

UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

In re:	:	CHAPTER 11
	:	
StageArtz Limited,	:	
	:	Case No. 17-13694 (ELF)
	:	
Debtor.	:	

AMENDED SMALL BUSINESS DEBTOR’S COMBINED PLAN OF REORGANIZATION AND DISCLOSURE STATEMENT

This Amended Combined Plan of Reorganization and Disclosure Statement is presented to you to inform you of the proposed Plan for restructuring the debt or liquidating the assets of StageArtz Limited (the “Debtor”) and to seek your vote to accept the Plan.

You are encouraged to carefully review the full text of this document, including all exhibits and attachments, before deciding how to vote on the Plan. To assist you in your review, please note that a list of definitions and a section of frequently asked questions appear at the end of this document.

IN ADDITION TO CASTING YOUR VOTE TO ACCEPT OR REJECT THE PLAN, YOU MAY OBJECT TO THE ADEQUACY OF THE DISCLOSURES MADE IN THIS DOCUMENT, OR YOU MAY OBJECT TO THE TERMS OF THE PROPOSED PLAN. IF YOU WISH TO OBJECT TO THE ADEQUACY OF THE DISCLOSURES OR TO THE TERMS OF THE PROPOSED PLAN, YOU MUST DO SO BY _____, 2017.

YOUR BALLOT STATING HOW YOU ARE VOTING ON THE PLAN MUST BE RETURNED BY _____, 2017. THE BALLOT MUST BE MAILED TO THE FOLLOWING ADDRESS:

**DAVID B. SMITH, ESQUIRE
SMITH KANE HOLMAN, LLC
112 MOORES ROAD, SUITE 300
MALVERN, PA 19372**

A HEARING ON THE CONFIRMATION OF THE PLAN IS SCHEDULED FOR _____ IN COURTROOM No. 1 AT THE UNITED STATES BANKRUPTCY COURT EASTERN DISTRICT OF PENNSYLVANIA, ROBERT N.C. NIX SR. FEDERAL COURTHOUSE, 900 MARKET STREET, PHILADELPHIA, PA 19107

Your rights may be affected by this Combined Plan and Disclosure Statement. You should consider discussing this document with an attorney.

| ~~September-October~~ 26, 2017

By: /s/ David Smith

David B. Smith, Esquire
Smith Kane Holman, LLC
112 Moores Road, Suite 300
Malvern, PA 19372
Counsel for StageArtz Limited

SUMMARY OF THE PLAN AND DISTRIBUTIONS TO CREDITORS

As set forth more fully below, generally the Debtor treats two classes of creditors that will be treated pursuant to its Plan.

The first class consists of Wells Fargo, which is the Debtor's sole secured creditor. The Debtor was current in its payments to Wells Fargo Bank, National Association as of the Petition Date and intends to continue to pay Wells Fargo pursuant to the terms set forth in the applicable loan documents between the parties.

The second class consists of unsecured creditors, which consists of approximately \$103,000 in aggregate liabilities. Unsecured creditors will receive a 100% return payable in 60 equal monthly installments commencing on the first day of the first month following the Effective Date.

The source of payment of all of the above claims will be from business revenues generated by the Debtor and, to the extent of any cash shortfalls, through loans by the owners of the Debtor. In addition, the Debtor intends to file an adversary proceeding in the Bankruptcy Court to prosecute civil claims against Music Training Center Holdings, LLC, Music Training Center Franchising, LLC and Darryl Schick, the proceeds of which will be retained by the Debtor and used to fund payments to its creditors in the ordinary course.

The Debtor will assume both its Commercial Lease from which it currently operates its business as well as its Franchise Agreement. The Debtor does not believe that any amounts are owing to the respective parties to the foregoing lease or contract, but if and to the extent there is obligations owing, the Debtor will fund and fully cure said payments as set forth in the foregoing paragraph.

ARTICLE 1
BACKGROUND OF THE DEBTOR

1.1. Filing of the Debtor's Chapter 11 Case.

On May 26, 2017, the Debtor filed a voluntary petition for relief under the Bankruptcy Code. The Chapter 11 case is pending in the United States Bankruptcy Court for the Eastern District of Pennsylvania.

1.2. Nature of the Debtor's Business.

The Debtor is a performing arts institution which offers private music lessons for a variety of instruments, group classes, child development programs, and summer camps with a focus on musical, theatrical, and performing arts. The Debtor also hosts musical birthday parties, team-building activities, and other activities to entertain families, children and small groups.

1.3. Legal Structure and Ownership.

The Debtor is a Pennsylvania limited liability company, and all of its membership interests are owned by Murali Kesavan and Srividya Kesavan.

1.4. Debtor's Assets.

The Debtor's assets, as they existed on the Petition Date, are set forth on Schedule 1.4, which also sets forth the methodology for valuing said assets.

1.5. Debtor's Liabilities.

The Debtor has only one secured creditor, which is Wells Fargo. Wells Fargo has a perfected security interest in all of the Debtor's personal property assets.

The Debtor does not believe that it has any unsecured creditors holding a priority claim, although the Debtor notified various taxing authorities of the filing of its bankruptcy case for notice purposes only.

The Debtor owed approximately \$103,000 to unsecured creditors as of the Petition Date. This does not include the amounts, if any, required to cure any breaches under the Commercial Lease or Franchise Agreement.

1.6. Current and Historical Financial Conditions.

The Debtor's gross receipts since it started operating its business in 2015 are as follows:

2015: \$544,412.84

2016: \$626,916.93

YTD (through 5/26/17): \$217,830.31

Based upon the gross receipts through the bankruptcy filing and a reduction in overall enrollment vis-à-vis prior years, the Debtor anticipates gross receipts through 2017 to be less than its receipts in 2016. This, together with the costs associated with the bankruptcy case, have created a cash deficit for the Debtor, which has been addressed through loans by its owners.

As more fully set forth in Section 2.5 below, the Debtor explains how it intends to implement its Plan, including attaching quarterly cash flow projections through September of 2018 to demonstrate how business operations and the proposed reorganization will be funded.

1.7. Events Leading to the Filing of the Bankruptcy Case.

Almost from the inception of its relationship with the MTC Parties, the MTC Parties as well as Darryl Schick improperly meddled in, and interfered with, the Debtor's operations to the point where its operations and profitability were negatively and adversely affected. Ultimately, Franchising sent a series of what the Debtor believes to be manufactured defaults to enable Franchising to achieve its self-fulfilling goal of creating grounds to terminate the Franchise Agreement and thereby wrestle control of operations from the Debtor.

Prior to the Petition Date, the Debtor successfully defended two separate attempts by the MTC Parties to remove the Debtor from its present leased location, which ultimately led to a third action filed by the MTC Parties in the Court of Common Pleas of Montgomery County Pennsylvania in which they sought to pursue claims against the Debtor and its principals, but also sought to enjoin the business from operating.

In order to address all of the litigation matters with the MTC Parties in the context of an overall reorganization, the Debtor chose to file the within chapter 11 case.

The Debtor intends to use its chapter 11 case to identify any breaches under the Commercial Lease and Franchise Agreement and fully cure same. The Debtor also will pursue a variety of tort and other claims against the MTC Parties and Mr. Schick for what the Debtor believes to be their improper and unlawful behavior.

1.8. Significant Events During the Bankruptcy Case.

The significant events occurring the in the Debtor's chapter 11 case include the consensual use of Wells Fargo's cash collateral, payment of prepetition wages owed to employees and employment of bankruptcy counsel, Smith Kane Holman, LLC. The Debtor also intends to assume, through this Plan, the Commercial Lease and Franchise Agreement as well as fund its Plan, in part, through the recovery of damages in an adversary proceeding to be filed against the MTC Parties and Darryl Schick.

On June 19, 2017, the MTC Parties filed a motion to dismiss the Chapter 11 Case or alternatively for relief from the bankruptcy stay (the "Dismissal Motion"), and thereafter the Debtor objected to the Dismissal Motion. On August 7, 2017, after conducting a prior hearing and considering the legal arguments advanced by each of the Debtor and the MTC Parties, the Bankruptcy Court denied a threshold argument being advanced by the MTC

Parties that the Franchise Agreement could not be assumed by the Debtor. As a result, the Bankruptcy Court scheduled a hearing on those aspects of the Dismissal Motion that had not yet been litigated by the parties.

Thereafter, the Debtor and the MTC Parties agreed that the foregoing remaining, undecided issues in the Dismissal Motion were more efficiently addressed at the hearing on confirmation of the Debtor's Plan, which is scheduled for November 2, 2017 and, if need be, November 3, 2017. Accordingly, by agreement between the Debtor and the MTC Parties, the MTC Parties withdrew the Dismissal Motion without prejudice and preserved all undecided issues therein for confirmation of the Debtor's Plan.

In summary, those remaining issues that were preserved by the MTC Parties for confirmation of the Debtor's Plan include (1) what breaches, if any, existed under the Franchise Agreement; (2) did those breaches result in the pre-bankruptcy termination of the Franchise Agreement; (3) even if the Franchise Agreement was terminated pre-bankruptcy, can the Debtor still assume the Franchise Agreement; and (4) to assume the Franchise Agreement, what steps must the Debtor take to effect a cure of any such breaches and to otherwise meet the standard for assuming the Franchise Agreement.

Finally, on August 15, 2017, the Debtor filed a motion to enlarge the 120-day period within which to assume the Commercial Lease. The logic behind doing so was that the Debtor intends to assume the Commercial Lease to enable it to continue to operate from its existing location, but will want to do so only if it is able to continue to operate from that location; otherwise, the Debtor would not want its bankruptcy estate to be burdened with the liability associated with assuming the Commercial Lease if the Debtor was not able to or chose not to operate from its existing location.

The only party that objected to the foregoing motion was the MTC Parties. However, similar to the logic used in deferring the remaining issues in the Dismissal Motion until the hearing on the confirmation of the Debtor's Plan, the Debtor and the MTC Parties agreed that the MTC Parties' objection was withdrawn without prejudice, the Bankruptcy Court would enter an order extending the time within which the Debtor could elect to assume the Commercial Lease and that the ability of the Debtor to assume the Commercial Lease would be deferred to the hearing on the confirmation of the Debtor's Plan.

1.9. Projected Recovery of Avoidable Transfers

The Debtor does not believe that preference, fraudulent conveyance, or other avoidance actions exist. Nevertheless, even if they did, the Debtor does not intend to pursue them; instead, all plan payments will occur from operations, loans, if need be, by the owners of the Debtor and any recovery from the adversary proceeding to be filed against the MTC Parties and Darryl Schick.

ARTICLE 2 **THE PLAN**

The Debtor's Plan must describe how its Creditors will be paid. Certain Claims are entitled to specific treatment under the Bankruptcy Code and are not placed in a class

for purpose of payment. For example, Administrative Expenses and Priority Tax Claims are not classified.

As required by the Code, the Plan places Claims and Equity Interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of Claims or Equity Interests is impaired or unimpaired. A Claim or Equity Interest can be impaired if the Plan alters the legal, equitable or contractual rights to which the Claimants are otherwise entitled. If the Plan is confirmed, each Creditor's recovery is limited to the amount provided in the Plan.

Only Creditors in classes that are impaired may vote on whether to accept or reject the Plan, and only Creditors holding Allowed Claims may vote. A class accepts the Plan when more than one-half (1/2) in number and at least two-thirds (2/3) in dollar amount of the Allowed Claims that actually vote, vote in favor of the Plan. Also, a class of Equity Interest holders accepts the Plan when at least two-thirds (2/3) in amount of the allowed Equity Interest holders that actually vote, vote in favor of the Plan. A class that is not impaired is deemed to accept the Plan.

2.1. Unclassified Claims.

Certain types of Claims are automatically entitled to specific treatment under the Code. For example, Administrative Expenses and Priority Tax Claims are not classified. They are not considered impaired, and holders of such Claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan does not place the following Claims in any class:

A. Administrative Expenses

The Debtor must pay all Administrative Expenses in full. If an Administrative Expense is disputed, the Bankruptcy Court must determine the validity and amount of the Administrative Expense, or in other words, "allow" the Administrative Expense. Any Administrative Expense that is undisputed and is due and owing on the Confirmation Date must be paid on the Effective Date of the Plan, or upon such other terms as agreed upon by the Debtor and the Administrative Claimant. If the Administrative Expense is disputed, payment will be made after the Administrative Expense is allowed by the Bankruptcy Court.

There are several types of Administrative Expenses, including the following:

1. If the Debtor trades in the ordinary course of business following its filing of the Chapter 11 Case, Creditors are entitled to be paid in full for the goods or services provided. This ordinary trade debt incurred by the Debtor after the Petition Date will be paid on an ongoing basis in accordance with the ordinary business practices and terms between the Debtor and its trade Creditors.

2. If the Debtor received goods it has purchased in the ordinary course of business within 20 days before the Petition Date, the value of the goods received is an Administrative Expense.
3. Administrative Expenses also include any post-petition fees and expenses allowed to professionals, including attorneys and accountants employed upon Bankruptcy Court authority to render services to the Debtor during the course of the Chapter 11 cases. These fees and expenses must be noticed to Creditors and approved by the Bankruptcy Court prior to payment.

The following chart lists the Debtor’s estimated Administrative Expenses, and their proposed treatment under the Plan:

Type	Estimated Amount Owed	Proposed Treatment
Expenses arising in the ordinary course of business after the Petition Date	None	Paid in full on the Effective Date, or according to the terms of the obligation, if later.
Administrative Tax Claim	None	Paid in full on the Effective Date or according to separate written agreement.
The value of goods received in the ordinary course of business within 20 days before the Petition Date	None	Paid in full on the Effective Date, or according to the terms of the obligation, if later.
Professional fees, as approved by the Bankruptcy Court	The estimated fees of Smith Kane Holman, LLC (counsel to the Debtor) are \$125,000, which will include relating to fees associated with the pursuit of claims against the MTC Parties and Darryl Schick. The Debtor may also hire an accountant to assist with tax matters. Those fees are not expected to exceed \$5,000.	Paid in full on the Effective Date, or according to separate written agreement, or according to Bankruptcy Court order if such fees have not been approved by the Bankruptcy Court on the Effective Date.
Clerk’s Office fees	None	Paid in full on the Effective Date.
Other Administrative Expenses	None	Paid in full on the Effective Date or according to separate written agreement.

United States Trustee Fees ¹	To be paid as incurred.	Paid in full on the Effective Date.

B. Priority Tax Claims.

Priority Tax Claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) Priority Tax Claim agrees otherwise, it must receive the present value of such Claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The Debtor does not believe that it has any Priority Tax Claim.

2.2 Classes of Claims and Equity Interests.

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

A. Class of Secured Claims

Allowed Secured Claims are Claims secured by property of the Debtor’s bankruptcy estate (or that are subject to setoff) to the extent allowed as secured Claims under § 506 of the Code. If the value of the collateral or setoffs securing the Creditor’s Claim is less than the amount of the Creditor’s Allowed Claim, the deficiency will be classified as a general unsecured Claim.

The following chart lists all classes containing the Debtor’s secured prepetition Claims and their proposed treatment under the Plan:

Class #	Description	Insider? (Yes or No)	Impairment	Treatment
1	<p><i>Secured claim of:</i> Name = Wells Fargo Bank, National Association</p> <p>Collateral description = all personalty of the Debtor</p> <p>Allowed Secured Amount = \$79,218.45</p> <p>Priority of lien = 1st</p>	No	Unimpaired	The Debtor will continue to make its regular monthly payments pursuant to the loan documents with Wells Fargo, and Wells Fargo will retain

¹ All fees required to be paid by 28 U.S.C. § 1930(a)(6) (“United States Trustee Fees”) will accrue and be timely paid until the case is closed, dismissed, or converted to another chapter of the Bankruptcy Code. Any United States Trustee Fees owed on or before the Effective Date of this Plan will be paid on the Effective Date.

				all of its liens on the Debtor's personalty.
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B. Classes of Priority Unsecured Claims.

Certain priority Claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a Claim receive cash on the Effective Date of the Plan equal to the allowed amount of such Claim. However, a class of holders of such Claims may vote to accept different treatment.

The Debtor does not believe that it has any creditors holding Claims under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Code.

C. Class of General Unsecured Claims

General unsecured Claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Class 2, which contain general unsecured Claims against the Debtor:

Class #	Description	Impairment	Treatment
2	General Unsecured Class	Impaired	Equal payments of 1/60 th the amount owed to each creditor payable over sixty months commencing on the first month after the Effective Date

D. Class of Equity Interest Holders.

Equity Interest holders are parties who hold an ownership interest (*i.e.*, equity interest) in the Debtor. Since the Debtor is a limited liability company (“LLC”), the Equity Interest holders are the members.

The following chart sets forth the Plan’s proposed treatment of the class[es] of Equity Interest holders:

Class #	Description	Impairment	Treatment
3	Equity Interest holders	Impaired	Equity shall retain their membership interests in the Debtor and contribute cash to the extent required upon plan confirmation. In addition, Equity will be entitled to payments on account of their interests once all creditors are paid in full.

2.3. Estimated Number and Amount of Claims Objections.

The Debtor may object to the amount or validity of any Claim within 90 days of the Confirmation Date by filing an objection with the Bankruptcy Court and serving a copy of the objection on the holder of the Claim. The Claim objected to will be treated as a Disputed Claim under the Plan. If and when a Disputed Claim is finally resolved by the allowance of the Claim in whole or in part, the Debtor will pay the Allowed Claim in accordance with the Plan.

2.4. Treatment of Executory Contracts and Unexpired Leases.

Executory Contracts are contracts where significant performance of the contract remains for both the Debtor and another party to the contract. The Debtor has the right to reject, assume (*i.e.* accept), or assume and assign these types of contracts to another party, subject to the Bankruptcy Court’s approval. The paragraphs below explain the Debtor’s intentions regarding its Executory Contracts (which includes its unexpired leases) and the impact such intentions would have on the other parties to the contracts.

All of the Debtor’s Executory Contracts and Unexpired Leases are reflected on Schedule 2.4 along with the Debtor’s intention with respect thereto. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Bankruptcy Code, if any.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of future performance, you

must file and serve your objection to the assumption within the deadline for objecting to the confirmation of the Plan, unless the Bankruptcy Court has set an earlier time.

2.5. Means for Implementation of the Plan.

The Plan will be funded from (1) proceeds from the Debtor's operations; (2) to the extent of any shortfalls in said funding, loans to the Debtor from the Equity Interest holders; and (3) the proceeds from the adversary proceeding to be filed by the Debtor against the MTC Parties and Darryl Schick. Attached hereto as Schedule 2.5 is the Debtor's cash flow projections (broken down by calendar quarters) over the ensuing one-year period.

The Debtor's budget assumes the Debtor's Plan going effective as of January of 2018 (although it is possible that the effective date could be as early as December of 2017). In the "Franchise/Unsecure Pmts" row, the budget contemplates payments resuming to its franchisor as well as payments to creditors in the monthly amount of \$1,700 (or quarterly at \$5,100) beginning in the first quarter of 2018. At this rate, the Debtor believes that it will pay all allowed unsecured claims in full over a five-year period.

As set forth in the Schedule, the owners of the Debtor will lend the sum of \$25,000 to the Debtor over the ensuing one-year period to address anticipated cash shortfalls. With receipts anticipated to increase over the course of 2018, the Debtor's reliance on said loans will logically decrease.

The gravamen of the adversary proceeding to be filed against the MTC Parties and Darryl Schick is that Mr. Schick, individually and/or through the MTC Parties, has slandered the Debtor and its business and otherwise intentionally interfered with the Debtor's business and operations through improper and otherwise unlawful contact and communications with existing and prospective customers of the Debtor as well as the Debtor's employees, all of which damaged the Debtor as evidenced by decreased enrollments and a declined in receipts. While the Debtor expects to file the adversary proceeding prior to the hearing on confirmation of the Debtor's Plan, the Debtor does not expect a final disposition thereof to occur until later in 2018 and, accordingly, made no specific assumptions in its cash flow projections with respect to this claim. Nevertheless, the Debtor expects to use the proceeds from any recover in the foregoing adversary proceeding to fund its obligations under the Plan as well as to fund its operations.

On Confirmation of the Plan, all property of the Debtor, tangible and intangible, including, without limitation, licenses, furniture, fixtures and equipment, will revert, free and clear of all Claims and Equitable Interests (except the liens retained by Wells Fargo on all of the Debtor's personalty) to the Debtor. The Debtor expects to have sufficient cash on hand to make the payments required on the Effective Date.

As provided in Paragraph 2.1 of this Combined Plan and Disclosure Statement, all United States Trustee Fees accrued prior to the Effective Date shall be paid in full, on or before the Effective Date, by the Debtor or any successor to the Debtor. All United States Trustee Fees which accrue post-Effective Date shall be paid in full on a timely basis by the Debtor or any successor to the Debtor prior to the Debtor's case being closed, converted or dismissed.

The holders of the membership interests in the Debtor immediately prior to the Effective Date shall continue to serve in that capacity for the Reorganized Debtor on and after the Effective Date. Each member shall serve in accordance with applicable non-bankruptcy law and the Debtor's certificate of organization and governing documents, as each of the same may be amended from time to time.

2.6. Plan Disbursements.

Distributions to Creditors provided for in this Plan will be made by the Debtor.

2.7. Post-Confirmation Management.

The Post-Confirmation Officers of the Debtor will be Murali Kesavan and Srividya Kesavan, each of whom will be paid annual compensation of \$24,000 paid semi-monthly along with benefits consistent with their historical benefits.

2.8. Tax Consequences of the Plan.

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors. No advice is given or intended to be given herein.

2.9. Risk Factors/Mitigating Factors.

The primary risk associated with the Plan is that the Debtor will have inadequate funds to service claims under the Plan. Nevertheless, the Debtor submits that this risk is more theoretical, than real, for the following reasons.

All funds needed to assume the Commercial Lease and the Franchise Agreement must be paid upon assumption; accordingly, if there are inadequate funds at that time, assumption presumably cannot occur.

In addition, once a cure has occurred under the Commercial Lease and the Franchise Agreement, the only additional payments outside the normal course of business payments of the Debtor (including debt service to Wells Fargo) is the monthly payments to unsecured creditors, which are anticipated to be approximately \$1,700.

**ARTICLE 3
FEASIBILITY OF PLAN**

The Bankruptcy Court must find 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, unless such liquidation or reorganization is proposed in the Plan.

3.1. Ability to Initially Fund Plan.

The Plan Proponent believes that 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 that date.

3.2. Ability to Make Future Plan Payments And Operate Without Further Reorganization.

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments. The only payments outside the ordinary expenses associated with the Debtor's business are payments to unsecured creditors, which are expected to be approximately \$1,700.

**ARTICLE 4
LIQUIDATION VALUATION.**

The Bankruptcy Court need not find that all Creditors and Equity Interest holders who do not accept the Plan will receive at least as much under the Plan as such Claimants and Equity Interest holders would receive in a Chapter 7 liquidation because all creditors are receiving a 100% return.

**ARTICLE 5
DISCHARGE.**

5.1. Discharge. On the Confirmation Date of this Plan, the Debtor will be discharged from any debt that arose before confirmation of this Plan, subject to the occurrence of the Effective Date, to the extent specified in § 1141(d)(1)(A) of the Code. The Debtor will not be discharged from any debt imposed by this Plan.

**ARTICLE 6
GENERAL PROVISIONS.**

6.1. Title to Assets.

Except as otherwise provided in the Plan or in the order confirming the Plan, (i) confirmation of the Plan vests all of the property of the estate in the Debtor, and (ii) after confirmation of the Plan, the property dealt with by the Plan is free and clear of all Claims and Equity Interests of Creditors and equity security holders, except for the retention by Wells Fargo of its lien on the Debtor's personalty.

6.2. Binding Effect.

If the Plan is confirmed, the provisions of the Plan will bind the Debtor and all Creditors, whether or not they accept the Plan. The rights and obligations of any entity named or referred to in this Plan will be binding upon, and will inure to the benefit of the successors or assigns of such entity.

6.3. Severability.

If any provision in this Plan is determined to be unenforceable, the determination will in no way limit or affect the enforceability and operative effect of any other provision of this Plan.

6.4. Retention of Jurisdiction by the Bankruptcy Court.

The Bankruptcy Court shall retain jurisdiction of this case with regard to the following matters: (i) to make such orders as are necessary or appropriate to implement the provisions of this Plan and to resolve any disputes arising from implementation of the Plan; (ii) to rule on any modification of the Plan proposed under section 1127; (iii) to hear and allow all applications for compensation to professionals and other Administrative Expenses; (iv) to resolve all issues regarding Claims objections, and issues arising from the assumption/rejection of executory contracts or unexpired leases, and (v) to adjudicate any cause of action which may exist in favor of the Debtor, including preference and fraudulent transfer causes of action.

6.5. Captions.

The headings contained in this Plan are for convenience of reference only and do not affect the meaning or interpretation of this Plan.

6.6. Modification of Plan.

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Bankruptcy Court may require a new disclosure statement and/or revoting on the Plan.

The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated *and* (2) the Bankruptcy Court authorizes the proposed modifications after notice and a hearing.

6.7. Final Decree.

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Bankruptcy Court shall designate in the Plan Confirmation Order, shall file a motion with the Bankruptcy Court to obtain a final decree to close the case. Alternatively, the Bankruptcy Court may enter such a final decree on its own motion.

ARTICLE 7 **ATTACHMENTS**

The following documents accompany the Combined Plan and Disclosure Statement: (1) Schedule 1.4 – Debtor’s assets and valuation thereof; and (2) Debtor’s executory contracts and unexpired leases.

ARTICLE 8 **FREQUENTLY ASKED QUESTIONS**

What Is StageArtz Limited Attempting to Do in Chapter 11? Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor attempts to restructure the claims held against it. Formulation and confirmation of a plan of reorganization is the primary goal of Chapter 11. When reorganization is not feasible, however, a debtor may propose a liquidating plan under Chapter 11. The plan is the legal document which sets forth the manner and the means by which holders of claims against a debtor will be treated.

If the Plan of Reorganization Is the Document That Governs How a Claim Will Be Treated, Why Am I Receiving This Combined Plan and Disclosure Statement? In order to confirm a plan of reorganization, the Bankruptcy Code requires that a debtor solicit acceptances of a proposed plan, which it is doing with this Combined Plan and Disclosure Statement. If the creditors are satisfied with the information provided in the Plan and the terms of the Plan as proposed, and have voted for the Plan and returned the requisite number of ballots to counsel for the Debtor, the Bankruptcy Court may confirm the Plan as proposed by the Debtor.

How Do I Determine Which Class I Am In? To determine the class of your claim or interest, you must first determine whether your claim is secured or unsecured. Your claim is secured if you have a validly perfected security interest in collateral owned by the Debtor. If you do not have any collateral, your claim is unsecured. Section 2.2 of the Plan lists all classes of claimants and their types of claims.

Why Is Confirmation of a Plan of Reorganization] Important? Confirmation of the Plan is necessary because if the Plan is confirmed, the Debtor and all of its creditors are bound by the terms of the Plan. If the Plan is not confirmed, the Debtor may not pay creditors as proposed in the Plan while the Debtor remains in bankruptcy.

What Is Necessary to Confirm a Plan of Reorganization? Confirmation of the Plan requires, among other things, the vote in favor of the Plan of two-thirds in total dollar amount and a majority in number of claims actually voting in each voting class. If the vote is insufficient, the Bankruptcy Court can still confirm the Plan, but only if certain additional elements regarding the ultimate fairness of the Plan to the creditors are shown.

Am I Entitled to Vote on the Plan? Any creditor of the Debtor whose claim is IMPAIRED under the Plan is entitled to vote, if either (i) the creditor’s claim has been scheduled by the Debtor and such claim is not scheduled as disputed, contingent, or unliquidated,

or (ii) the creditor has filed a proof of claim on or before the last date set by the Bankruptcy Court for such filings. Any claim to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless the Bankruptcy Court temporarily allows the creditor to vote upon the creditor's motion. Such motion must be heard and determined by the Bankruptcy Court prior to the date established by the Bankruptcy Court to confirm the Plan.

How Do I Determine Whether I Am in an Impaired Class? Section 2.2 of the Plan identifies the classes of creditors whose claims are impaired. If your claim is impaired, your vote will be considered by the Bankruptcy Court.

When Is the Deadline by Which I Need to Return My Ballot? The Plan is being distributed to all claim holders for their review, consideration and approval. The deadline by which ballots must be returned is _____. Ballots should be mailed to the following address: David Smith, Esquire, Smith Kane Holman, LLC, 112 Moores Road, Suite 300, Malvern, PA 19355.

How Do I Determine When and How Much I Will Be Paid? Section 2.2 of the Plan sets forth how much each class of creditors will receive under the Plan.

ARTICLE 9 **DEFINITIONS**

91. The definitions and rules of construction set forth in §§ 101 and 102 of the Bankruptcy Code shall apply when terms defined or construed in the Code are used in this Plan. The definitions that follow that are found in the Code are for convenience of reference only, and are superseded by the definitions found in the Code.

92. Administrative Claimant: Any person entitled to payment of an Administration Expense.

93. Administrative Convenience Class: A class consisting of every unsecured claim that is less than or reduced to an amount that the Bankruptcy Court approves as reasonable and necessary for administrative convenience.

94. Administrative Expense: Any cost or expense of administration of the Chapter 11 case entitled to priority under Section 507(a)(2) of the Code and allowed under Section 503(b) of the Code, including without limitation, any actual and necessary expenses of preserving the Debtor's estate, any actual and necessary expenses incurred following the filing of the bankruptcy petition by the Debtor-in-Possession, allowances of compensation or reimbursement of expenses to the extent allowed by the Bankruptcy Court under the Bankruptcy Code, and any fees or charges assessed against any of the Debtor's estates under Chapter 123, Title 28, United States Code.

9.5 Administrative Tax Claim: Any tax incurred pursuant to Section 503(b)(1)(B) of the Code.

9.6 Allowed Claim: Any claim against the Debtor pursuant to Section 502 of the Code to the extent that: (a) a Proof of Claim was either timely filed or was filed late

with leave of the Bankruptcy Court or without objection by the Debtor, and (b) as to which either (i) a party in interest, including the Debtor, does not timely file an objection, or (ii) is allowed by a Final Order.

97. Allowed Priority Tax Claim: A Priority Tax Claim to the extent that it is or has become an Allowed Claim, which in any event shall be reduced by the amount of any offsets, credits, or refunds to which the Debtor or Debtor-in-Possession shall be entitled on the Confirmation Date.

98. Allowed Secured Claim: Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code

99. Allowed Unsecured Claim: An Unsecured Claim to the extent it is, or has become, an Allowed Claim, which in any event shall be reduced by the amount of any offsets, credits, or refunds to which the Debtor or Debtor-in-Possession shall be entitled on the Confirmation Date.

910. Bankruptcy Code or Code: The Bankruptcy Reform Act of 1978, as amended and codified as Title 11, United States Code.

911. Bankruptcy Court: The United States Bankruptcy Court for the District of New Jersey.

912. Bankruptcy Rules: The Federal Rules of Bankruptcy Procedure.

913. Cash: Cash, cash equivalents and other readily marketable securities or instruments issued by a person other than the Debtor, including, without limitation, readily marketable direct obligations of the United States of America, certificates of deposit issued by banks and commercial paper of any entity, including interest accrued or earned thereon.

914. Chapter 11 Case: This case under chapter 11 of the Bankruptcy Code in which StageArtz Limited is the Debtor-in-Possession.

915. Claim: Any "right to payment from the Debtor whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or any right to an equitable remedy for future performance if such breach gives rise to a right of payment from the Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, disputed, undisputed, secured or unsecured." 11 U.S.C. § 101(5).

916. Class: A category of holders of claims or interests which are substantially similar to the other claims or interests in such class.

917. Commercial Lease: That certain Indenture of Lease dated August of 2009 between Gateway-DC Properties, Inc. and Music Training Center Holdings, LLC, as amended from time to time, and as assigned to the Debtor pursuant to a certain Lease Assignment Agreement dated March 31, 2015.

9.18. Committee: Any Committee of Creditors appointed by the United States Trustee in the chapter 11 case pursuant to Section 1102 of the Bankruptcy Code.

9.19. Confirmation: The entry by the Bankruptcy Court of an order confirming this Combined Plan and Disclosure Statement.

9.20. Confirmation Date: The Date upon which the Bankruptcy Court shall enter the Confirmation Order; provided however, that if on motion the Confirmation Order or consummation of the Plan is stayed pending appeal, then the Confirmation Date shall be the entry of the Final Order vacating such stay or the date on which such stay expires and is no longer in effect.

9.21. Confirmation Hearing: The hearing to be held on , 20 to consider confirmation of the Plan.

9.22. Confirmation Order: An order of the Bankruptcy Court or any amendment thereto confirming the Plan in accordance with the provisions of chapter 11 of the Bankruptcy Code.

9.23. Creditor: Any person who has a Claim against the Debtor that arose on or before the Petition Date.

9.24. Debtor and Debtor-in-Possession: StageArtz Limited, the debtor-in-possession in this Chapter 11 Case.

9.25. Disputed Claim: Any claim against the Debtor pursuant to Section 502 of the Code that the Debtor has in any way objected to, challenged or otherwise disputed.

9.26. Distributions: The property required by the Plan to be distributed to the holders of Allowed Claims.

9.27. Effective Date: The date on which the order of confirmation becomes final.

9.28. Equity Interest: An ownership interest in the Debtor.

9.29. Executory Contracts: All unexpired leases and executory contracts as described in Section 365 of the Bankruptcy Code.

9.30. Final Order: An order or judgment of the Bankruptcy Court that has not been reversed, stayed, modified or amended and as to which (a) any appeal that has been taken has been finally determined or dismissed, or (b) the time for appeal has expired and no notice of appeal has been filed.

9.31. Franchise Agreement: That certain Franchise Agreement dated October 30, 2014 by and between Music Training Center Franchising LLC and Srividya and Murali Kesavan, as amended from time to time and as assigned to the Debtor.

- 9.32. Franchising:** Music Training Center Franchising, LLC.
- 9.33. Holdings:** Music Training Center Holdings, LLC.
- 9.34. IRC:** The Internal Revenue Code.
- 9.35. MTC Parties:** Music Training Center Franchising, LLC and Music Training Center Holdings, LLC
- 9.36. Petition Date:** May 26, 2017, the date the chapter 11 petition for relief was filed.
- 9.37. Plan:** This Combined Plan and Disclosure Statement, either in its present form or as it may be altered, amended, or modified from time to time.
- 9.38. Plan Proponent:** The individual or entity that has filed this Combined Plan and Disclosure Statement.
- 9.39. Priority Tax Claim:** Any Claim entitled to priority in payment under Section 507(a)(8) of the Bankruptcy Code.
- 9.40. Reorganized Debtor:** The Debtor after the Effective Date.
- 9.41. Schedules:** Schedules and Statement of Financial Affairs, as amended, filed by the Debtor with the Bankruptcy Court listing liabilities and assets.
- 9.42. Secured Creditor:** Any creditor that holds a Claim that is secured by property of the Debtor.
- 9.43. Unsecured Creditor:** Any Creditor that holds a Claim in the Chapter 11 case which is not a secured Claim.
- 9.44. Wells Fargo:** Wells Fargo Bank, National Association.

Respectfully submitted,

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