

IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO

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| In re: |) | Case No. 17-40195-KW |
| |) | |
| MOUNT CALVARY PENTECOSTAL CHURCH OF YOUNGSTOWN, OHIO |) | Chapter 11 |
| |) | |
| Debtor/Debtor-in-Possession |) | Judge Kay Woods |

**FIRST AMENDED DISCLOSURE STATEMENT IN SUPPORT OF THE
DEBTOR AND
DEBTOR-IN-POSSESSION'S PLAN OF REORGANIZATION**

I. INTRODUCTION

MOUNT CALVARY PENTECOSTAL CHURCH OF YOUNGSTOWN, OHIO (the "Debtor"), hereby submits this disclosure statement (the "Disclosure Statement") in order to disclose information deemed to be material, important and necessary for its creditors to arrive at an informed decision in exercising their right to vote for acceptance or rejection of the plan of reorganization, as it may be amended (the "Plan").

NO REPRESENTATIONS CONCERNING THE DEBTOR, PARTICULARLY AS TO ITS BUSINESS OPERATIONS, VALUE OF ITS PROPERTY OR ANY PROMISES TO BE MADE UNDER THE PLAN ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS IS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE A CREDITOR'S ACCEPTANCE, WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED UPON BY ANY CREDITOR IN ARRIVING AT A DECISION, AND ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO THE COUNSEL FOR THE DEBTOR, WHO IN TURN SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION WHICH MAY BE DEEMED APPROPRIATE.

The financial information attached to this Disclosure Statement has been submitted by the Debtor. The financial information is based upon information prepared by the Debtor and is unaudited.

All defined terms used herein shall have the meaning described to them in the Plan.

II. PURPOSE OF THIS DISCLOSURE STATEMENT

The United States Bankruptcy Code (the "Code") requires that, before the Plan may be confirmed by the Bankruptcy Court, it must be submitted to creditors and equity holders

of the Debtor whose claims or interest are impaired under the terms of the Plan in order to provide them with an opportunity to vote on whether to accept or reject the Plan. Any solicitation of acceptance or rejection of the Plan must be preceded or accompanied by an approved Disclosure Statement.

III. VOTING INSTRUCTIONS

A ballot is enclosed for holders of Claims who are eligible to vote. Instructions detailing the various voting procedures are set forth on the ballot. To vote on the Plan, indicate on the enclosed ballot whether you accept or reject the Plan. All creditors are encouraged to vote as soon as possible. The Debtor urges you to vote to accept the Plan. Please use only the enclosed ballot. If your ballot is damaged or lost, or if you have any questions concerning voting procedures, you may contact:

Andrew W. Suhar, Esq.
29 E. Front St., 2nd Floor
P.O. Box 1497
Youngstown, OH 44501-1497
Telephone: (330) 744-9007
Email: asuhar@suharlaw.com

Creditors who fail to vote will not be counted in the calculation of whether a class has accepted the Plan. All ballots should be returned to:

SUHAR & MACEJKO, LLC
Attn: Andrew W. Suhar, Esq.
29 E. Front St., 2nd Floor
P.O. Box 1497
Youngstown, OH 44501-1497

In order for the Plan to be accepted by creditors, a majority in number and a two-thirds majority in amount of claims filed and allowed (for voting purposes) of each **impaired** class of creditors must vote to accept the Plan. You are, therefore, urged to fill in, date, sign and promptly mail the ballot which has been furnished to you. Please be sure to properly complete the form and legibly identify the name of the claimant. (See Article V, *et seq*, *herein*, regarding which claims are impaired under the Plan).

If the Debtor fails to obtain the necessary votes for approval of this Plan, the Debtor may request the Court to nevertheless confirm this Plan in accordance with the rights afforded to a proponent of a reorganization plan under Section 1129(b) of the United States Bankruptcy Code.

IV. HISTORICAL INFORMATION

Mount Calvary Pentecostal Church of Youngstown, Ohio is an Ohio non-profit organization (Appendix i) with a history of approximately one-hundred (100) years in the Youngstown, Ohio area. It has approximately 350 members. A brief background of Mount Calvary Pentecostal Church of Youngstown, Ohio prepared by Dr. Derrick Jackson (member of the Board of Directors for Mount Calvary Pentecostal Church of Youngstown, Ohio) is set forth in Appendix ii.

V. SIGNIFICANT DEVELOPMENTS IN THE CHAPTER 11 CASE

1. **General.** The Debtor filed its Chapter 11 case on February 9, 2017. No statutory committee, trustee or examiner was ever appointed in this case. By an Order entered on August 7, 2017, the Bankruptcy Court set October 23, 2017 as the general claims bar date.

2. **Professional Retention.** The Court approved the retention of Suhar & Macejko, LLC as counsel for the Debtor on March 8, 2017.

OVERVIEW OF PLAN

The Plan provides for payment of Allowed Claims as follows:

Scope of the Plan

The Plan is designed to reorganize the business of the Debtor for the benefit of itself, creditors and estate. Confirmation of the Plan is the principal objective of this case.

Summary of Classification of Claims Under the Plan

The Plan has been provided to all possible creditors known to the Debtor. The Plan should be read carefully and independently of this Disclosure Statement. The following analysis of the Plan is intended to provide a context for understanding the remainder of this Disclosure Statement.

The Plan provides that distribution is being made only to those creditors holding “Allowed Claims”. All claims are impaired under this Plan, except administrative claims.

Priority claims and administrative claims, are also provided for under the Plan, however, these classes of claims are not impaired. The Plan provides for, among other things:

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| Class 1- Administrative Claims | \$15,000.00 |
|--------------------------------|-------------|

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| Class 2 – Secured Claim (America’s Christian Credit Union) | \$1,040,000.00 |
| Class 3 – Priority Tax Claims (unimpaired) | \$280,000.00 |
| Class 4 – General Unsecured Claims | \$678,452.19 |
| Class 5 – Unsecured Claim of America’s Christian Credit Union | \$1,758,224.15 |

1. Treatment of Classes of Claims and Equity Interests Under the Plan

1. Class 1 – Administrative Claims. The Debtor estimates the total fees of the professionals and the United States Trustee outstanding, as of the Confirmation Date, will be no more than \$15,000.00 which shall be paid in full in Cash by the Reorganized Debtor within five (5) days following the later of the Effective Date or Court approval of fees.

Class 1 creditors are not impaired. All holders of Class 1 claims are deemed to have accepted the Plan and will not be solicited to vote on the Plan.

2. Class 2 – Secured Claim (America’s Christian Credit Union). Payment will be paid as set forth in the Forbearance Agreement (Appendix iii), which has been approved by the Bankruptcy Court by an Agreed Order entered on December 15, 2017 [Doc. 59](the “Forbearance Order”). All future references to the “Forbearance Agreement” refer to the Forbearance Agreement as modified by the Forbearance Order. Class 2 claims are impaired under the Plan.
3. Class 3 – Priority Tax Claims and other Tax Claims. The Debtor has priority tax claims which shall be paid over sixty (60) months following the Petition Date. Class 3 claims are unimpaired under the Plan. Each holder of an Allowed Claim entitled to priority under 11 U.S.C. §507(a)(8), shall receive payment in full of such Allowed Claim paid in regular monthly installments, in cash, of a total value, as of the Effective Date, equal to the allowed amount of such claim to be paid over a period ending no later than 5 years from the Petition Date, pursuant to 11 U.S.C. §1129(a)(9)(C). Total value shall include, if applicable, simple interest to accrue on any outstanding balance of such Allowed Claim at the rate of interest determined under the applicable non-bankruptcy law pursuant to 11 U.S.C. §511, including but not limited to O.R.C. §§4123.32, 4141.23 and 5703.47 or federal law, as may be applicable.
4. Class 4 – General Unsecured Claims. General Unsecured Creditors shall include all creditors claiming a lien or security interest except America’s Christian Credit Union inasmuch as the value of the Debtor’s assets do not provide sufficient security except partially to America’s Christian Credit Union subject to the

Forbearance Agreement (Appendix iii). The General Unsecured Claims shall receive a single disbursement of \$15,000.00 on a *pari passu* basis within five (5) days following the Effective Date. Although the payment will provide a very small distribution to General Unsecured Claims, it is in furtherance of the Debtor's good faith proposal of its Plan of Reorganization. Class 4 claims are impaired under the Plan.

5. Class 5 – Unsecured Claim of America's Christian Credit Union. Subject to the terms of the Forbearance Agreement, the unsecured portion of America's Christian Credit Union as described in the Forbearance Agreement (Appendix iii) will not receive any distribution under the Plan. Class 5 claim is impaired under the Plan.

VI. THE PLAN

A. The estimated aggregate totals for each Class of Claims, as of September 30, 2017 (the anticipated Confirmation Date), are as follows:

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| 1. <u>Administrative Claims</u> | \$15,000.00 |
| 2. <u>Secured Claim (America's Christian Credit Union)</u> | \$1,040,000.00 |
| 3. <u>Priority Tax Claims</u> | \$280,000.00 |
| 4. <u>General Unsecured Claims</u> | \$678,452.19 |
| 5. <u>Unsecured Claim of America's Christian Credit Union</u> | \$1,758,224.15 |

B. The Effective Date of the Plan shall be fourteen (14) days subsequent to the Confirmation Order.

C. Disbursements shall be made to Class 2, America's Christian Credit Union on its Allowed Secured Claim in accordance with the Forbearance Agreement (Appendix iii).

D. Except as otherwise provided in the Forbearance Agreement, America's Christian Credit Union will retain its interest in all mortgages, liens, or other security interests against the property of this estate.

E. The Confirmation Order shall, on the Effective Date, operate as an injunction against any act against the Debtor, its estate and the assets of the Debtor. Any act taken in violation of this provision shall be null and void. On and after the Confirmation Date, the provisions of the Plan shall be binding upon the Debtor, the estate, all holders of Claims and all other parties in interest in this Chapter 11 case, and their respective successors and

assigns, whether or not such entities are impaired and whether or not such entities have accepted the Plan. Notwithstanding anything in the Confirmation Order, the Forbearance Agreement shall control as between the Debtor and America's Christian Credit Union.

ARTICLE VII. PROVISIONS FOR TREATMENT OF DISPUTED CLAIMS

1. Objections to and Estimation of Claims. The Debtor or Reorganized Debtor may object to the allowance of Claims with respect to which it disputes liability in whole or in part. All objections shall be litigated to a Final Order, provided however, that the Debtor or Reorganized Debtor may compromise and settle, withdraw or resolve by any other method approved by the Bankruptcy Court, any objections to Claims. In addition, the Debtor or Reorganized Debtor may, at any time, request that the Bankruptcy Court estimate any contingent Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether the Debtor has previously objected to such Claim. Unless ordered otherwise by the Bankruptcy Court, the Debtor or Reorganized Debtor will file and serve any objections to Claims as soon as practicable, but in no event later than February 28, 2018.
2. Payments and Distributions on Disputed Claims. No partial payments and no partial distributions shall be made with respect to a Disputed Claim until the resolution of such disputes by settlement or Final Order. As soon as practicable after a disputed Claim becomes an Allowed Claim, the holder of such Allowed Claim shall receive all payments and distributions to which such holder is then entitled under the Plan.

VIII. ASSETS

The Debtor's assets are set forth in a current appraisal and are set forth in the Debtor's bankruptcy petition Schedules "A" and "B" (See Appendix iv and v).

IX. PROJECTED EARNINGS

The Debtor's income (receipts) are from parishioner tithing and offerings. The September 2017 Chapter 11 Operating Report is attached as Appendix vi. The Debtor anticipates a slight increase in receipts over the term of the Plan. The Debtor anticipates additional offerings and contributions over the 2017 holiday season that will be sufficient to pay the \$30,000.00 needed to fund the payment of Classes 1 and 4 under the Plan.

X. MEANS FOR IMPLEMENTATION OF PLAN

Distributions shall be made by the members of the financial section of the Board of Directors for the Debtor. The identification of the Board of Directors and the financial section members in Appendix viii.

XI. MANAGEMENT

The Debtor is managed by its Board of Directors as described in Appendix viii.

XII. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

To the extent that any executory contract and/or unexpired lease has not been addressed or otherwise assumed as part of this Plan, it is deemed rejected.

XIII. LIQUIDATION ANALYSIS

The Debtor’s appraisal of the real estate is approximately \$177,000.00 (Appendix iv). The personal property of the Debtor, pursuant to the Amended Schedule “B” filed on November 27, 2017, has a value of \$25,637.97. \$759,388.17 of accounts receivable are deemed uncollectable and have been outstanding for over 60 months and is mostly related to a defunct charter school that was associated with the Debtor (\$743,253.56). Other uncollectable receivables are mainly comprised of loans to parishioners. The America’s Christian Credit Union has a first and best lien on all of the Debtor’s real and personal property. (America’s Christian Credit Union has agreed to limit its secured claim to \$1,040,000.00 (see the Forbearance Agreement - Appendix iii).

XIV. COMPARISON OF PLAN WITH CHAPTER 7 LIQUIDATION

The Debtor’s assets (real estate and personal property) are secured by America’s Christian Credit Union. America’s Christian Credit Union is undersecured by \$1,758,224.15. Hence in a Chapter 7 there would not be any payments to priority or unsecured creditors.

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| Real Estate (Appendix iv) | \$177,000.00 |
| Personal Property (Appendix v) | \$785,026.14 |
| Total amount owed to America’s Christian Credit Union (Appendix vii) | \$2,798,224.15 |
| Net available after Secured Creditor | (1,836,198.15) |

XV. FEASIBILITY

The operating report for the period ended September 30, 2017 filed by the Debtor provides financial information concerning the operations and income over the 8 months since the commencement of this case. The Debtor states that said financial information shows that the Plan is feasible (See Appendix vi).

XVI. COMPLIANCE WITH APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE

Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Debtor has considered each of these issues in the development of the Plan and believes that the Plan complies with all provisions of the Bankruptcy Code, including the “new value exception” to the “absolute priority rule” set forth in Section 1129(b)(2)(B)(ii). Inasmuch as this is a nonprofit entity, the New Value Exception has been met under the proposed plan.

XVII. MEANS OF EXECUTION OF PLAN

The key employees of the Reorganized Debtor shall remain in place. Pursuant to Bankruptcy Rule 3020, the financial section of the board of directors of the Reorganized Debtor and will act as the disbursing agent under this Plan. Said board members shall not receive separate compensation for serving as disbursing agent. Edward Bolling is the Chief Financial Officer for the Debtor. He will maintain this position and with applicable board approval will make all disbursements under the Plan.

XVIII. PENDING LITIGATION

The pending but stayed litigation of the Debtor as of September 30, 2017 is in Mahoning County Court of Common Pleas, case no. 2015 CV 02910, America’s Christian Credit Union vs Mount Calvary Pentecostal Church of Youngstown, Ohio. This litigation is addressed as part of the Forbearance Agreement (Appendix iii).

XIX. BANKRUPTCY CLAIMS

To the best of Debtor’s knowledge, information and belief, there are no bankruptcy claims or causes of action against any entity, individual or insider that arose before or after the commencement date including, but not limited to, rights, claims, causes of action, avoiding powers, suits and proceedings arising under Sections 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code. Hence, the Debtor does not intend to pursue any such cause of action.

XX. DISCHARGE

Confirmation of the Plan shall discharge the Debtor from any debt that arose before the Confirmation Date and any debt of a kind specified as capable of being discharged under the Bankruptcy Code, whether or not:

(a) a proof of claim based upon such debt is filed or deemed filed under Section 501 of the Bankruptcy Code;

(b) a claim based upon such debt is allowed under Section 502 of the Bankruptcy

Code; or

(c) the holder of a Claim based upon such debt has accepted the Plan.

Default - If the Reorganized Debtor defaults in payments to creditors under the Plan at any time before the issuance of a final decree, along with any other remedies available to creditors, the creditors of the Debtor shall have the right to request conversion of this case to a proceeding under Chapter 7 of the Bankruptcy Code, or request dismissal of this proceeding.

XXI. TREATMENT OF AMERICA'S CHRISTIAN CREDIT UNION

Notwithstanding anything contained in the Disclosure Statement, the Plan or an order confirming the Plan, the debts owed by the Debtor to America's Christian Credit Union shall not be discharged and shall be controlled completely by the terms of the Forbearance Agreement.

XXII. QUARTERLY FEES TO THE UNITED STATES TRUSTEE AND POST-CONFIRMATION DATE REPORTING

The Debtor may request the Court enter a final decree after substantial consummation of the Plan. Until a final decree is entered in this case, the Reorganized Debtor shall be liable for payment of quarterly fees to the U.S. Trustee payable under Section 1930 of Title 28 of the United States Code, and shall file quarterly post-confirmation reports.

The Reorganized Debtor shall also file with the Court and serve on the U.S. Trustee, a post-confirmation report for each quarter (or portion thereof), until a final decree is entered. A final decree will be entered as soon as practicable after distributions have commenced under the Plan. Notice of application for a final decree need be given only to those holders of Claims and other parties in interest that have specifically requested such notice.

XXIII. RETENTION OF JURISDICTION OF THE COURT

Whether or not a Final Order closing the Case has been entered pursuant to Section 350 of the Bankruptcy Code, the Court shall retain exclusive jurisdiction for the following purposes:

1. To determine any and all objections to the allowance of Claims and interests;
2. To determine any and all applications for allowance of compensation and reimbursement of expenses;

3. To determine any and all controversies and disputes arising under or in connection with the Plan and such other matters as may be provided for in the Confirmation Order;
4. To determine any and all pending applications, adversary proceedings and contested and litigated matters;
5. To determine any and all applications for modification of obligations under the Plan;
6. To determine any other matter not inconsistent with Title 11 of the United States Code; and

XXIV. TAX CONSEQUENCES

The Debtor does not have any known tax consequences related to the Plan of Reorganization.

As it relates to the tax consequences to creditors, the tax treatment of the payments to be made is depended upon the specific circumstances of the various creditors. Therefore, no meaningful statement can be made as to the result for any given creditor. Creditors are advised to seek proper tax advice as to the correct treatment of the payments under the Plan.

XXV. OWNERSHIP OF REORGANIZED DEBTOR

Not applicable – will continue as an Ohio non-profit organization.

CERTIFICATION

The undersigned hereby certifies that the information herein is true and correct to the best of his knowledge and belief formed after reasonable inquiry.

**MOUNT CALVARY PENTECOSTAL
CHURCH OF YOUNGSTOWN, OHIO**, the
Debtor and Debtor-in-Possession

Dated: October 30, 2017

By: /s/ Derrick Jackson
Derrick Jackson, its Authorized Board Member

Respectfully submitted,

SUHAR & MACEJKO, LLC

By: /s/ Andrew W. Suhar
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