEBTOR AND ITS CREDITORS, AND SHOULD BE READ TOGETHER WITH THIS DISCLOSURE STATEMENT IN ORDER THAT AN INTELLIGENT AND INFORMED JUDGMENT CONCERNING THE PLAN CAN BE MADE.

Dated: White Plains, New York
October 7, 2016

CALGI CONSTRUCTION
COMPANY, INC.

DELBELLO DONNELLAN WEINGARTEN
WISE & WEIDERKEHR, LLP
Attorneys for the Debtor
One North Lexington Avenue, 11th Floor
White Plains, New York 10601
(914) 681-0200

/s/ Dominic Calgi
By: _____
Dominic Calgi, President

/s/ Dawn Kirby
By: _____
Dawn Kirby