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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

Chapter 11

CAROUSEL OF LANGUAGES, LLC

Case No. 15-12851(MG)

Debtor.

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SECOND AMENDED DISCLOSURE STATEMENT

Carousel of Languages, LLC, the debtor and debtor-in-possession (the “Debtor”), submits this Second Amended Disclosure Statement (the “Disclosure Statement”) pursuant to Section 1125(b) of Title 11, United States Code, 11 U.S.C. §§ et seq. (the “Bankruptcy Code”) and Rule 3017 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), in connection with its Second Amended Chapter 11 Plan, filed on November 8, 2017 (the “Plan”) to all known holders of Claims against 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.”

The Bankruptcy Court has conditionally approved this Disclosure Statement under Section 1125(f)(3) by Order dated _____, 2017 and has scheduled a joint hearing on Confirmation of the Plan and Final Approval of the Disclosure Statement for _____, 2017 at 10:00 a.m. (the “Hearing”). Under Section 1126(b) of the Bankruptcy Code, only Classes¹ of Allowed Claims that are “impaired” under the Plan, as defined by Section 1124 of the

Bankruptcy Code, are entitled to vote on the Plan. Generally, a Class is impaired if its legal, contractual or equitable rights are altered or reduced under the Plan.

Under the Plan, there are no Holders of Claims that are “unimpaired.” Holders of Claims in Class 1 and Class 2 are impaired, inasmuch as they will receive a lesser amount on account of their Claims than they would be entitled to under applicable law. Accordingly, holders of Claims in Class 1 and Class 2 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.

ARTICLE I. INTRODUCTION

A. Background & Litigation History

The Debtor, Carousel of Languages, LLC, is a limited liability corporation, organized under laws of the State of New York. The Debtor’s business is located at 1309 Madison Avenue, 2nd Floor, New York, New York 10128 (the “Main Location”) at the time of the filing of the voluntary Chapter 11 petition, October 22, 2015 (the “Petition Date”). Patrizia Corman is the President and sole shareholder of the Debtor.

The Debtor owns and operates an early childhood foreign language school, offering lessons in Italian, French, Spanish, Mandarin, Russian, Greek, Hindi, Turkish, and Hebrew. The Debtor’s school also provides children with a connection to their heritage and new languages through linguistic and cultural exploration. The Debtor’s additional projects include the development of educational applications and products by the Debtor’s affiliates Carousel Language Program, LLC and Carousel Language Product LLC.

¹ Capitalized terms not defined herein have the same meaning ascribed to them in the Plan.

The Debtor's business operations first opened at 144 West 72nd Street, New York, New York 100123 (the "72nd Street Location") and the Main Location at 1309 Madison Avenue. The Debtor subsequently expanded to a third location at 1300 Madison Avenue, New York, New York (the "Third Location"). However, as the Debtor's operations expanded, so did its overhead. In addition to increased rent payments, the Debtor's expansion required the hiring of full time staff. In turn, the Debtor became saddled with additional expenses for healthcare benefits for its employees. The Debtor's revenues did not increase to a level that would sustain its operations at all three locations.

As a result of the rapid expansion, the Debtor fell behind in its obligations to its landlords. In December 2014, the Debtor was evicted from its 72nd Street Location and subsequently evicted from its Third Location. There are several employees who are owed monies as a result of the untimely closings of these locations.

The Debtor also fell behind on the rent payments with the landlord, PYML Associates (the "Landlord"), for its Main Location. Despite efforts to resolve its issues with the Landlord on the rent arrears, the Debtor was unable to do so. Upon learning that the Landlord was about to serve the Debtor with a Warrant of Eviction, the Debtor had no alternative but to seek protection under Chapter 11 of the Bankruptcy Code in order to arrive at a resolution with its Landlord and to also resolve all outstanding obligations with its other creditors.

On October 22, 2015, the Petition Date, the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

During the course of the proceedings, the Debtor and its Landlord arrived at an agreement resolving the all outstanding obligations and on March 24, 2106, the Court entered a Stip0ulation

and Order Authorizing Assumption of Lease of Non-Residential Commercial Real Property between the Debtor and PYMLA Associates, LLC.

On March 29, 2016, the Court entered an Order Authorizing the Incurrence of Secured Indebtedness Pursuant to Section 364(c) of the Bankruptcy Code, thereby allowing the Debtor to receive a discretionary revolving loan in an amount not to exceed \$68,000 in principal (the “Cash Infusion”) from lender, Julian Salisbury (the “Lender”). The Cash Infusion afforded the Debtor with the means to cure its arrears to its Landlord and provided the Debtor with sufficient capital to continue with its business operations and stabilize itself.

Early in the Chapter 11 proceeding, the New York Business Development Corporation filed a Proof of Claim asserting a secured claim against the Debtor’s assets in the amount of \$34,000. After discussions with counsel for NYBDC, NYBDC confirmed with the Debtor’s counsel by electronic mail on November 8, 2017 that it will be amending its claim to an unsecured claim. Treatment of the unsecured claim of the NYBDC will be provided for in the Debtor’s Chapter 11 Plan along with the Debtor’s other unsecured creditors.

The Debtor is now able to propose a Chapter 11 Plan of Reorganization. Now that the Debtor’s business has been financially stabilized as a result of the Cash Infusion, the Debtor anticipates that it will be able to fund its Plan with revenues generated from its ongoing operations. The Plan proposes that after Chapter 11 administrative claims, priority claims, and United States Trustee fees have been distributed, Allowed Class 1 claims shall be paid in full in over not more than five years from the Effective Date, in equal quarterly installments, up to the amount of any such claim not in excess of \$12,475 (any Allowed Priority Wage Claim that is in excess of \$12,475 shall have the amount over \$12,475 treated as a Class 2 General Unsecured

Claim) and Allowed Class 2 claims shall be paid 20% of the respective allowed Class 2 Claims in over not more than five years from the Effective Date, in equal quarterly installments, as further set forth below and in the Debtor's Chapter 11 Plan.

ARTICLE II.

A. Commencement of the Chapter 11 Case

On 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 his property and the management of his business affairs as debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

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

On February 19, 2016 the Debtor filed its Schedules of Assets and Liabilities, together with his Statement of Financial Affairs (collectively, the "Schedules"). The Debtor's Schedules are available on the Bankruptcy Court's website: www.nysb.uscourts.gov (log-in and password required) or from counsel for the Debtor upon written request.

C. Establishment of a Claims Bar Date and Claims Process.

Pursuant to an order of the Bankruptcy Court entered on July 13, 2016, August 22, 2016 was established as the last date by which creditors may file proofs of claim in the Chapter 11 Case (the "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, together with counsel, has reviewed all Claims filed and presently does not intend on filing objections to any Claims.

D. Means of Plan Implementation

The Plan shall be funded by the Debtor's ongoing operations. A copy of the Debtor's projections are annexed hereto as Exhibit "B." The Plan proposes that after Chapter 11 administrative claims, priority claims, and United States Trustee fees have been distributed, Allowed Class 1 claims shall be paid in full in over not more than five years from the Effective Date, in equal quarterly installments, up to the amount of any such claim not in excess of \$12,475 (any Allowed Priority Wage Claim that is in excess of \$12,475 shall have the amount over \$12,475 treated as a Class 2 General Unsecured Claim) and Allowed Class 2 claims shall be paid 20% of the respective allowed Class 2 Claims in over not more than five years from the Effective Date, in equal quarterly installments.

**ARTICLE III.
THE PLAN OF REORGANIZATION**

THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN. 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 GOVERNS OVER ANY DISCREPANCY IN THIS SUMMARY.

As set forth above and in Debtor's Chapter 11 Plan of Reorganization, the Plan shall be funded by the Debtor's ongoing operations. The Plan proposes that after Chapter 11 administrative claims, priority claims, and United States Trustee fees have been distributed, Allowed Class 1 claims shall be paid in full in over not more than five years from the Effective Date, in equal quarterly installments, up to the amount of any such claim not in excess of \$12,475 (any Allowed Priority Wage Claim that is in excess of \$12,475 shall have the amount over \$12,475 treated as a Class 2 General Unsecured Claim) and Allowed Class 2 claims shall be

paid 20% of the respective allowed Class 2 Claims in over not more than five years from the Effective Date, in equal quarterly installments.

1. Allowed Administrative Claims other than Claims of Professionals:

Allowed Administrative Claims shall be paid in the ordinary course and according to the terms and conditions of the respective contracts with respect to those Claims. The Debtor does not believe that any such Claims exist, other than (i) the claim of the Debtor's Landlord on account of legal fees owed to Silversmith, which shall be paid its Allowed Administrative Claim in full on the Effective Date, and (ii) the claim of Lender, Julian Salisbury, which is secured by a "blanket lien" on all of the Debtor's property, and shall be paid in full in over not more than ten years, in equal monthly installments, from the Confirmation Date, with interest at 5% per annum, and with interest-only payments to be paid over the first five years and interest and principle to be paid of the final five years. To the extent that any other such Claims should exist, they shall be paid in the ordinary course and according to the terms and conditions of the respective contracts underlying such Claims. Any additional expenses incurred by Debtor, post-petition, which remain unpaid on Confirmation, will be paid in full from Debtor's available cash.

2. Allowed Administrative Claims of Professionals: Allowed Professional Fee Claims shall be paid, in full, in Cash, upon the later of (i) allowance by the Court pursuant to Section 330 of the Bankruptcy Code or (ii) the Effective Date. All entities seeking an award by the Bankruptcy Court of Professional Fees, or of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under Sections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code, (a) shall file their respective final applications for allowances of compensation for services rendered and

reimbursement of expenses incurred through the Confirmation Date no later than ninety (90) days after the Effective Date, and (b) if granted, such an award by the Bankruptcy Court shall be paid in full in such amounts as allowed by the Bankruptcy Court in over not more than three years, in equal quarterly installments commencing (i) on the later of the Effective Date or the date such Administrative Professional Fee Claim becomes Allowed or (ii) upon such other terms as may be mutually agreed upon between such holder of an Allowed Professional Fee Claim and the Debtor, on and after the Effective Date.

3. United States Trustee's Fees: Under the Plan, all United States Trustee statutory fees arising under 28 U.S.C. §1930(a)(6) 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, through the entry of a final decree closing the Chapter 11 Case, for the payment of United States Trustee quarterly fees, and, pursuant to 31 U.S.C. §3717, any interest assessed on unpaid Chapter 11 quarterly fees charged, assessed at the interest rate in effect as determined by the Treasury Department at the time charges become past due; however, if payment of the full principal amount is received within thirty (30) days of the date of the notice of initial interest assessment, the interest assessed will be deemed waived.

4. Priority Tax Claims: Allowed Priority Tax Claims pursuant to Section 507(a)(8) of the Bankruptcy Code shall be paid in full in over not more than five years, in equal quarterly installments, from the Petition Date, with interest at the rate established by the Internal Revenue Service pursuant to 26 U.S.C. Section 6621 or such other relevant statute. The allowed claim of the Department of Labor shall be paid in full on the Effective Date

5. Creditor Classes

Class 1: Class 1 consists of the Allowed Priority Wage Claims. Each holder of an allowed Priority Wage Claim shall be paid in full in over not more than five years from the Effective Date, in equal quarterly installments, up to the amount of any such claim not in excess of \$12,475. Any Allowed Priority Wage Claim that is in excess of \$12,475 shall have the amount over \$12,475 treated as a Class 2 General Unsecured Claim. Class 1 Claims are Impaired under the Plan, and thus holders of Class 1 Claims are entitled to vote on the Plan.

Class 2: Class 2 shall consist of General Unsecured Claims.

Class 2 Claims shall be paid 20% of the respective allowed Class 2 Claims in over not more than five years from the Effective Date, in equal quarterly installments.

Class 2 Claims are impaired under the Plan, and thus holders of Class 2 Claims are entitled to vote on the Plan.

A. 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 no later than ninety (90) days after the Effective Date.

(b) Amendment of Claims. A Claim may be amended after the Effective 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 Bankruptcy Code and Bankruptcy Rules.

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

property as the holder of the Disputed Claim at issue and the Debtor may agree upon. The property so reserved for the holder, to the extent that the Disputed Claim is Allowed, and only after the Disputed Claim becomes a subsequently Allowed Claim, shall thereafter be distributed to such holder as provided below, together with appropriate interest, computed to the date of distribution.

(d) Distributions to Holders of Subsequently Allowed Claims. Unless another date is agreed on by the Debtor and the holder of a particular subsequently Allowed Claim, the Debtor shall, within ten (10) days after an Order resolving the Disputed Claim becomes a Final Order, distribute to such holder with respect to such subsequently Allowed Claim that amount, in cash, from the cash held in reserve for such holder and, to the extent such reserve is insufficient, from any other source of cash otherwise available to the Debtor, equal to that amount of cash which would have been distributed to such holder from the Effective Date through such distribution date had such holder's subsequently Allowed Claim been an Allowed Claim on the Effective Date.

(e) Disputes Regarding Rights to Payments or Distribution. In the event of any dispute between and among holders of Claims and/ or Interests (including the individual or 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 reserve as ordered by a court of competent jurisdiction or as the interested parties to such dispute may otherwise agree among themselves. Notwithstanding anything to the contrary, the Debtor shall make timely

distributions on account of the undisputed portion of a Claim or Interest to such claimants.

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

The Debtor reserves the right, in accordance with Section 1127 of the Bankruptcy Code, to amend or modify the Plan with such Order 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.

C. Unclaimed Property

Except as otherwise provided herein, in the event any claimant fails to claim any distribution within four (4) months 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 the most recent 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 Disbursing Agent and the Debtor shall use their collective best efforts to obtain current addresses for all claimants. The Disbursing Agent shall notify the Debtor of all returned distributions. All unclaimed cash shall be redistributed by the Disbursing Agent to the Debtor.

D. Plan Injunction

Except as otherwise expressly provided in the Plan, any and all entities who have held, hold or may hold Claims against the Debtor/Reorganized 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 arising out of any act or omission of the Debtor or a purchaser which has purchased assets of the Debtor pursuant to Order of this Court regarding the Claims;

(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 with regard to such entities' Claim against the Debtor, or a purchaser which has purchased assets of the Debtor pursuant to Order of this Court;

(c) creating, perfecting or otherwise enforcing, in any manner, directly or indirectly, any encumbrance of any kind against the Debtor, or the assets of the Debtor, or a purchaser which has purchased assets of the Debtor pursuant to Order of this Court, or any successor-in-interest to 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 a purchaser which has purchased assets of the Debtor pursuant to Order of this Court, or any successor-in-interest to 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 or a purchaser which has purchased assets of the Debtor pursuant to Order of the Bankruptcy Court.

E. Exculpation.

NEITHER THE DEBTOR NOR THE REORGANIZED DEBTOR, NOR ANY PROFESSIONAL PERSON EMPLOYED BY THE DEBTOR OR THE REORGANIZED DEBTOR, 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 ANY CONTRACT, INSTRUMENT, RELEASE OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO, OR ANY OTHER ACTION TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH THE CHAPTER 11 CASE OR THE PLAN, EXCEPT AS PROVIDED IN FROM AND AFTER THE EFFECTIVE DATE, A COPY OF THE CONFIRMATION ORDER AND THE PLAN SHALL CONSTITUTE AND MAY BE SUBMITTED AS A COMPLETE DEFENSE TO ANY CLAIM OR LIABILITY SATISFIED, DISCHARGED, AND RELEASED PURSUANT TO ARTICLE 8 OF THE PLAN; PROVIDED, HOWEVER, THAT NOTHING IN THE PLAN SHALL, OR SHALL BE DEEMED TO, RELEASE THE DEBTOR OR REORGANIZED DEBTOR FROM, OR EXCULPATE THE DEBTOR OR REORGANIZED DEBTOR WITH RESPECT TO, THEIR RESPECTIVE OBLIGATIONS OR COVENANTS ARISING PURSUANT TO THE PLAN OR FROM 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. IF THE PLAN IS CONFIRMED CONTAINING RELEASES OF LIABILITY AS TO THE DEBTOR AND REORGANIZED DEBTOR, CREDITORS WILL BE UNABLE TO PURSUE ANY CLAIMS THAT ARE DISCHARGED UNDER THE PLAN, BUT CREDITORS CAN PURSUE CLAIMS AGAINST THE DEBTOR OR THE REORGANIZED DEBTOR THAT MAY ARISE IN THE FUTURE, OR PURSUANT TO THE PLAN. ANY SUCH LIABILITY AGAINST THE DEBTOR'S PROFESSIONALS WILL NOT BE LIMITED TO THEIR RESPECTIVE CLIENTS CONTRARY TO THE REQUIREMENT OF DR 6-102 OF THE CODE OF PROFESSIONAL RESPONSIBILITY.

F. Full and Final Satisfaction

Pursuant to the Plan, all payments and all distributions shall be in full and final satisfaction, settlement and release of all claims and interests, except as otherwise provided in the Plan.

G. Discharge

In accordance with §1141(d)(5) of the Bankruptcy Code, upon the completion of all payments required under the Plan, the Debtor will be discharged from its debts that arose before the Petition Date. As such, the rights afforded in the Plan and the treatment of all Claims therein shall be in exchange for and in complete satisfaction and release of all Claims of any nature whatsoever (including any interest accrued on such Claims), from and after the Petition Date against the Debtor and its Estate except as otherwise provided in the Plan, in § 1141 of the Bankruptcy Code, or in the Confirmation Order. In

accordance with §1141(d)(5) of the Bankruptcy Code, the Court shall upon the filing of a Certification by Debtor or its counsel of the completion of all distributions required under the Plan, grant Debtor a discharge of all debts listed in the Debtor's Schedules and provided for in the Plan.

H. 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 of and/ or distribution on account of such Claims or Interests upon objection thereto, which may be filed by any party in interest;

(b) To determine requests for payment of Claims entitled to priority under Section 507(a)(2) of the Bankruptcy Code, including any and all applications for compensation for professional and similar fees

(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 and all disputed Interests;

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

(f) To make such orders as are necessary or appropriate to carry out the provisions of 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 this Chapter 11 case.

I. Contracts and Unexpired Leases.

On March 24, 2016, the Court entered an Order authorizing the assumption of the Debtor's lease with its Landlord pursuant to Section 365(a) of the Bankruptcy Code. Any unexpired lease or contract that is executory, in whole or in part, to which the Debtor is a party and which has not been rejected or assumed pursuant to Section 365 and/or 1123 of the Bankruptcy Code during the pendency of the Chapter 11 Case, shall be deemed rejected as of the Effective Date. All proofs of claim with respect to any Claims arising from the rejection of executory contracts or unexpired leases must be filed with the Bankruptcy Court within thirty (30) days after the Effective Date. The failure of any such counterparty to file a proof of claim within the period proscribed shall be forever barred from asserting against the estate or the Debtor/Reorganized Debtor any claim for damages arising from the rejection of their respective executory contract or unexpired lease with the Debtor, and such Claim shall be deemed waived and discharged. The filing of any such proof of claim shall be without prejudice to any and all rights the Debtor/Reorganized Debtor may have to object to the allowance thereof on any and all available grounds.

J. Post-Confirmation Fees, Final Decree

The Debtor is authorized after confirmation of its Plan, without further order of the Court, to employ such persons, including professionals, as the Debtor may deem necessary to enable him to perform his functions hereunder. The reasonable compensation and out-of-pocket

expenses incurred Post-Confirmation by the Disbursing Agent and the professionals retained in the Chapter 11 Case shall be paid by the Disbursing Agent within ten (10) days upon presentation of invoices for such post-petition professional services without further notice, hearing or approval of the Court. All disputes concerning post-confirmation 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.

K. 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.

L. Avoidance and Recovery Actions

On and after the Effective Date, the Debtor shall have the exclusive right to commence and to continue the prosecution of all pending Avoidance and Other Actions. The Debtor believes, after a thorough investigation and review with its counsel, that there are no causes of action under Sections 544, 547, 548, 550 and 553 of the Bankruptcy Code. As such, the Debtor does not intend to pursue any such causes of action.

M. Post Confirmation Reporting Matters

The Debtor shall file reports of his disbursements with the Bankruptcy Court on a quarterly basis, within thirty (30) days after the conclusion of each such period until the entry of a Final Decree closing Debtor's bankruptcy case. Any such reports shall be prepared substantially

consistent with (both in terms of content and format) the applicable Bankruptcy Court and U.S. Trustee guidelines for such matters.

**ARTICLE IV.
FINANCIAL INFORMATION**

A. The Debtor's Schedules of Assets and Liabilities.

Schedules of the Debtor's assets and liabilities have been filed with the Clerk of the Court and may be inspected by all interested parties. The Debtor believes he has sufficient post-Confirmation income and assets to continue to pay their Allowed Secured Claims as they come due.

B. Anticipated approximate distributions upon Confirmation are as follows:

Chapter 11 Professional Fees & Expenses / US Trustee Fees	\$25,000.00
Landlord Attorneys' Fee (to be paid on Effective Date)	\$11,333.00
Payment Pursuant to Stipulation with Department of Labor	\$ 9,514.00
Payment to Priority Tax Claims	\$ 566.00
Payment to Class 1 Claims (Priority Wage Claims)	\$ 2,094.00
Payment to Class 2 Claims (General Unsecured Creditors)	\$ 2,906.00
TOTAL	<u>\$51,413.00</u>

The payments required on Confirmation shall be funded by the Debtor's available cash, as set forth in the Debtor's projections.

C. Chapter 7 Liquidation Analysis.

The Debtor believes that the value of any distribution from a liquidation to a Holder of an Allowed Claim in a Chapter 7 case would be less than the value of distributions under the Plan because such distributions in a Chapter 7 case would not occur for a substantial period of time. It is likely that distribution of the proceeds of the liquidation would be delayed for a year or more after the completion of such liquidation in order to resolve claims and prepare for distributions.

In the event litigation were necessary to resolve claims asserted in the Chapter 7 case, the delay could be prolonged for up to several years.

If no plan can be confirmed, the Debtor's Chapter 11 case may be converted to a case under Chapter 7, in which a Chapter 7 trustee would be elected or appointed to liquidate the assets of the Debtor for distribution to its Creditors in accordance with the priorities established by the Bankruptcy Code. Based upon the value of the Debtor's assets, as well as the allowed administration claims and allowed priority claims, it is likely that the unsecured creditors would receive no distribution in a Chapter 7 liquidation. The Debtor's Liquidation Analysis is annexed hereto as Exhibit "C."

ARTICLE V. CONFIRMATION PROCEDURE

A. Voting.

The Bankruptcy Court will confirm the Plan only if it finds that all of the requirements of Section 1129 of the Code are met. Among the requirements for confirmation of a plan are that the plan is accepted by at least one impaired Class of Claims or Equity Interests.

Any Holder in a Voting Class 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 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 and the court has not 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 the provisions of

the Bankruptcy Code.

B. Confirmation Hearing.

The Bankruptcy Code requires the Bankruptcy Court to hold a hearing on Confirmation of the Plan. The Confirmation hearing has been scheduled for the date set forth on the Court 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 (i) hear and determine any objections to the Plan and to Confirmation of the Plan; (ii) determine whether the Plan meets the requirements of the Bankruptcy Code and has been proposed in good faith; and (iii) confirm or refuse to confirm the Plan.

C. 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 so, the Bankruptcy Court shall enter an order confirming the Plan. 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 and “Best Interest” Tests: 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.

In addition, the Bankruptcy Court must determine that the values of the distributions to be made under the Plan to each Class will equal or exceed the values which would be allocated to such Class in a liquidation under Chapter 7 of the Bankruptcy Code (the “Best Interest Test”).

The Best Interest Test with respect to each impaired Class requires that each holder of a Claim or Interest in such Class either (i) accept the Plan or (ii) receive or retain under the Plan property of

a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code. As set forth in the Debtor's liquidation analysis, no scenario exists under which the creditors would be entitled to receive a distribution greater than that which the Debtor has proposed in his Plan.

The Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, including the "best interest" and feasibility requirements. The Plan is "fair and equitable" and "does not discriminate unfairly". The Plan complies with all other requirements of Chapter 11 of the Bankruptcy Code and the Plan has been proposed in good faith.

D. 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 Court's chambers, so that it is received by them on or before 4:00 P.M. on the date set forth in the Court Order which accompanies this Disclosure Statement:

Arlene Gordon-Oliver & Associates, PLLC
Attorney for the Debtor
199 Main Street, Suite 203
White Plains, New York 10601
Attn: Arlene Gordon-Oliver, Esq.

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

**ARTICLE VI.
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.

ARTICLE VII. DISBURSING AGENT

The Disbursing Agent shall be the Debtor. The Disbursing Agent shall not be directly liable for any distributions made in accordance with the Plan except to the extent that it maintains the Debtor's funds from which the Plan shall be funded and to the extent that the Plan provides for expense reserves. The Disbursing Agent shall not be liable to the Debtor, any creditor or any other person, firm or corporation, for any error of judgment or for any mistake of law or fact or any act done, caused to be done, or omitted to be done, by the Disbursing Agent or any of its agents. The Disbursing Agent shall be liable only for acts of willful misconduct, gross negligence or breach of fiduciary duty by itself or such agents.

Upon satisfaction of all of the Debtor's obligations to creditors set forth in the Plan, all unused funds from either reserve shall be distributed by the Disbursing Agent to Debtor. Because the Debtor's Plan does not pay all claims in full, it is anticipated that there will be no such unused funds available for distribution to the Debtor.

ARTICLE VIII. POST-CONFIRMATION REPORTS

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

**ARTICLE IX.
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 proceedings 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.

**ARTICLE X.
NOTICES**

All notices and correspondence should be forwarded in writing to:

If to the Debtor:

Arlene Gordon-Oliver & Associates, PLLC
Attorney for the Debtor
199 Main Street, Suite 203
White Plains, New York 10601
Attn: Arlene Gordon-Oliver, Esq.

**ARTICLE XI.
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 additional administrative costs.

ACCORDINGLY, THE DEBTOR BELIEVES THAT THE PLAN PROVIDES THE BEST RECOVERY POSSIBLE FOR CLAIMHOLDERS AND THE DEBTOR STRONGLY RECOMMENDS THAT YOU 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
November 8, 2017

Carousel of Languages, LLC, Debtor

By: /s/ Patrizia Saraceni Corman
Patrizia Saraceni Corman, President

ARLENE GORDON-OLIVER & ASSOCIATES, PLLC
Attorney for the Debtor
199 Main Street, Suite 203
White Plains, New York 10601
(914) 683-9750

/s/ Arlene Gordon-Oliver
Arlene Gordon-Oliver, Esq.