IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

In re:	:	Chapter 11
CENTRAL LAUNDRY, INC.,	:	Case No. 16-10666(SR)
Debtor	:	

DISCLOSURE STATEMENT
DATED OCTOBER 30, 2016
FOR CENTRAL LAUNDRY, INC.

I. INTRODUCTION

A. Background

Central Laundry, Inc. sometimes know and trading as Olympic Linen, hereinafter referred to as the "Debtor", is duly organized, formed, and existing under the laws of the Commonwealth of Pennsylvania with its current principal place of business and executive offices located at 615 Industrial Park Drive, Lansdowne, Pennsylvania. The Debtor has been engaged in Bankruptcy Proceedings since the filing of a Voluntary Petition under Chapter 11 of Title 11 of the United States Code on February 1, 2016. The bankruptcy reorganization proceeding is pending before the Honorable Stephen Raslavich, United States Bankruptcy Judge for the Eastern District of Pennsylvania, under Case No. 16-10666(SR) The Debtor's primary business involves operating a commercial laundry and linen service for the restaurant and hospitality industry.

Since the bankruptcy filing, the Debtor has continued in the legal possession of its assets and in control of the operation of its financial affairs pursuant to the authority set forth in Sections 1107 and 1108 of the Bankruptcy Code. On October 30, 2016, the Debtor filed a Plan

of Reorganization with the Bankruptcy Court pursuant to 11 U.S.C. §1121(a). The Debtor believes the Plan as proposed presents the best possible treatment for the allowable claims which exist against the Bankruptcy Estate within the most reasonable period of time, giving full consideration to the assets of the Debtor, its financial resources and abilities.

The Plan proposes the satisfaction of all existing secured claims outstanding to M & T Bank and T.D. Bank, N.A. through a single cash payment, a payment of allowed deficiency wage claims over a period of not more than 5 years, and a partial payment of unsecured claims over a similar five year period of time.

Prior to soliciting acceptance of the treatment proposed to various classes of creditors under the Plan, the Debtor is required to forward a Disclosure Statement pertaining to the applicable Plan providing adequate supporting information to allow each creditor entitled to vote on the Plan as proposed with information to permit the creditor to intelligently vote of the Plan. On October 30, 2016 the Debtor filed a proposed Disclosure Statement with the Bankruptcy Court. Notice of the filing of the Disclosure Statement was sent to all creditors and parties who had previously expressed interest in the case and requested the ability to receive notices. The Notice informed persons of the right to comment on the adequacy of the information set forth in this Disclosure Statement.

A hearing on the adequacy of the information in the proposed Disclosure Statement was conducted by the Bankruptcy Court. Following the hearing, after consideration of any objections or comments, it was determined that this Disclosure Statement contains sufficient information to enable those entitled to vote on the Plan with sufficient information to make an informed decision on the Plan.

The Debtor firmly believes the Plan of Reorganization dated October 30, 2016 as filed provides for the optimum payments to creditors within the shortest practical and realistic period of time giving consideration to the creditors' claims, the Debtor's resources, current market conditions, realistic new capital contributions being made, and the Debtor's business abilities.

B. Purpose of Disclosure Statement

The Debtor provides this Disclosure Statement to all creditors, current interest holders, and parties in interest in the Debtor's Bankruptcy case, including the Office of the United States Trustee, pursuant to §1125 of Title 11 of the United States Code, for the purpose of providing adequate information about the Debtor, its assets, creditors, and interrelationships of companies and individuals who may be involved in the efforts to confirm the proposed Plan. This Disclosure Statement shall provide creditors and interest holders entitled to vote on the Plan with adequate information to make an informed decision of how to vote on the Plan which has been proposed and to permit the Debtor to solicit acceptances to the Plan of Reorganization.

Previously, this Disclosure Statement has been submitted to the Bankruptcy Court for review and comment by any creditor or interested party and, after notice to all creditors, the counsel representing the Office of the United States Trustee, and other interested parties of the filing of the Disclosure Statement, the opportunity to present any comment or objection to the information which has been provided, or to suggest any additional information be included, and the occurrence of a hearing, it was determined that the Disclosure Statement contained such information as was reasonably practical under the circumstances of this case to permit you to make an informed judgment about the voting on the proposed Plan. The approval by the

Bankruptcy Court of the Disclosure Statement means that the Disclosure Statement contains "adequate information" for creditors of the Debtor to vote on the Plan.

Pursuant to §1125(a)(1) of the Bankruptcy Code, adequate information is defined as "information of a kind, and in sufficient detail as far as is reasonably practical in light of the nature and history of the Debtor, and the condition of the respective Debtor's books and records that would enable a hypothetical reasonable investor, typical of holders of claims or interests of the relevant class, to make an informed judgment about the Plan." No statements or information concerning the Plan or the transactions contemplated thereby have been authorized, other than statements or information contained in this Disclosure Statement and the information accompanying this Disclosure Statement. Approval of this Disclosure Statement by the Bankruptcy Court, however, does not indicate the Bankruptcy Court recommends either acceptance or rejection of the Plan.

You are strongly urged to read the Disclosure Statement in its entirety because it contains important information concerning the Debtor's history, assets, results of operations, prospects for maintaining existing business and developing new business and the effects of material litigation which the company was involved with prior to the commencement of the case. The Disclosure Statement also summarizes and analyzes the present Plan and presents certain forecasts and projections with respect to the contemplated Reorganized Debtor's operations, along with likely alternatives to the Debtor should the Plan not be confirmed. Please read the Plan fully and obtain independent professional advice if you deem it necessary. The definitions contained in the Plan apply to this Disclosure Statement, and each recipient hereof is urged to review the provisions of the Plan prior to reviewing the Disclosure Statement and keep it available for reference during your review of the Disclosure Statement.

For the Debtor's Plan, as proposed, to be enforceable against all creditors of the Debtor, including your claim, it is necessary for the Debtor to gain acceptance of the Plan. A Plan will be deemed accepted if two-thirds in amount and one-half in the number of allowed claims of each class of impaired claims designated in the Plan indicate the willingness by affirmative vote to accept the terms of treatment as described in the Plan. Your claim will only receive the treatment as is expressly outlined in the Plan. Based on the foregoing, the Debtor has forwarded this Disclosure Statement to provide each creditor entitled to vote with sufficient information concerning the background, assets, and proposed future operations, financing, and indebtedness of the Debtor in order to permit the creditor, such as yourself, to make an informed decision about the exercise of your right to vote in favor of the Debtor's Plan

C. Voting Instructions

Accompanying this Disclosure Statement is a copy of the Bankruptcy Court Order approving the Disclosure Statement and the Voting Procedures, forms and materials. The Order directs important time limitations relating to the solicitation of your approval of the Plan, including the time in which each creditor must be sent this information, the last date for filing written acceptances or rejections to the Plan by those claimants eligible to vote, the last date for filing and service of formal written objections to the confirmation of the Plan, fixing a date on which a report must be made on the results of Plan voting, and fixing the day and time for a hearing on the Confirmation of the Central Laundry Plan.

Creditors of the Debtor who are to be paid in full under the Plan and under the terms permitted by the Bankruptcy Court are conclusively presumed to have accepted the Plan, and solicitation of their acceptance is not required. **Votes are being solicited only from those**

classes whose claims may be impaired under the Plan. It is important for you to exercise your right to vote, since the majority in number and two-thirds in amount of the solicited claimants who actually vote may bind those who do not vote. An eligible claimant who does not vote for acceptance or rejection of the Plan will have no bearing on the outcome of voting.

Further, it is important to know that, notwithstanding minimal requirements for voting for the acceptance by each individual creditor of an impaired class, the Bankruptcy Court may, on a request of the proponent of the Plan, confirm the Plan if it does not discriminate unfairly, and is fair and equitable with respect to each class of impaired claimants. If the Plan, or a modification thereof, is not accepted by one or more impaired classes of claims held by creditors and is not confirmed by the Bankruptcy Court, the Debtor may be unable to secure the necessary funds to repay its obligations. This Disclosure Statement discusses this as an alternative. You are advised to read the relevant sections below.

THE PLAN IS PROPOSED BY THE DEBTOR. THE DEBTOR URGES ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN BECAUSE IT PROVIDES THE GREATEST AND EARLIEST POSSIBLE RECOVERY TO CREDITORS REASONABLY OBTAINABLE. YOUR VOTE IN FAVOR OF THE PLAN IS RECOMMENDED BECAUSE THE PLAN MAXIMIZES THE VALUE OF THE DISTRIBUTION ON YOUR CLAIM AND MINIMIZES DELAY IN RECOVERIES BY ALL CREDITORS. THE PLAN ALLOWS CREDITORS TO PARTICIPATE IN DISTRIBUTIONS IN EXCESS OF WHAT WOULD BE AVAILABLE IF THE DEBTOR WAS TO HAVE ITS ASSETS LIQUIDATED UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

II. BACKGROUND OF THE DEBTOR

A. In General

Central Laundry, Inc., sometimes known and doing business as "Olympic Linen," the Chapter 11 Debtor in this case, is a commercial laundry and linen service for the restaurant and hospitality industry. The Debtor has been doing business in the Philadelphia metropolitan area since 2000, however the Rengepes family has been in the commercial laundry business since 1960.. Over the last several years leading up to the bankruptcy filing Central Laundry had expanded its servicing to Wilmington, Delaware; Harrisburg, Pennsylvania; all of New Jersey; and New York City. The Debtor is owned solely by George Rengepes but is actively managed by George Rengepes and his son, James Rengepes.

The Company maintains its plant at 615 Industrial Park Drive in Lansdowne, Delaware County, Pennsylvania. The Company has been operating out of the Industrial Park facility for 16 years. As the business has grown the facility has become too small to effectively handle the business the Company was able to generate. Staffing of the commercial laundry has also historically been a challenge. The working environment, particularly during the warmer summer months is less than ideal. Central Laundry has experienced its share of challenges to hiring and retaining a labor force capable and willing to do physical labor of loading sheets, linens, towels and other textiles into large commercial washing machines and then transmitting them to dryer machines that emit significant heat.

B. Acquisition of Intended Commercial Facility in Bellmawr, New Jersey

Realizing the impediments contributed by a facility too small to handle current work flows, in 2012-2013 management of the Debtor began a search for a larger commercial facility which would provide Central Laundry with room to expand offering greater space for equipment improvements and better working conditions. In 2014, George Rengepes and his son James Rengepes located a favorable industrial building in Bellmawr, New Jersey. The industrial property was located on 3.3 acres of land and included a building with 74,000 square feet of useable space. George Rengepes and James Rengepes acquired the property and formed an independent entity, Bellmawr Laundry, LLC, to act as the real estate owning company for the real estate.

At the time of negotiating the property acquisition the Rengepes separately were negotiating an equipment loan in the amount of $3,000,000 to be used for the purposes of adding new commercial laundry equipment and necessary improvements to the building to properly service a commercial laundry production facility. The acquisition and equipment/improvements loan facility was to be provided by PNC Bank, N.A. Just prior to the scheduled closing on the property acquisition, PNC advised the Rengepes that it was no longer desirous of issuing the equipment/improvements loan and suggested the Rengepes would be required to obtain another lender for that segment of the financing. Face with the prospect of losing what the Rengepes believed was a remarkable facility for their purposes, the Rengepes proceeded with the real estate acquisition without have the separate financing to fund the critical improvements and additional equipment acquisition.

C. Disruption of Wholesale Utility Service

As a commercial laundry, the Debtor uses significant amounts of water, natural gas to heat its dryers, and electricity to power its equipment and machinery. As a result, it is advantageous for the Debtor to obtain the best rate from each utility service provider. In the course of its business, the Debtor was able to negotiate favorable rates for these utilities. This would include the ability to obtain natural gas at a wholesale cost as oppose to a retail cost. This saves the business approximately 50% on its purchase of natural gas.

In the Fall of 2014, the Debtor began experiencing a cash flow crunch which required the Company to be judicious with its expenditures. Through largely an accounting mistake by an internal employee responsible to business payables, a payment was not made to the wholesale natural gas supplier who then in turn terminated the service requiring the Company to begin acquiring gas from Philadelphia Electric at regular retail rates. This significantly increased the cost of gas to the Company. This immediate increased expense had a profound effect of the business operations since the late Fall of 2014.

D. Fair Labor Standards Act Complaint instituted by the U.S Department of Labor

As noted one of the challenges in operating such a physically demanding business is to retain personnel capable and willing to do the arduous work. Central Laundry has been obligated to use temporary employment service companies for the purpose of assuring the right amount of staff required to perform the work. The Company also was introduced to migrant workers who

were interested in obtaining any type of employment. On occasion the migrant worker suggested he would be willing to work, but advised he or she was only willing to work for cash wages claiming not to have a Bank were a paycheck could be negotiated. Many of these individuals spoke only limited English but consistently reported to work on time and were willing to work longer hours to get the day's work completed despite the less than preferable work environment.

In late 2014, the United States Department of Labor received a complaint from a former employee of Central Laundry, Inc. who had been recently terminated for fighting with another female employee. The Complaining employee contended the Company was paying certain of its employees less than the statutorily mandated $7.25 per hour minimum wage during a period between November 2011 and November 2014. Additionally, it was also suggested the same employees who were being paid less than the statutory minimum wage, had worked overtime hours and were not paid at the necessary time and a half of the minimum wage. In March of 2015 the Department of Labor instituted a Complaint in the United States District Court for the Eastern District of Pennsylvania against Central Laundry, Inc., George Rengepes, and James Rengepes claiming the named Defendants violated provisions of the Fair Labor Standards Act of 1938 by failing to pay certain unspecified and unknown employees wages and overtime pay at the statutory minimum wage.

Central Laundry was required to engage legal counsel to defend the claims being presented by the Secretary of Labor on behalf of the alleged injured employees or former employees. The Company engaged the labor law firm of Fisher & Phillips, LLP of Radnor, Pennsylvania to represent the named Defendants' interests. The Department of Labor and the Defendants' legal counsel engaged in a number of meetings in an attempt to establish who might have been involved or effected consistent with the claims raised in the disgruntled employee

complaint. A Settlement Conference was conducted with a Magistrate Judge but did not produce any acceptable resolution of the disputed claims. Once negotiations broke down, as outstanding legal fees escalated, labor counsel believed the cost of defending the litigation brought by the Department of Labor would be too costly for the Company to afford and recommended the Company seek chapter 11 bankruptcy relief.

Learning of the Federal Court litigation, other former employees brought a separate lawsuit in the Court of Common Pleas of Delaware County in the matter captioned *Knolly Arnold, et al. v. Central Laundry, et al.* under Docket No. 14-09728 claiming similar basis for relief only under Pennsylvania wage payment laws. The Fisher Phillips law firm had also originally entered its appearance on behalf of the named Defendants in this separate litigation matter but did suggest the bankruptcy filing would be effectuate a stay of the litigation matter. Several of the named Plaintiffs in the State Court litigation were never employees of the Debtor but worked and were paid through the temporary staffing agencies. Each of these issues played a role in the need to seek Federal Bankruptcy protection.

E. Management of the Debtor before and After the Bankruptcy

Management of the Debtor both prior to and during the Chapter 11 case has been performed principally James Rengepes. George Rengepes remains involved in day to day operations providing hands on efforts to keep the facility running. Both Father and Son are all active, present, and participate in the daily business activities and management decisions for the Debtor. The Plan proposes that current management of the Debtor will remain in similar positions with the Reorganized Debtor. Both George Rengepes and James Rengepes receive a

salary from the Debtor. George is paid at a rate of $160,000 per year and James is paid a salary of 150,000 per year. George regularly works in excess of 50 hours per week Monday through Friday. James regularly works 7 days a week in excess of 75 hours. Without their on-going direct involvement, the Company cannot survive.

F. Events Leading to Chapter 11 Filing

It is unquestionably clear that the Debtor's bankruptcy was caused by its need to deal with the significant labor litigation matters in which the Debtor was involved during the year before the bankruptcy combined with the challenge to cash flow, the significantly increased utility costs in the Fall of 2014, and the increase labor costs incurred by the need to use more Third Party Staffing agencies to man the work force. The monies incurred by the Debtor in attempting to defend the various claims had a significantly negative effect on the Debtor's ability to focus its time, financial resources and energies on developing and expanding its business operations. The cash drain on the Company and the need to responsibly address the Department of Labor wage claim within the capacity of the business necessitated the Chapter 11 filing.

G. Significant Events during the Bankruptcy

1. Bankruptcy Proceedings

The bankruptcy case was required to be instituted to appropriately deal with labor litigation matters and to evaluate its business practices and efficiencies. Since the inception of the Chapter 11 case the Debtor has operated its business and has attended to its regular business affairs. The Debtor does have two secured loan facilities outstanding to T.D. Bank and to M & T Bank. Each of these lenders hold security interests in assets of the Company that are defined as "cash collateral." As a consequence, in order for the Debtor to be allowed to make use of this

cash collateral, which includes the proceeds from its business sales, it is required to either have the consent of the particular lender or have the Bankruptcy Court determine that each lender's security interest has adequate protection against lessening value of its collateral. Essentially that the Debtor holds enough assets to protect the lender's ability to collect on its outstanding claim in the event the Company would not be able to pay its obligations to the Banks.

Because of this interest the Debtor was obligated to file a Motion with the Bankruptcy Court seeking the authorization to continue to use the cash collateral in its on-going business operations. This request has been sporadically disputed by each of the Banks during the course of the bankruptcy proceeding. Each time the Debtor has been able to gain either the respective Bank's agreement, or on occasion, obtained the Court's urging to permit the Debtor to continue to be allowed to use the cash proceeds to operate the business and be permitted to develop this Plan of Reorganization. The Debtor has consistently made monthly cash payments to each of the Lending institutions in excess of the required interest costs of the outstanding loan facility. Essentially, the Debtor has been reducing the principal balance of the loan throughout the reorganization process.

During the case administration, the Debtor has also needed to deal with security deposit demands of the various utility service providers. This has caused significant demands on the Debtors cash. The Philadelphia Electric Company threatened to terminate electric service if the Debtor did not immediately fund and security deposit in the amount of $30,000 These monies were paid by the Debtor in May and June of this year. Additional deposits were required to be paid to the Gas Service provider totally $25,000 to assure the Debtor continues to be eligible to obtain the wholesale gas cost rate.

The Debtor has consistently filed all required operating reports with the Court, and has paid required quarterly fees to the United States Trustees System. The bankruptcy filing has disrupted the Debtor's revenue collections to a certain extent. It is believed this is largely more attributable to an inability to consistently meet production and delivery requirements than management disruptions caused by addressing bankruptcy related duties. If cleaned product is not delivered to a hotel or restaurant when needed, the customer will be very quick to engage a competitor company who is offering claims of better service at a cheaper price per good. Once the laundry company is replaced, collection of outstanding invoices from the customer becomes a challenge. This has impacted the Debtor's ability to collect revenues. The failure to collect revenues causes and inability to meet operational expenses. The Debtor has used the bankruptcy and its mandated reporting requirements to focus its attentions on becoming a more efficient business operation. The Debtor has carefully monitored its staffing issues, has significantly cut back on overtime and has reduced outside vendor staffing. Overall the Debtor has been able to meet its normal expenses in a reasonably timely manner since the inception of the case, with the exception of paying rents to the two related production facilities. The limitation on revenue collections has prevented the Debtor from having funds available to pay its current rent obligations.

The key to the successful reorganization of the Debtor is for the company to improve its production capabilities. Management has realized for some time that its existing plant facility is too small and antiquated to timely meet the production demands of expanding it business into the hospitality/hotel customer base. This deficiency was the reasoning behind acquiring the Bellmawr location, but expansion or relocation to this new production plant was forestalled by the inability to obtain the necessary financing to fit out and equip the new plant.

Substantial monies of the Debtor have been used for infra-structure in Bellmawr. The Debtor and its principals realized that the existing equity in the Bellmawr facility could be recaptured and put to better use if the real estate was sold and the Debtor was able to lease the property back from the purchaser. This way the Debtor was pull out the equity in the real estate, yet still be able to take full advantage of the hard cost infra-structure improvements already invested in the property. Through nothing less than good fortune, the Non-Debtor Bellmawr Laundry, LLC was able to find a buyer of the real estate who was willing to offer a fair price for the real estate and lease the property back to the Debtor to development and open is new capacity commercial laundry facility. With these plans now in place, the Debtor believes it is poised and capable to effectuate Plan as has been proposed. The Debtor has experienced a reduction in operating revenues over the last several months feeling the recessionary impact of the overall economy, however remains optimistic the economic conditions will improve and business will turnaround.

2. **Actual and Projected Recovery of Preferential or Fraudulent Transfers**

The Debtor has not identified any preferential payments necessitating instituting any action to avoid payments made during the 90 days prior to the filing of the case on February 1, 2016 This is not surprising recognizing the Debtor was relatively current in the payment of most normal operating expenses to vendors and as a result, most vendors who received payments during the 90 days prior to the bankruptcy filing were paid in the ordinary course of business of the parties. If any preference action was existent, the Debtor is cognizant that the success of the Plan as proposed contemplates funding largely from the continued operations of the business, and the disruption which could be caused to vendors with by instituting avoidance actions would

likely be more detrimental than beneficial to the bankruptcy estate. The schedules filed with the Bankruptcy Court shortly following the filing detailed all payments made by the Debtor during the potential preference periods and nothing significant is reflected in these transactions. The Debtor has also not made any payments to anyone who would be considered an insider during the year prior to the Bankruptcy filing and, as a result, there are no insider preference actions which would benefit the estate of the Debtor.

III. SUMMARY OF THE PLAN OF REORGANIZATION

A. CLASSIFICATION OF CLAIMS. The Plan filed by the Debtor classifies the claims of creditors in the following classes:

1. Class I-Post Petition Claims including any outstanding claims of the U.S. Trustee The first class of claims under the Plan is identified as the post petition trade claims as defined under 11 U.S.C. §503 and any administrative expense claims incurred by the Debtor during the administration of the chapter 11 proceeding. Administrative expenses are claims for fees, costs or expenses of administering the Debtor's Chapter 11 case which are allowed under Code Section 507(a)(1), including all professional compensation requests pursuant to Sections 330 and 331 of the Code. The Code requires that all administrative expenses including costs payable to the Bankruptcy Court and monies due to the Office of the United States Trustee which were incurred during the pendency of the case for quarterly fee assessments imposed pursuant to Title 28 of the United States Code must be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

As it pertains to professional fees, pursuant to the Bankruptcy Code, the Bankruptcy Court must approve all professional compensation and expenses incurred by a professional

employed by the Debtor before the compensation and expenses may be paid by the Debtor to the respective professional who had rendered the service to the Debtor. The professional must file and serve a properly noticed fee application for requesting the Court's approval of the compensation and reimbursement of expenses and the Court must rule that the services rendered and expenses incurred were reasonable and necessary as of the time they were performed. Only the amount of compensation and reimbursement of expenses allowed by the Court will be owed and required to be paid by the Debtor under this Plan as an administrative claim.

Each professional person who asserts an administrative claim that accrues before the confirmation date shall be required to file with the Bankruptcy Court, and serve on all parties required to receive notice an application for compensation and reimbursement of expenses no later than thirty (30) days after the Effective Date of the Plan. Failure to file such an application timely may result in the professional person's claim being barred and discharged. Any person or party asserting an administrative claim shall be entitled to file a motion for allowance of the asserted administrative claim within sixty days of the Effective Date of the Plan, or such administrative claim shall be deemed forever barred and discharged. No motion or application is required to fix the fees payable to the Clerk's Office or Office of the United States Trustee. Such fees are determined by statute.

2. Class II- Secured Claim of M & T Bank. Secured claims are claims secured by liens on property of the estate. In this case the Debtor believes it has two secured creditors, M & T Bank and T.D. Bank, N.A. Class II shall be the aggregate secured claim of M & T Bank or its successor or assignee ("M & T Bank"), representative of the total monies advanced to the Debtor prior to the commencement of the bankruptcy case which remains outstanding as of the date the Plan is confirmed. The M & T Bank claim shall include all accrued and unpaid interest, but shall

credit all payments made by or on behalf of the Debtor during the pendency of the Chapter 11 case. The claim of M & T Bank shall include only reasonable attorney fees incurred by the Bank's counsel subsequent to the Filing Date.

3. Class III- Secured Claim of T.D. Bank. The third class of claims under the Plan shall be the allowed aggregate secured claim of T.D. Bank, N.A. or its successor or assignee ("T.D.Bank"). This claim is also secured on all personal property and equipment of the Debtor. The claim shall include all monies advanced to the Debtor prior to the commencement of the bankruptcy case which remains outstanding on the date the Plan is confirmed. The T.D. Bank claim shall include all accrued and unpaid interest, but shall credit all payments made by or on behalf of the Debtor during the pendency of the Chapter 11 case. The claim of T.D. Bank shall include only reasonable attorney fees incurred by the Bank's counsel subsequent to the Filing Date.

4. Class IV- Priority Unsecured Tax Claims. The fourth class of creditors under the Plan shall be the allowed claims of any governmental taxing authority that may hold an legitimate actual outstanding pre-petition tax claim entitled to priority treatment under the Bankruptcy Code. A priority unsecured claim in the amount of 518,569.80 has been filed on behalf of the Commonwealth of Pennsylvania, Department of Revenue under claim No. 2. A substantial portion of this claim is based on estimated assessments made by the taxing authority. Similarly, a proof of claim has also been filed on behalf of the New Jersey Division of Taxation in the amount of $917,845. This claim is also based entirely on estimated assessments without any supporting basis whatsoever. The Debtor's services in the State are limited and the claimed obligation is completely without factual support. It is anticipated these two claims shall be

substantiality reduced either voluntarily or through the claim objection process. The final allowed amount of each claim shall be treated as a Class IV Claim.

5. Class V- Executory Contract Claims. The fifth class of claims under the Debtor's Plan consists of the executory contract claims. An executory contract is a claim is where there is an on-going obligation for future performance by both the Debtor and the creditor. Common executory contracts are equipment leases and vehicle leases. An executory contract claim may be either accepted or rejected. The Debtor has a number of such equipment and vehicle lease agreements. The agreements include equipment leases with De Lage Financial Services, PACCAR Financial Corp., Wells Fargo Financial Leasing, Inc. and Univest Capital, Inc. The Debtor has two truck leases through Ford Motor Credit Company, LLC. The Debtor also has two real estate leases, one with George Rengepes and his wife for the use of 615 Industrial Park Drive and the second with Bellmawr Laundry, LLC for the Bellmawr facility.

6. Class VI- General Unsecured Claims of Allowed DOL Wage Claim Beneficiaries. The Class VI creditors under the Plan shall be those individuals determined to have an allowed claim established under litigation brought on behalf of the subject former employees by the United States Department of Labor. The actual amount of the claim attributable to the particular former employees is presently being litigated in the United States District Court. The claims presented by the Department of Labor on behalf of the individual employees under the Fair Labor Standards Act contends that Central Laundry paid the specific employees less than the statutorily mandated minimum wage and correspondingly did not pay the appropriate rate for overtime hours for the same employees during a period between November 2011 and November 2014. Due to the time periods in which the wage claims were

incurred the claims for the benefit of the former employees do not qualify as priority claims under 11 U.S.C. §507(a)(4).

7. Class VII- General Unsecured Claims. General unsecured claims are uncollateralized claims not entitled to any priority under Bankruptcy Code Section 507(a). This class includes the creditor who claims to have a claim against the Debtor which arose prior to the filing of the Chapter 11 case including tax claims which are not entitled to statutory priority treatment under Section 507(a)(8) of the Code. A detailed scheduled of the unsecured creditors under the Plan is attached as ***Exhibit 1***.

7. Class VII- Equity Interest Holders. Interest holders or equity security interest holders are the persons who hold an ownership interest (i.e., equity or stock ownership interest) in the Debtor as of the Filing Date.

IV. TREATMENT OF CLAIMS:

Creditors shall receive the following treatment under this Plan:

1. Class I - Post Petition Claims and Administrative Expenses

Subject to the terms and conditions of existing and pending contractual relationships with the Debtor, the allowed Post Petition Claims and Administrative Expenses shall be paid in their ordinary course when the contractual obligation to pay any post petition claim comes due from business revenues earned or payable to the Chapter 11 Estate, to the extent funds are available, and, if not then, in cash on the Effective Date or as may be agreed with the post petition trade vendor. The allowed Administrative Expense claims for professional fees authorized to be paid by a Final Order and bankruptcy costs, if not paid from operating revenues of the Debtor, shall

be paid in full in cash on the Effective Date, or as may be agreed to between the respective professionals and the debtor. As of October 31, 2016, the legal counsel for the Debtor has billed the bankruptcy estate the sum of $143,061.75. Of this sum, the Court has approved fees in the amount of $68,993 for services through May 31, 2016 under a First Interim Fee Application. The Debtor has made payments totaling $52,246 against these approved fees including monies paid as an original retainer to counsel.. Legal fees incurred subsequent to May 31, 2016 are subject to review by the Bankruptcy Court under future fee applications.

The Debtor has also engaged an accounting firm who has provided significant services to the estate. As of September 30, 2016, the accountant for the Debtor has billed the bankruptcy estate approximately the sum of $65,000**.** A portion of these fees have been approved in a First Interim Application filed by the Accountants. Accounting fees incurred subsequent to June 1, 2016 are also subject to review and approval by the Bankruptcy Court.

During the Confirmation proceedings the Debtor may be required to engaged certain professionals to provide opinions as to value of the business and its assets in conjunction with the confirmation process. Should such professionals be required, they also will be required to request prior Bankruptcy Court authorization before being eligible for any fee payments. Once professional fees are authorized to be paid, they will be paid by the Debtor. All payments due to the Office of the United States Trustee for Quarterly fees which are due and unpaid as of the confirmation date shall be paid on the Plan Effective date. As set forth below, the Reorganized Debtor shall also pay all quarterly fees which are incurred until the Chapter 11 Case is closed.

Post Petition Claims and Administrative Expenses are not impaired under the Plan and as a result are deemed to have accepted the treatment provided herein. No vote shall be solicited from this Class.

2. Class II - Secured Claim of M & T Bank

The Class II Secured Claim of M & T Bank shall be in cash the full amount of its allowed claim on or before the Plan Effective Date. **This class is not impaired and is deemed to have accepted treatment under this plan pursuant to 11 U.S.C. §1126(f). No vote shall be solicited from Class II.**

3. Class III- Secured Claim of T.D. Bank

The Class II Secured Claim of T.D. Bank, N.A. shall be in cash the full amount of its allowed claim on or before the Plan Effective Date. **This class is not impaired and is deemed to have accepted treatment under this plan pursuant to 11 U.S.C. §1126(f). No vote shall be solicited from Class III.**

4. Class IV- Priority Unsecured Tax Claims

All allowed priority unsecured tax claims shall be paid in full together with any accrued interest due thereon at the appropriate required statutory rate of interest rate over a period of 60 months from the Filing Date to enable this provision to be in conformity with the 5 year limitation mandated for the payment of section 507(a)(8) unsecured priority claims under 11 U.S.C. Section 1129(a)(9)(C). **This class is not impaired and shall be deemed to have accepted this Plan pursuant to 11 U.S.C. §1126(f). No votes will be solicited from this class.**

5. Class V – Executory Contract Claims

The Debtor has various agreements which are defined as executory contract and equipment leases. The Reorganized Debtor intends to assume each of the equipment leases and truck leases presently used by the Debtor in Possession in the operation of its business as detailed above. By assuming each of the equipment and vehicle lease agreements, the Reorganized Debtor shall continue to make all contractually obligated payments consistent with the contract terms subsequent to confirmation. The Debtor does not believe parties who hold claims in this class are impaired, however, because the existing contractual agreement is being assigned to a new entity, the Reorganized Debtor, votes shall be solicited from members of this class. The Debtor shall reject the real estate lease claim for Bellmawr. The Property is being sold and Bellmawr Laundry, LLC, wholly controlled by insiders, will not have any claim against the Bankruptcy Estate and will not receive any distribution upon any potential rejection damages claim.

6. Class VI- General Unsecured Claims of Allowed DOL Wage Claim Beneficiaries

The allowed actual deficiency wage claims of former employees of the Debtor as determined by the District Court pursuant to litigation brought on behalf of those former employees shall be paid in full to the respective individual employee who was underpaid which claim shall be paid over a period of five years from the date of confirmation in equal quarterly installments. The allowed deficiency wage claims shall be distributed from a fund established by the Debtor pursuant to this paragraph. Upon the Effective Date the Reorganized Debtor shall contribute a payment of $3000 per month to the DOL Wage Fund to fund the necessary amounts required to effectuate the payments to the allowed claims of the former employees. Distribution payments shall be made on account of allowed employee claims from the DOL Wage Fund once

there is a final determination of the amount of actual unpaid wages to each eligible former employee. Any claim amounts over the actual unpaid wage claims of the former employees shall be considered general unsecured claims and treated similar to allowed general unsecured claims of Class VII. **This class is impaired and will be requested to vote in favor of this Chapter 11 Plan shall be afforded to the individual wage claimants.**.

7. Class VII - Allowed General Unsecured Claims

The Allowed Claims of general unsecured creditors shall be paid a proportional amount of their allowed claim on a pro-rata basis of the total amount of each claimant's allowed claim to the total general unsecured claim pool. The Reorganized Debtor shall create a payment fund in the total amount of $60,000 by contributing a sum of $1000 per month for a period of 60 months to the unsecured creditors claim fund. The disbursing agent shall make distributions on a pro-rata basis to the allowed unsecured claims on a semi-annual basis with the first distribution being made 180 days following confirmation, and semi-annually thereafter. **Creditors in this class are impaired.**

8. Class VIII- Existing Equity Security Holders of the Debtor

Class VIII members is the equity interest holder of the Debtor. On the Effective Date, all existing stock interests of the Debtor shall be canceled and discharged and the holder thereof shall not receive any distribution under the Plan on account of such Equity Security Interest. **This class is impaired**.

D. Means of Effectuating the Plan

Funding for the Plan payments to creditors shall be generated through regular business revenues, the collection of a Note Receivable in the amount of $534,000 from Bellmawr Laundry, LLC which shall be paid upon the sale of its interest in the commercial real estate located at 281 Benigno Boulevard in Bellmawr New Jersey, and a new capital contribution in the amount not less than $400,000 being provided by George Rengepes and James Rengepes to the Reorganized Debtor in consideration of their receipt of the new stock interests in the Reorganized entity. The new value capital contribution is being made to assure that the Reorganized Debtor has sufficient cash resources to fund the necessary anticipated payments to Chapter 11 administrative creditors on the Effective Date, to meet on going operational costs and the plan payment funding requirements. These contributions shall be made in exchange for new equity interest holdings in the Reorganized Debtor

The Debtor projects the Plan will require significant funds on the Plan Effective Date to enable the Debtor to meet the statutorily required initial plan funding requirements and to fund the cash payments to M & T Bank and T.D. Bank. The anticipated cash contributions which will be required by the principals of the Reorganized Debtor entity shall constitute a new value contribution of money or money's worth reasonably equivalent in view of all the circumstances of this particular case sufficient to support a determination by the Bankruptcy Court that this Plan as proposed is fair and equitable and the funding contributions act as an appropriate and necessary consideration to the absolute priority distribution provisions of 11 U.S.C. §1129(b)(2)(B). A detailed scheduled reflecting the projected feasibility of this Plan as of the anticipated date of confirmation is appended to this Plan as ***Exhibit 2.***

All equity interests to be issued by the Reorganized Debtor pursuant to the Plan are not subject and shall be exempt from registration under the Securities Act of 1933, as amended, pursuant to 11 U.S.C. §1145. The Reorganized Debtor is a Subchapter S Corporation organized formed and existing under the laws of the Commonwealth of Pennsylvania.

Appended to this Disclosure Statement are a series of schedules and operational forecasts which evidences the Debtor's projected ability to meet the Plan funding obligations.

E. Disbursing Agent

The public accounting firm of Marcum, LLP shall act as the Disbursing Agent for the Reorganized Debtor under this Plan. The accounting firm is competent and willing to serve as the disbursing agent for the Reorganized Debtor. The Disbursing agent shall be responsible for making all plan distributions to all persons eligible to receive a distribution under the Plan and will prepare, with the assistance of counsel for the Debtor, all Quarterly Post Confirmation Disbursement Reports. The Disbursing Agent shall comply with all requirements of Local Rule 3021-1 of the Local Rules of Bankruptcy Procedure for the Eastern District of Pennsylvania including the filing of all reports for all distributions. The proposed Disbursing Agent is a firm of licensed Certified Public Accountants and shall provide a bond required pursuant to Local Rule 3016-1(e)(3). The bond shall be in the amount of $75,000, which is representative of more than the projected total distributions being made to unsecured creditors under the Plan and is anticipated to cost $500 per year. The Bond shall be acquired at market rates existent as of the Effective Date of the Plan. Premium payments for the cost of the bond shall be paid by the Debtor or the Reorganized Debtor as a cost of administration. The Disbursing Agent shall be compensated by the Reorganized Debtor for professional services rendered as the Disbursing

Agent at his firm's billing rates submitted on a monthly basis as a continuing obligation for concluding the administration of the Bankruptcy Case and effectuating the distribution to creditors on the Effective Date. Such fees shall be limited to reasonable fees incurred with respect to making the required distributions in accordance with the Plan and filing the required Post Confirmation reports as required under the Bankruptcy Rules and mandated procedures.

E. Other Provisions of the Plan

1. Changes in Rates Subject to Regulatory Commission Approval

This Debtor is not subject to governmental regulatory commission approval of its Rates.

2. Retention of Jurisdiction

The Court will retain jurisdiction as provided in Section XI of the Plan.

3. Procedures for Resolving Contested Claims.

All creditors are required to file a Proof of Claim with the Bankruptcy Court if they disagree with the amount of the listed pre-petition claim listed on the Debtor's Bankruptcy Schedules or if the alleged creditor claims to have a claim against Central Laundry which is not listed. The Debtor shall file an objection to any secured, priority, or general unsecured claim within **20 days** of the Bankruptcy Court entering an Order approving this Disclosure Statement. This will enable all creditors whose claim is objected to file a motion with the Bankruptcy Court in advance of the confirmation hearing to allow their claim to be estimated for plan voting purposes if such would be found reasonably permissible by the Court. The Debtor has identified the following claims which will be objectionable:

Claim No.	Claimant	Amount
2	Pa. Dept. of Revenue	$518,569.80
18	NJ Div. of Taxation	$917,845.36
19	NJ Div. of Taxation	$ 6,000.00
26	M & T Bank	$401,217.53
32	T.D. Bank	$179,879.52
7	U.S. Dept of Labor	$1,460,339.42

Certain of the claims listed above are representative of claims which are contemplated to be paid in full under the Plan or shall be satisfied through financing provided by non-debtor sources. The claims of the taxing authorities are based on estimated assessments from non-filed tax returns. Once the filed returns are processed it is anticipated the claimed liability will be substantially reduced. The Department of Labor claim is presently the subject of litigation over the claim amount in the United States District Court. The Bankruptcy Court referred the claim determination back to the District Court during the administration of the case. The Debtor is actively involved in this litigation. The Debtor believes the unsecured wage claim of the actual former employees who were affected includes 4 men and 8 women which deficiency wage claim amounts will total $173,000.

5. Effective Date

The Plan will become effective on the Effective Date which is three days following the date on which an Order of confirming the Plan becomes a Final Order

6. Modification

The Debtor may alter, amend or modify the Plan at any time prior to the Confirmation Date, and thereafter, as provided in Section 1127(b) of the Bankruptcy Code. If the Debtor modifies the Plan at any time before confirmation, however, the Bankruptcy Court may require a new disclosure statement and/or revoting on the Plan if proponent significantly modifies the Plan before confirmation. Any plan proponent may also seek to modify the Plan at any time after confirmation so long as (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modification after notice and a hearing. The Debtor further reserves the right to modify the treatment of any Allowed Claims at any time after the Effective Date of the Plan upon the consent of the a Creditor whose Allowed Claim treatment is being modified, so long as other creditors are not materially or adversely affected.

F. Tax Consequences of Plan

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS.

The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers to possible tax issues this Plan may present to the Debtor. The Proponent CANNOT and DOES NOT represent that the tax consequences contained below are the only tax consequences of the Plan because the Tax Code embodies many complicated rules which make it difficult to state completely and accurately all the tax implications of any action. The following are the tax consequences that the Plan will have on the Debtor's tax liability:

The tax consequences of the Plan to holder of a claim will depend, in part, on the constituency of claims, the type of consideration received in exchange for the claim, whether the holder is a resident of the United States for tax purposes, whether the holder reports income on an accrual or cash basis method, and whether the holder receives distribution under the Plan in one or more taxable years. Holders of claims are strongly advised to consult their tax advisers with respect to the tax treatment of their particular claims under the Plan. Holders of claims which do not constitute tax securities, should generally recognize gain or loss to the extent of the amount realized under the Plan with respect to which any distribution exceeds, or is exceeded by the respective tax basis of their claims. The amount realized for this purpose will generally equal the sum of cash or the fair market value of any consideration received under the Plan and in respect to their claim. The amount realized with respect to any debt obligation received by an accrual based taxpayer, however, should generally equal the obligations principal amount, as determined for tax purposes. Any gain or loss recognized on the exchange will be capital or ordinary, depending on the status of the claim in the holder's hands. The holder’s aggregate tax basis for any consideration received under the Plan will generally equal the amount realized. The holding period for any consideration received under the Plan will generally begin on the day following the receipt of such consideration.

While the foregoing is intended only as a summary of certain federal income tax consequences of the Plan, and is not a substitute for tax planning with a tax professional. The above discussion is for informational purposes only and is not tax advice. Creditors should examine IRS Publication 908 for further information.

TAX CONSEQUENCES IN MANY CASES ARE UNCERTAIN AND MAY VARY DEPENDING ON THE HOLDERS INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS OF ANY CLAIMS OR INTERESTS ARE URGED TO CONSULT WITH THEIR TAX ADVISERS ABOUT THE FEDERAL, STATE, LOCAL

AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN, OR ANY DISTRIBUTION YOU MAY RECEIVE UNDER THIS PLAN.

NO OPINION OF COUNSEL HAS BEEN SOUGHT OR OBTAINED WITH RESPECT TO ANY TAX CONSEQUENCES OF THE PLAN, AND NO TAX OPINION IS GIVEN OR AUTHORIZED BY THIS DISCLOSURE STATEMENT. NO RULING OR DETERMINATIONS OF THE INTERNAL REVENUE SERVICE OR OF ANY TAXING AUTHORITY HAS BEEN OBTAINED OR SOUGHT WITH RESPECT TO THE PLAN AND THE ABOVE DESCRIPTION IS NOT BINDING UPON THE IRS OR ANY OTHER TAXING AUTHORITY.

G. Risk Factors

The following discussion is intended to be a non-exclusive summary of certain risks attendant upon the ability to confirm and for the consummation of the Plan. You are encouraged to supplement this summary with your own analysis and evaluation of the Plan and Disclosure Statement, in their entirety, and in consultation with your own professional advisors. Based on the analysis of the risks summarized below, the Debtor believes that the Plan is viable and will meet all requirements of confirmation.

The Plan requires the Debtor to fund Plan payments through normal business operations, the sale of the non-debtor real estate in Bellmawr, New Jersey, and a significant capital contribution being made by the principals of the Reorganized Debtor. The Debtor will also use the monies contributed from the new capital infusion to assist in operating and plan payment expenses. The primary risk under such a scenario is that the Debtor will not be able to generate sufficient revenues to fund its normal operations and the plan payment obligations once the property is sold. The sale of the subject real estate and the use of the net proceeds will allow the Debtor to pay off substantial secured debt owed by the Debtor. This will significantly benefit the Company by relieving the Debtor of these monthly debt service obligations. The Reorganized Debtor will have a substantial rent payment ($26,000) which it has had trouble meeting during the

pendency of the bankruptcy. Opening the new facility in Bellmawr will enable the Debtor to meet significantly increased production demands which will directly increase revenues. The Debtor has always been able to get the work. Its challenge forcing the bankruptcy has been the inability to get the work done in a timely manner. The Plan of Reorganization will enable the Debtor to move into its new location and increase production capacity.

Another potential impediment to success is the need for the Debtor to fund infra-structure improvements and the acquisition of new equipment in its new Bellmawr facility. During the pendency of the bankruptcy, the Debtor has been in discussions with multiple prospective financing sources and many indicated a hesitancy to lend the Debtor and its non-debtor related entities funds because either the pendency of the bankruptcy or the unresolved litigation claims being prosecuted by the Department of Labor. Since the Plan as proposed addresses and provides the mechanisms for resolving each of these two point, the Reorganized Debtor believes this additional financing will finally be obtainable at commercially reasonable interest rates.

The Debtor has spent the last several months attempting to address and provide a means to satisfy the best return to legitimate creditors on their claims. Management has sought to reduce expenses to every extent possible. The down turn in the economy has further complicated the Debtor's efforts. There has been a marked decrease in investment in new business opportunities over the last several months and revenues and growth are reflective of this result. The Debtor and its principals remain hopeful demand will increase and production demands following confirmation of the Plan and the Debtor's exit from Bankruptcy over the next several months to permit the Debtor to achieve its reasonable goals.

IV. **Liquidation Analysis**

Another requirement for the confirmation of this Plan is that the Debtor meets the "Best Interest of Creditors Test," which requires a liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is in an impaired class and that claimant or interest holder does not vote to accept the Plan, then that claimant or interest holder must receive or retain under the Plan property of a value not less than the amount that such holder would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

In a Chapter 7 case, the Debtor's assets are usually sold by a Chapter 7 trustee. Secured creditors are paid first from the sales proceeds of property on which the secured creditor has a lien. Administrative claims are paid next. Next, allowed unsecured creditors are paid from any remaining sales proceeds, according to their rights to priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims. Finally, interest holders receive the balance that remains, if anything, after all creditors are paid.

In order for the Court to be able to confirm this Plan, the Court must find that all creditors and interest holders who do not accept the Plan will receive at least as much under the Plan as such holders would receive under a chapter 7 liquidation. The Debtor maintains that this requirement is met under the Plan. Attached to this Disclosure Statement as an exhibit, is a proposed Liquidation Analysis. There are some important presumptions and factors which must be considered when evaluating the projected liquidation of the Debtor. First, the secured claims of M & T Bank and T.D. Bank totaling together approximately $750,000 are collateralized obligations, meaning the Debtor's assets are subject to the lien pledged to each which secures the loan balances which are presently outstanding. As a result, if the Debtor's case is converted to

Chapter 7 proceeding and the assets liquidated, the Bank would be paid first, for the full amount of their respective claims.

Additionally, normal accounting considerations must be evaluated. The Debtor's assets are primarily made up of used laundry equipment and accounts receivables. If the Debtor does not actively service its customers, collection of past work would naturally be a challenge. While as a going concern basis, the collectibility and realizable liquidity of the receivables and inventory are good, the opportunity to maximize these values would be diminished should the Debtor stop being an operating entity. The liquidation value of its limited inventory will be substantially affected and reduced. Discounts of the stated values are estimated on the liquidation analysis to accommodate these important considerations. Consideration is also given to the additional layer of Chapter 7 administrative expense which will be incurred by the Bankruptcy estate in the event the hypothetical liquidation of the Debtor is required to occur. Additionally all Chapter 11 Administrative expenses would need to be paid in full before there would be any distribution to unsecured creditors. As concluded in the liquidation analysis, if the Debtor's case was converted and its assets liquidated, it is unlikely that general unsecured creditors will receive any significant distribution on their claims. Clearly this result favors the confirmation of the Plan as proposed by the Debtor.

V. Feasibility

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on such date. The second aspect considers whether the Reorganized Debtor will have enough cash over the life of the Plan to make the required Plan payments. During the Confirmation hearing the Debtor will be required to establish each of these two points.

The Debtor firmly believes it will be capable of establishing each of these two points. The Plan proposes to pay all administrative claims in cash on the Plan effective date. As referenced above, it is anticipated this will be a significant number to its professionals, however the Reorganized Debtor believes it will be able to raise sufficient funds in the new capital infusion, and in subsequent borrowings along with operational revenues to meet this requirement. It may be necessary for the professionals to defer a small portion of their overall allowed claims if the costs exceed certain projected amounts

Additionally the Debtor will be obligated to pay the secured claim consistent with the agreement the Debtor has with the creditors or as set forth in the Plan of Reorganization approved by the Bankruptcy Court. The Plan provides for the payment of all legitimate tax claims, and the payment of the DOL Wage claims beneficiaries in full over a period of 5 years at a rate of $3000 per month. The Plan proposes to pay unsecured creditors a proportional amount of their claim to the total allowed general unsecured claims pool over a period of 5 years. The Debtor will be able to contribute $1000 per month to this fund. As Debtor's financial projections demonstrate, the Debtor will have a cash flow, after paying operating expenses, any post-confirmation taxes, and remaining administration expenses, including the final payments for Quarterly Fees due to the Office of the United States Trustee, to pay the necessary expenses and fully fund the required

Plan payment obligations. The Debtor will present financial projections which will confirm the feasibility of the Plan at confirmation. A detailed feasibility analysis is attached to this Disclosure Statement confirming these projections. The Debtor will likely update these figures as on the date set for the Confirmation Hearing to accurately reflect its ability to meet the Plan payment requirements.

VI. EFFECT OF CONFIRMATION OF PLAN

A. Discharge

The Plan provides that upon confirmation of the Plan, the Debtor shall be discharged of liability for payment of debts incurred by each of the Debtor in any capacity before confirmation of the Plan, to the extent specified in 11 U.S.C. §1141. The payments to be provided under the Plan will not be discharged. If Confirmation of the Plan does not occur or, if after Confirmation occurs the Reorganized Debtor elects to terminate the Plan, the Plan shall be deemed null and void. In such event, nothing contained in the Plan shall be deemed to constitute a waiver or release of any claims against any Debtor or its estate or any other persons, or to prejudice in any manner the rights of the Debtor or its estate or any person in any further proceeding involving the Debtor or its estate. The provisions of the Plan, upon Confirmation, shall be binding upon the Debtor, all creditors and all Equity Interest Holders, regardless of whether such claims or interest holders are impaired, filed a claim in the Bankruptcy, or whether such parties accepted the Plan.

B. Vesting of Property in the Reorganized Debtor

The confirmation of the Plan shall vest all of the property of the Debtor into the Reorganized Debtor. The claims of creditors of the Debtor whose claims are valid and allowed shall have those claims paid as set forth in the Plan.

C. Post-Confirmation Conversion/Dismissal

A creditor or party in interest may bring a motion to convert or dismiss the case under Section 1112(b), after the Plan is confirmed, if there is a default in performance of the Plan or if cause exists under Section 1112(b). If the Court orders the case converted to Chapter 7 after the Plan is confirmed, then all property that had been property of the Chapter 11 estate, and that has not been disbursed pursuant to the Plan, will revest in the Chapter 7 estate, and the automatic stay will be re-imposed upon the re-vested property only to the extent that relief from stay was not previously granted by the Bankruptcy Court during this case.

D. Quarterly Fees due to the U.S. Trustee System

Quarterly fees pursuant to 28 U.S.C. § 1930(a)(6) continue to be payable to the Office of the United States Trustee post-confirmation until such time as the case is converted, dismissed, or closed pursuant to a final decree. It will be the Reorganized Debtor's intent to seek to close the case as soon as practicable following the confirmation and substantial consummation of the Plan. The Reorganized Debtor shall be responsible for the payment of all proper quarterly fees which shall be due pursuant to this statute following confirmation until the case is closed.

VII. Conclusion and Recommendation

The Debtor strongly recommends that all creditors receiving a ballot and entitled under the Plan to vote, vote in favor of the Plan. The Debtor believes the Plan maximizes recovery for each creditor and is made and presented in their best interest. The Plan as structured, among other things, allows creditors to receive distributions under the Plan in excess to what they would receive if the case were converted to a bankruptcy proceeding under Chapter 7, a Trustee appointed and

the Debtor's assets liquidated. For these stated reasons, the Debtor believes that confirmation and consummation of the Plan is preferable to all other options and urges creditors who are entitled to vote, to vote in favor of the Plan.

Respectfully submitted:

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