

V. THE PLAN OF REORGANIZATION.

A. Plan Summary Introduction.

Debtor's Plan provided full payment to all administrative and priority claims during the term of the Plan. Secured Creditors will retain their respective liens on Debtor's property and be paid in full with continued interest over the five (5) year life of the Plan. General Unsecured creditors will also be paid in full in annual payments over the five (5) year life of the Plan.

B. Classification and Treatment of Claims and Interests.

In accordance with Bankruptcy Code Section 1123(a)(1), the Administrative Claims and Priority Tax Claims have not been classified, and the respective treatment of such unclassified Claims is set forth in Article V.B.1 below. All Claims and Interests other than the Administrative Claims, and Priority Tax Claims have been placed in the Classes as set forth in Article V.B.2 below.

1. Treatment of Unclassified Claims Under the Plan.

a. Administrative Claims.

Except to the extent that an Allowed Administrative Claim has been paid prior to the Effective Date, each holder of an Allowed Administrative Claim shall receive payment of the amount of such Allowed Administrative Claim in Cash on the Effective Date, or as soon as reasonably practicable thereafter, or immediately after entry of an Order approving an application therefore if after the Effective Date, in full satisfaction, settlement, release and discharge of and in exchange for, such Allowed Administrative Claim, unless an administrative claimant agrees to a different treatment.

The only Administrative Claims anticipated by the Debtor are:

- Robert M. Kline, Esquire, Counsel for Debtor, approximately \$12,250.00.
- Trustee Quarterly Fees, approximately \$325.00.

b. Priority Tax Claims.

Except to the extent that an Allowed Priority Tax Claim has been paid prior to the Effective Date, each holder of an Allowed Priority Tax Claim shall receive in full satisfaction, settlement, release and discharge of, and in exchange for, such Allowed Priority Tax Claim, in equal monthly payments over a period of five (5) years from the Effective Date in an aggregate principal amount equal to the face amount of such Allowed Priority Tax Claim, with interest on the unpaid portion thereof at the rate of interest determined under applicable non-bankruptcy law as of the calendar month in which the Plan is confirmed.

The following constitute the Priority Tax Claims of the Debtor:

-City of Philadelphia, approximately \$45,000.00.*

*this amount is disputed by Debtor and subject to an objection

2. Treatment of Classified Claims and Interests Under the Plan.

a. Class A. Secured Tax Claims.

The Allowed Secured Tax Claim of the City of Philadelphia will be paid in monthly payments of over a period of five (5) years from the Effective Date, payable on the Effective Date, with a lump sum of any remainder amount payable on the 5th anniversary of the Effective Date, in an aggregate principal amount equal to the face amount of such Allowed Secured Tax Claim, with interest on the unpaid portion thereof at the rate of interest determined under applicable non-bankruptcy law as of the calendar month in which the Plan is confirmed.

The following constitute the Secured Tax Claims of the City of Philadelphia:

-Real Estate Tax, approximately \$476,848.04

-Water Revenue Liens, approximately \$57,298.63

*these amounts are disputed by the Debtor and subject to objection

b. Class B. Secured Claim of Emily Woodruff.

Beginning on the Effective Date, the Secured Claim of Emily Woodruff shall be paid equal monthly payments of interest only over a period of five (5) years from the Effective Date.

The Secured Claim of Emily Woodruff is a first mortgage lien in the principal amount of \$34,897.00

c. Class C. Secured Claim of D&M Associates

As the Effective Date, the Secured Claim of D&M Associates will continue to be paid monthly in accordance with the terms of a settlement agreement between the Debtor and D&M, with the last payment being in March, 2018.

The Secured Claim of D&M Associates is a judgment lien in the original principal amount of \$9,200.00.

C. General Provision Applicable to All Classes.

Notwithstanding any other provision of the Plan specifying a date or time for the distribution of any payment to any holder of a Claim or Interest, payments and distributions in respect of any Claim or Interest which at such date or time is disputed, unliquidated or contingent

shall not be made until such Claim or Interest becomes an Allowed Claim or Allowed Interest, whereupon such payments shall be made promptly in accordance with Article 3.12 of the Plan. Except as otherwise explicitly provided in the Plan, nothing shall affect the Debtor, or any party in interest's rights or defenses, both legal and equitable, with respect to any Claims, and the rights of such Persons to object to the allowance of any Claim is expressly preserved in the Plan.

D. Treatment of Contested Claims and Claims Arising Under Section 502(c).

No payment will be made on the disputed portion of a Claim until thirty (30) days after the Claim is allowed by non-appealable Order of the Bankruptcy Court. Any Claims subject to Section 502(c) of the Bankruptcy Code shall be estimated and allowed to the extent provided in the Plan for Claims in the same Class. Claims arising under Section 502(c) include contingent or unliquidated claims, which if not fixed or liquidated would unduly delay the administration of this proceeding, and right to payment arising from a right to an equitable remedy for breach of performance.

VI. PAYMENTS UNDER THE PLAN.

Debtor reserves the right, at any time provided for pursuant to bankruptcy law, to object to any proof of claim which exceeds the amounts scheduled.

VII. MEANS FOR IMPLEMENTATION OF THE PLAN.

A. Continued Ownership and Operation.

The Debtor shall continue to exist as the Reorganized Debtor after the Effective Date. On the Effective Date, all remaining assets of the Debtor shall be transferred and vest in the Debtor.

B. Disbursement.

All distribution under the plan on account of Allowed Claims and/or Interests shall be made by the Debtor on the 20th day of each month, beginning the 30th day after the Effective Date. The Debtor may, in his sole discretion, make distributions to any Class of creditors or interest holders in advance of the time provided for in the Plan.

C. Default.

No default by any Debtor under the Plan shall be deemed to have occurred until forty-five (45) days after such Debtor receives written notice of its failure to make a payment required under the Plan or if, prior to the expiration of such forty-five (45) day period, the Debtor makes such payment. Except as noted above, no Claimant shall receive interest on account of such Claimant's Allowed Claims.

D. Cash Payments.

All Cash payments to be made on or after the Effective Date provided for in the Plan shall be made from Cash in the Debtor's bank or operating accounts on the Effective Date.

E. Preservation and Pursuit of Causes of Action, Including Avoidance Actions.

Except as otherwise provided in the Plan, the Confirmation Order, or in any contract, agreement or other document entered into in connection with the Plan, in accordance with Bankruptcy Code Section 1123(b), on the Effective Date, the Debtor shall retain all of the respective Causes of Action, including all Avoidance Actions, that the Debtor may hold against any Person. The Debtor may enforce, sue on, settle, or compromise all such Causes of Action, or may decline to do any of the foregoing with respect to any such Causes of Action. The failure of the Debtor to specifically list any Causes of Action in the Plan does not, and will not be deemed to, constitute a waiver or release by the Debtor of such Causes of Action and the Debtor shall retain the right to pursue additional Causes of Action. The Debtor or his respective successors, may pursue all such retained Causes of Action as appropriate, in accordance with the best interests of the Debtor or his successors who retain such actions in accordance with applicable law and consistent with the terms of the Plan.

VIII. REJECTION AND ASSUMPTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES.

The Plan provides that except as otherwise provided in the Plan, or in any contract, agreement or other document entered into in connection with the Plan, as of the Confirmation Date, the Debtor shall be deemed to have assumed all executory contracts and unexpired leases other than those specifically rejected on or before the Confirmation Date or that are otherwise subject to a motion to assume that is pending on or before the Confirmation Date, pursuant to Bankruptcy Code Section 1123(b)(2).

If the rejection of an executory contract or unexpired lease gives rise to a Rejection Damages Claim, such Rejection Damages Claim shall be forever barred and shall not be enforceable against the applicable Debtor or its estate, or their respective successors or properties unless a Proof of Claim shall be filed with the Clerk of the Court, within thirty (30) days after the Claim is deemed rejected. If a Rejection Damages Claim becomes an Allowed Claim, then it shall be classified as a General Unsecured Claim pursuant to the Plan.

IX. ALLOWED AMOUNT OF CLAIMS AND INTERESTS.

A. Generally

A Claim against the Debtor may be recognized as follows: (1) the listing of a Claim by a Debtor in its Schedules, where such scheduled Claim is not listed as: (a) disputed, (b)

contingent or (c) unliquidated; or (2) the filing of a Proof of Claim or Proof of Interest by the holder of such Claim or Interest in the time, form and manner approved by the Bankruptcy Court.

If a Claimant whose Claim has been scheduled by the Debtor timely files a Proof of Claim, the Proof of Claim supersedes the Claim of the Claimant as scheduled by that Debtor, unless objected to by the Debtor.

Pursuant to Rule 3003(b)(1) of the Bankruptcy Rules, a Debtor's Schedule of Liabilities constitutes *prima facie* evidence of the validity and amount of scheduled Claims. However, if timely objected to, such Claims will be Disallowed or Allowed in amounts fixed by Order of the Bankruptcy Court.

B. Administrative Claims.

All Administrative Claim requests, other than Professional fee claims, must be filed with the Court and served on the Debtor or the Reorganized Debtor and his counsel, as applicable, no later than forty-five (45) days after the Effective Date. In the event that the Debtor or the Reorganized Debtor objects to an Administrative Claim, the Court shall determine the Allowed amount of such Administrative Claim.

C. Professional Fee Claims.

All final requests for compensation or reimbursement of fees and expenses pursuant to Bankruptcy Code Sections 327, 328, 330, 331, 503(b) or 1103 for services rendered to the Debtor prior to the Effective Date must be filed with the Bankruptcy Court and served on the Debtor or the Reorganized Debtor and the respective counsel, as applicable, no later than forty-five (45) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Objects to applications of such Professional or other entities for compensation or reimbursement of fees and expenses must be filed and served on the Debtor or the Reorganized Debtor and his counsel, as applicable, and the requesting Professional or other entity no later than forty-five (45) days (or such longer period as may be allowed by Order of the Bankruptcy Court) after the date on which the applicable application for compensation or reimbursement was served.

X. TAX CONSEQUENCES.

If the Debtor's Plan is confirmed by the Bankruptcy Court, there may be tax consequences which could affect individual holders of Claims or Interests. The tax consequences of the treatment of several Classes of Claims and Interest under the Plan are uncertain. Accordingly, holders of Claims and Interests are urged to consult with an independent tax advisor regarding such implications and how they may affect such individual holders based on their individual circumstances.

XI. DISCHARGE OF DEBTOR; INJUNCTION.

A. Discharge Upon Confirmation.

Pursuant to Section 1141 of the Bankruptcy Code, upon Confirmation of the Plan and vesting of all assets, except as otherwise expressly provided under the Plan, the Debtor will be discharged of all claims and liabilities that arose prior to the Confirmation Date.

B. Discharge Injunction.

All entities which have held, hold, or may hold Claims against the Debtor, are permanently enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner, any action or other proceeding of any kind with respect to any such Claim, (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or other against the Debtor on account of any such Claim, (c) creating, perfecting or enforcing any encumbrance of any kind against any of the Debtors or against the property or interest in property of the Debtor on account of any such Claim, (d) asserting any right of setoff, subrogation or recoupment of any kind against any obligation to or from the Debtor or against the property or interests in property of any of the Debtors and (e) commencing or continuing in any manner, any action or other proceeding of any kind with respect to any Claim.

XII. JURISDICTION OF BANKRUPTCY COURT AFTER CONFIRMATION.

The Bankruptcy Court shall retain jurisdiction of the Chapter 11 cases for the purposes of Bankruptcy Code Sections 105(a), 1127 and 1142(b) and for the following additional purposes:

- (i) To hear and determine all Objections to the allowance or disallowance of any and all Claims or Interests;
- (ii) To hear and determine all motions to estimate Claims;
- (iii) To hear and determine all motions to subordinate any and all Claims or Interests;
- (iv) To hear and determine all matter relating to the assumption and rejection of any executory contract or unexpired lease, including, but not limited to, any cure payments or Claims for rejection damages arising therefrom;
- (v) To determine applications for allowance of compensation and reimbursement of expenses by Professionals;
- (vi) To enforce and interpret the Plan, to resolve any disputes arising under or in connection with the Plan, to effectuate payments under the Plan and/or to compel performance of any Person in accordance with the provisions of the Plan;

(vii) To correct any defect, to cure any omission or to reconcile any inconsistency in the Plan or in the Confirmation Order as may be necessary or advisable to carry out the intents and/or purposes of the Plan;

(viii) To determine such other matters and for such other purposes as may be provided in the Confirmation Order or otherwise deemed appropriate to accomplish its intents and purposes;

(ix) To enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Case and the Plan and/or purposes;

(x) To recover all assets of the Debtor and property of the Debtor's estate;

(xi) To adjudicate all Litigation Cases and Causes of Action brought in the Bankruptcy Court either prior to or subsequent to the Effective Date; and

(xii) To enter a Final Order Closing the Chapter 11 cases.

XIII. LIQUIDATION ANALYSIS AND DISCUSSION.

The purpose of this section is to provide an analysis of a hypothetical liquidation of all of the Debtor's assets by a disinterested trustee in bankruptcy under the provisions of Chapter 7 of the Bankruptcy Code. A Chapter 7 liquidation of the Debtor would provide that all of the Debtor's property would be sold for cash, and payments would be made to creditors in accordance with the priorities set forth in Section 507 of the Bankruptcy Code, and then to general unsecured creditors and interest holders. A disinterested trustee would need time to learn about the assets and affairs of the Debtor before he/she could make a distribution to creditors. There is no way to quantify the additional amount of time before a distribution could be made. In addition, a Chapter 7 trustee may wish to conduct an investigation into the Debtor's affairs, and may retain attorneys and accountants to render assistance in such investigation. The fees and disbursements of the Chapter 7 trustee and his or her attorneys and accountants would be treated as administrative expenses of the Chapter 7 phase of this case, which have a priority over all other administrative expenses and claims of creditors. Thus, a Chapter 7 liquidation would certainly increase the costs of the bankruptcy, although there is no way to quantify the extra costs.

The hard assets available for liquidation in a Chapter 7 liquidation would be the Debtor's existing real estate interests. All of the proceeds of such hard assets are subject to the liens of the secured creditors and therefore would not be available to satisfy other Claims or Interests.

The proposed Plan currently provides that holders of Claims will receive a distribution resulting in full payment of the allowed claim. In a Chapter 7 liquidation, Debtor estimates that that creditors will not receive full recovery, as any liquidation of real estate assets will only realize enough to potentially cover the priority creditors in full with partial payments to secured creditors.

After evaluating the differences between the Plan and a Chapter 7 liquidation, the Debtor believes that the Plan offers a more favorable treatment to all its creditors.

A. Liquidation Analysis – Balance Sheet (Best Case Scenario)

Assets:

Real Property:	\$500,000.00 (*)
Minus:	
-Costs of Sale	\$ 30,000.00
Net Sale Proceeds	\$470,000.00
Total Assets	\$470,000.00

Liabilities:

Priority Claims:

Chapter 7 Admin. Expenses	\$ 7,500.00
Chapter 11 Admin. Expenses	\$ 12,500.00
Other Priority Claims	\$ 45,000.00
Total Priority Claims	\$ 65,000.00

Amount available to Secured creditors	\$405,000.00
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*(1/3 reduction in FMV as stated in Debtor’s Schedules)

XIV. OPERATING PROJECTIONS.

Based on its current leases and tenancies, Debtor is able provide operating projections which have a good degree of certainty. These projections are subject to economic and individual tenant factors beyond its direct control, which have the potential to disrupt cash flow.

Debtor does project receipt of gross yearly proceeds for the next five years, from current and projected future operations as follows:

<u>Date</u>	<u>Amount</u>
2017	\$93,019.00
2018	\$104,691.77
2019	\$124,745.87
2020	\$129,251.94
2021	\$131,096.29

A forecast of projected income and expenses, and on the provisions of the Plan, is attached hereto as Exhibit "A". The attached forecasts projects both increased monthly rentals, plus additional rental income from lease of additional space.

XV. CONCLUSION.

In sum, the Debtor believes that the Plan is fair and equitable and maximizes payments to creditors and that the creditors should accordingly vote to accept the Plan.

DATED: March 27, 2017

H-D Acquisition Corp.

By: /s/ Allen Woodruff
President