

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF PENNSYLVANIA

IN RE: : Chapter 11
B & B Real Estate General Partnership,
Debtor-in-Possession : Case No. 16-bk-02183-RNO
:

DEBTOR’S AMENDED DISCLOSURE STATEMENT, DATED APRIL 24, 2017

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EXHIBITS

- Exhibit A** - Amended Chapter 11 Plan of Reorganization (Plan)
- Exhibit B** - Most Recently Filed Monthly Operating Report
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I. INTRODUCTION

This is the Amended Disclosure Statement (Disclosure Statement) in connection with the Chapter 11 case of B & B Real Estate General Partnership (Debtor). This Disclosure Statement contains information about the Debtor and describes the Debtor's Amended Chapter 11 Plan of Reorganization (Plan) filed by the Debtor on January _____, 2017. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. **Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.**

The proposed distributions under the Plan are discussed at pages _____ of this Disclosure Statement.

A. **Purpose of this Document**

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case;
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the Plan is confirmed);
- Who can vote on or object to the Plan;
- What factors the Bankruptcy Court (Court) will consider when deciding whether to confirm the Plan;
- Why the Proponent (i.e., the individual or entity that is proposing a Plan - in this case, the Debtor) believes that the Plan is feasible and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation; and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. **Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. Time and Place of the Hearing to Confirm the Plan

The hearing at which the Court will determine whether to confirm the Plan will take place on _____, 2017, at _____ AM, United States Bankruptcy Court, Courtroom No. 2, at the Max Rosenn U.S. Courthouse, 197 S. Main Street, Wilkes-Barre, PA 18701.

2. Deadline for Voting to Accept or Reject the Plan

If you are entitled to vote to accept or reject the Plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Philip W. Stock, Esquire, 706 Monroe Street, Stroudsburg, PA 18360. See Section IV. A. below for a discussion of voting eligibility requirements.

Your ballot must be received by the _____ day of _____, 2017 or it will not be counted.

3. Deadline for Objecting to the adequacy of the Disclosure Statement and the Confirmation of the Plan

Objections to the Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon Philip W. Stock, Attorney for Debtor, as well as the Office of the United States Trustee, 228 Walnut Street, Suite 1190, Harrisburg, PA 17101, by the _____ day of _____, 2017.

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact Philip W. Stock, Attorney for Debtor, 706 Monroe Street, Stroudsburg, PA 18360. (570) 420-0500.

C. Disclaimer

The Court has (conditionally) approved the Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court or a recommendation that it be accepted. The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to this Disclosure Statement may be filed until the _____ day of _____, 2017.

II. **BACKGROUND**

A. **Description and History of the Debtor's Business**

The Debtor, B & B Real Estate General Partnership, is a Pennsylvania partnership which is principally involved in the development and leasing of its real estate. At the time of the filing of its Chapter 11 bankruptcy, it owned a single parcel of real estate located at 117 Rose Street, Scotrun, Monroe County, Pennsylvania. The financing in connection with the purchase of Debtor's real estate was provided by Newtek Small Business Finance, LLC (Newtek). The parcel of land is 2.54 acres and it includes a commercial building which is primarily used for a gym and fitness center. However, the commercial building also has a smaller, separate, rental space which also generates rental income. Currently, that space is leased to a daycare center. The daycare center is paying a monthly lease payment of \$2,500.00. In accordance with the Bankruptcy Court approval, that monthly lease amount of \$2,500.00 is paid to Newtek.

B. **Events Leading to Chapter 11 Filing**

Unfortunately, because of a rapidly changing economy and increased competition in the gym and fitness industry, B & B Fitness and Barbell, Inc. (B & B Fitness), a related entity, was unable to, properly, adapt to these changing circumstances. These circumstances led to the nonpayment by B & B Fitness of its monthly lease obligation to Debtor. Consequently, during 2015 and early 2016, Debtor was in default with regard to the payment of its real estate property taxes which were due to the Monroe County Tax Claim Bureau (MCTCB). In addition, Debtor was in default with regard to the payment of its commercial loan with Newtek. As a result, Newtek had provided, inter alia, a Notice of Default and Acceleration and a Notice of Attachment of Rents. Furthermore, the MCTCB had scheduled Debtor's real estate for the 2016 Judicial Tax Sale. Thereafter, the MCTCB canceled the proposed sale of Debtor's real estate at the Judicial Tax Sale. However, on May 2, 2016, Newtek filed its Complaint in Confession of Judgment against Debtor. The complaint was filed to Case No. 3209 Civil 2016 in the Court of Common Pleas of Monroe County, Pennsylvania. As a result, on May 23, 2016, the Debtor filed its Petition for Relief under Chapter 11 of the Bankruptcy Code.

C. **Significant Events During the Bankruptcy Case**

As noted above, on May 23, 2016, the Debtor filed its Petition for Relief under Chapter 11 of the Bankruptcy Code. Debtor filed its case in the Middle District of Pennsylvania.

On July 15, 2016, the Meeting of Creditors was held in the case. On August 10, 2016, Debtor filed a Motion to Fix the Claims Bar Date and on August 11, 2016, the Court issued an Order fixing the Bar Date as 60 days from the date of the Notice. Thus, the Claims Bar Date was set for October 11, 2016. Two Proofs of Claims were filed in the case. The MCTCB filed a secured claim in the amount of \$386,440.25 with an arrearage of \$386,440.25 and Newtek filed a

secured claim in the amount of \$1,616,713.59, with a loan arrearage of \$98,883.49. The Claims Bar Date has now run and thus, this matter is now ripe to proceed with the filing of Debtor's Chapter 11 Plan and confirmation of same.

D. Projected Recovery of Avoidable Transfers

The Debtor is not aware of any preferences, fraudulent conveyances or other avoidance actions and, consequently, does not intend to pursue any preference, fraudulent conveyance or other avoidance actions.

E. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in the Plan. Nonetheless, Debtor has no intention to object to the timely filed proofs of claims of the MCTCB and Newtek.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

THE FOLLOWING IS ONLY A SUMMARY OF THE DEBTOR'S CHAPTER 11 PLAN OF REORGANIZATION AND SHOULD NOT IN AND OF ITSELF BE RELIED UPON WHEN CONSIDERING VOTING IN FAVOR OF OR AGAINST THE PLAN. THE CHAPTER 11 PLAN OF REORGANIZATION SHOULD BE READ IN FULL.

A. What is the Purpose of the Plan of Reorganization?

The purpose of the Chapter 11 bankruptcy is to enable the Debtor to reorganize its financial affairs in order to permit it to properly manage and develop its commercial property. This will enable Debtor to pay its commercial loan arrearage in connection with the loan held by Newtek and pay the property tax arrearage due to the MCTCB.

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. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. **Unclassified Claims**

Certain types of claims are automatically entitled to specific treatment under the Code. 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 Proponent has not placed the following claims in any class:

1. **Administrative Expenses**

Administrative expenses are costs or expenses of administering the Debtor's Chapter 11 case which are allowed under §507(a)(2) of the Code. Administrative expenses include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

2. **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 has no priority claims. Furthermore, if any, allowed, priority claims are discovered, Debtor proposes to pay them, in full, in regular installments over 5 years from the date of the order of relief.

C. **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:

1. **Class(es) 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.

Debtor has two secured creditors and, as such, has two classes of secured claims:

Class #1 - Monroe County Tax Claim Bureau (MCTCB)

The MCTCB has a secured claim against Debtor. The secured claim amount is \$386,440.25 and the arrearage is also \$386,440.25. The MCTCB filed a proof of claim with

regard to these amounts and Debtor has no objection to this proof of claim. This claim is fully secured. The claim is for unpaid real estate property taxes. It is a first priority lien and it generates interest at Nine (9%) Percent. The collateral is the commercial parcel of real estate located at 117 Rose Street, Scotrun, Monroe County, Pennsylvania. Claimant is not an insider. The claim is impaired with regard to timing of payment because the real estate property taxes have already come due and Debtor is proposing to pay 100% of the claim, including any accrued interest, within 96 months of the effective date of the Plan. The first payment regarding the payment of the arrearage claim shall be due within 30 days of the effective date of the Plan. Furthermore, Debtor agrees to remain current with all post-petition real estate property taxes as they come due.

Finally, with regard to the payment of arrearages, Debtor shall pay the MCTCB and Newtek, on an equal, dollar for dollar basis, and on a monthly basis, until each claim is paid in full.

Class #2 - Newtek Small Business Finance, LLC (Newtek)

Newtek has a secured claim against Debtor. The secured claim amount is \$1,616,713.59 and the loan arrearage is \$98,883.49. Newtek filed a proof of claim with regard to these amounts and Debtor has no objection to this proof of claim. The claim is secured. However, it is not fully secured. Debtor waives its right to cramdown this amount under Section 506 of the Code. This claim has arisen as a result of a commercial loan made by Newtek to Debtor and a related entity of Debtor, B & B Fitness. Newtek holds a first mortgage against Debtor's real estate which is located at 117 Rose Street, Scotrun, Monroe County, Pennsylvania. The arrearage occurred as a result of Debtor's failure to pay the monthly commercial loan payments in a timely fashion. Newtek's lien is second in priority since the MCTCB holds the first priority lien. Claimant is not an insider. The claim is impaired with regard to the timing of payment because Debtor has failed to pay the monthly commercial loan payments when they came due and under the Plan, Debtor is proposing to pay the loan arrearage within 36 months of the effective date of the Plan. The first payment by Debtor regarding the payment of the loan arrearage shall be due within 30 days of the effective date of the Plan.

Debtor is also proposing to continue to pay its regular monthly commercial loan payments to Newtek and in accordance with the loan documents executed by Debtor with Newtek. Also, nothing in Debtor's proposed Plan is meant or should be construed as an attempt to amend or alter the terms of the loan documents.

Furthermore, Newtek shall retain its mortgage lien against Debtor's real property until Newtek's commercial loan is paid in full by Debtor.

As noted above, Debtor shall pay the MCTCB and Newtek, on an equal, dollar for dollar basis, and on a monthly basis, until each claim is paid in full.

Finally, as previously discussed, Debtor shall also pay to Newtek the proceeds from the daycare tenant, in the amount of \$2,500.00, which has already been approved by the Bankruptcy Court. These proceeds shall be applied to the loan in accordance with the original loan documents executed by the parties and applicable SBA regulations. Thereafter, Newtek shall continue to receive these payments and Newtek shall be permitted to apply these funds as it sees fit and in accordance with the terms of the original loan documents.

2. Class(es) 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 have any priority unsecured claims. If any priority unsecured claims are discovered, said claimants shall receive cash on the effective date of the Plan equal to the allowed amount of such claim.

3. Class(es) 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.

Unsecured Claims: The Debtor has no unsecured claims. In this regard, Holly R. Corcoran, CPA, waived her claim that she had against Debtor and Debtor is not aware of any other unsecured claims.

If any allowed, unsecured claims, are discovered, Debtor proposes to pay them, in full, immediately after the payment of all claims of a higher class of claims. This class would be impaired only with regard to timing of payment.

4. Class(es) of Equity Interest Holders

Equity interest holders are parties who hold an ownership interest (i.e. equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company (LLC), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

Class #3 - Equity Interest Holders

The Debtor has two equity interest holders in Class #3. The equity interest holders are Robert C. Bishop and Barry Klein, since they are the general partners who each owns a Fifty (50%) Percent interest in Debtor. Also, both of them are insiders. It is proposed that Robert C. Bishop and Barry Klein each retain their interest in Debtor and no payments shall be

made to them with regard to their interests until all allowed claims are paid, in full. Consequently, this class is not impaired and they would not be permitted to vote, anyway, because they are insiders.

D. Means of Implementing the Plan

Since the filing of this Chapter 11 case, the Debtor has made all post-petition loan payments/adequate protection payments to Newtek. Debtor has also been able to pay all of its other monthly obligations. The Debtor's most recently filed Monthly Operating Report is set forth as Exhibit B. This has been possible because of the reorganization of the related entity, B & B Fitness. The reorganization of that entity has enabled it to make its monthly lease payments to Debtor. In turn, Debtor has been able to pay all of its monthly obligations. Currently, Debtor has only two pre-petition claims and both claims are secured claims:

1. MCTCB \$386,440.25 (arrearage of \$386,440.25) and
2. Newtek \$1,616,713.57 (arrearage of \$98,883.49).

Prior to the filing of the bankruptcy, Debtor had been charging its principal tenant, B & B Fitness a monthly lease amount which was based upon Debtor's financial obligations, only. The regular monthly lease payment is \$17,500.00. However, it is Debtor's intention to increase the monthly lease obligation in order to ensure that the lease amount is commensurate with similar leases in the industry. This graduated increase in the monthly lease obligation shall be used to pay the arrearages due to Debtor's two creditors. The increases shall be as follows:

1. A \$2,000.00 per month increase in Year 1, starting 30 days from the Effective Date of the Plan;
2. A \$3,000.00 per month increase in Year 2;
3. A \$4,000.00 per month increase in Year 3 and;
4. A \$5,000.00 per month increase in Year 4 through Year 7 and;
5. A \$6,100.00 per month increase in Year 8 and thereafter, until the remaining MCTCB arrearage is paid, in full.

As a result, Debtor shall pay to each creditor, \$1,000.00 per month in Year 1, \$1,500.00 per month in Year 2, \$2,000.00 per month in Year 3, \$5,000.00 per month to the MCTCB (Newtek's arrearage will be paid in full by the end of the third year) during Year 4 through Year 7, \$6,100.00 per month in Year 8 and thereafter, until the remaining MCTCB arrearage is paid in

full. Thus, Newtek's arrearage shall be paid, in full, within 36 months of the effective date of the Plan and MCTCB's arrearage shall be paid, in full, within 96 months of the effective date of the Plan. Please see payment charts set forth below.

Arrearage Payments to MCTCB Under Plan

Month	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	
1	1,000	1,500	2,000	5,000	5,000	5,000	5,000	6,100	
2	1,000	1,500	2,000	5,000	5,000	5,000	5,000	6,100	
3	1,000	1,500	4,000*	5,000	5,000	5,000	5,000	6,100	
4	1,000	1,500	4,000*	5,000	5,000	5,000	5,000	6,100	
5	1,000	1,500	4,000*	5,000	5,000	5,000	5,000	6,100	
6	1,000	1,500	4,000*	5,000	5,000	5,000	5,000	6,100	
7	1,000	1,500	4,000*	5,000	5,000	5,000	5,000	6,100	
8	1,000	1,500	4,000*	5,000	5,000	5,000	5,000	6,100	
9	1,000	1,500	4,000*	5,000	5,000	5,000	5,000	6,100	
10	1,000	1,500	4,000*	5,000	5,000	5,000	5,000	6,100	
11	1,000	1,500	4,000*	5,000	5,000	5,000	5,000	6,100	
12	1,000	1,500	4,000*	5,000	5,000	5,000	5,000	6,100	
Total	12,000	18,000	44,000	60,000	60,000	60,000	60,000	73,200	387,200

*Once the arrearage claim of Newtek is paid in full, the balance of the amount that was being paid to Newtek will be paid to MCTCB. It is estimated that Newtek's arrearage will be paid in full in Year 3.

Arrearage Payments to Newtek Under Plan

Month	Year 1 Plan	Year 1 Tenant	Year 2 Plan	Year 2 Tenant	Year 3 Plan	Year 3 Tenant	
1	1,000	2,500	1,500	2,500	2,000	2,500	
2	1,000	2,500	1,500	2,500	2,000	2,500	
3	1,000	2,500	1,500	2,500			
4	1,000	2,500	1,500	2,500			
5	1,000	2,500	1,500	2,500			
6	1,000	2,500	1,500	2,500			
7	1,000	2,500	1,500	2,500			
8	1,000	2,500	1,500	2,500			
9	1,000	2,500	1,500	2,500			
10	1,000	2,500	1,500	2,500			
11	1,000	2,500	1,500	2,500			
12	1,000	2,500	1,500	2,500			
Total	12,000	30,000	18,000	30,000	4,000	5,000	99,000

Debtor also agrees that if the proposed payments referred to above are not made and consequently, Newtek's loan arrearage is not paid, in full, within 36 months of the effective date of the Plan and MCTCB's tax arrearage is not paid, in full, within Eight Years of the effective date of the Plan then, the case shall convert to Chapter 7 of the Bankruptcy Code.

Debtor also agrees that, in addition to the above described payments, it shall continue to pay its real estate property taxes to the tax collector, as they come due and continue to pay its regular monthly commercial loan payments to Newtek, as they come due. Furthermore, if these payments are not made then, Debtor agrees that the case shall convert to Chapter 7 of the Bankruptcy Code.

E. Risk Factors

The principal risk regarding the proposed Plan is that Debtor is unable to receive the monthly lease payments from its related entity, B & B Fitness, or is unable to receive monthly lease payments, on a regular basis, from the tenant that is leasing the 4,000 square foot commercial space. The continued receipt of payments from these two funding sources is necessary in order for Debtor to be able to successfully complete its Plan.

F. Executory Contracts and Unexpired Leases

Executory contracts are agreements whereby the parties to the agreement have not completed their obligations, thereunder. The prime example of an executory contract is a business lease on real property. Currently, the Debtor has one executory contract. The executory contract is with B & B Fitness and Barbell, Inc. Debtor intends to assume this contract. Currently, Debtor also has a lease with a daycare center. However, the lease agreement was executed and approved post-petition and thus, is not relevant with regard to this matter.

G. Tax Consequences of 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.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the Plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a Chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in §1129 and they are not the only requirements of confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan, if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that Classes 1 and 2 are impaired and that holders of claims in each of these classes are therefore, entitled to vote to accept or reject the Plan. The Plan Proponent believes that Class 3 (Equity Interest Holders) is unimpaired and the holders of these claims are insiders, as well. Consequently, the holders of these equity interests do not have the right to vote to accept or reject the Plan.

1. What is an Allowed Claim or an Allowed Equity Interest?

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

2. What is an Impaired Claim or Impaired Equity Interest?

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is impaired under the Plan. As provided in §1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable or contractual rights of the members of that class.

3. Who is Not Entitled to Vote?

The holders of the following types of claims and equity interests are not entitled to vote:

- Holders of claims and equity interests that have been disallowed by an order of the Court;
- Holders of claims or equity interests in unimpaired classes;
- Holders of claims entitled to priority pursuant to §§507(a)(2), (a)(3) and (a)(8) of the Code;
- Administrative expenses; and
- Holders of claims by insiders.

Even if you are not entitled to vote on the Plan, you have a right to object to the confirmation of the Plan and to the adequacy of the Disclosure Statement.

4. Who can Vote in more than one Class?

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan, without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cramdown” on non-accepting classes, as discussed later in Section B.2.

1. Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. Treatment of Non-accepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by §1129(b) of the Code. A Plan that binds non-accepting classes is commonly referred to as a “cramdown” Plan. The Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of §1129(a)(8) of the Code, does not “discriminate unfairly” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a “cramdown” confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

To confirm the Plan, the Court must 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 claim and equity interest holders would receive in a Chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as Exhibit C.

D. Feasibility

The 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.

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. The most recently filed Monthly Operating Report is attached as Exhibit B.

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. In this regard, the success of this Plan is dependent upon the receipt of the regular monthly lease payments from B & B Fitness and the daycare center. The amounts paid by the tenants are reasonable and, as discussed earlier, B & B Fitness shall increase its monthly lease payment over the next several years to bring its payment more in line with the fair market value for the leasing of commercial space of that nature. Consequently, the success of this Plan is assured as long as Debtor's tenants continue to pay their monthly lease payments. Furthermore, the Liquidation Analysis is attached as Exhibit C.

You should consult with your Accountant or other Financial Advisor if you have any questions pertaining to these projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtor

Discharge. On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to

the extent specified in Section 1141(d)(1)(A) of the Code. However, the Debtor shall not be discharged from any debt imposed by the Plan. After the effective date of the Plan, your claims against the Debtor will be limited to the debts imposed by the Plan.

B. Vesting of Property

Pursuant to Section 1141(b) of the Code, the confirmation of the Plan shall vest all property of the estate in Debtor as of the effective date of the Plan.

C. Modification of Plan

The Debtor may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new Disclosure Statement and/or revoting on the Plan.

The Debtor 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 Court authorizes the proposed modifications after notice and a hearing.

D. Final Decree

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

VI. OTHER PLAN PROVISIONS

This Disclosure Statement and Plan are meant to address the legal issues, financial issues and arrearages of Debtor, only. The confirmation of Debtor's Plan in no way shall affect the legal or financial obligations of any other party, including B & B Fitness and Barbell, Inc. or any of the other co-debtors or co-guarantors of the commercial loan that was financed by Newtek Small Business Finance, LLC.

Date: 04/24/17

/s/Robert C. Bishop, General Partner
Robert C. Bishop, General Partner of
B & B Real Estate General Partnership,
Debtor-in-Possession

Date: 04/24/17

/s/Philip W. Stock, Attorney
Philip W. Stock, Attorney for
Debtor-in-Possession