

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

IN RE: : NO. 1:17-bk-00581-RNO
OUTSOURCING STORAGE, INC. :
Debtor : Chapter 11

**DISCLOSURE STATEMENT IN SUPPORT
OF DEBTOR'S PLAN OF REORGANIZATION**

**I.
INTRODUCTION**

1.1 Introduction

The Debtor, Outsourcing Storage, Inc. ("Outsourcing" or "Debtor"), provides this Disclosure Statement (the "Disclosure Statement") for the Plan of Reorganization (the "Plan") filed by it contemporaneously with this Statement.

Any terms set forth herein, which are capitalized, and which are defined in the Plan, shall have the same meaning as in the Plan, unless inconsistent with the Plan or otherwise set forth in the Plan or in this Disclosure Statement.

THIS DISCLOSURE STATEMENT IS ONLY A PROPOSAL UNTIL SUCH TIME AS THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. CREDITORS AND PARTIES IN INTEREST (AS DESIGNATED BY THE COURT) WILL HAVE AN OPPORTUNITY TO OBJECT TO THE PROPOSED DISCLOSURE STATEMENT, AND SOLICITATION OF THE ACCEPTANCE OF THE PLAN OF REORGANIZATION CANNOT BE MADE UNTIL SUCH TIME AS THE PROPOSED DISCLOSURE STATEMENT IS APPROVED BY THE BANKRUPTCY COURT.

1.2 Purpose of Disclosure Statement

As required by Section 1125 of the Bankruptcy Code, the Debtor has filed this Disclosure Statement for Court approval before circulation to holders of Claims and interests and before solicitations of acceptances of the Plan.

The purpose of this Disclosure Statement is to provide the holders of Claims in this case, and other parties in interest, with adequate information concerning the Debtor and the proposed Plan so that Claim holders can arrive at a reasonably informed decision so as to be able to exercise their right to vote on the Plan which has been filed with the Bankruptcy Court. A copy of the Plan will accompany this Disclosure Statement after the Disclosure Statement is approved by the Court and will be sent to those creditors and parties in interest as the Court directs. Those creditors whose Claims are not impaired (as defined in Section 1124 of the Bankruptcy Code) may not receive a copy of the Disclosure Statement and Plan.

ONLY THOSE CREDITORS WHO HAVE ALLOWED CLAIMS AND ARE ENTITLED TO VOTE ON THE PLAN UNDER THE BANKRUPTCY CODE WILL RECEIVE BALLOTS WHICH WILL ACCOMPANY THE APPROVED DISCLOSURE STATEMENT. LATE FILED CLAIMHOLDERS MAY NOT BE PERMITTED TO VOTE ON THE PLAN.

1.3 Plan Confirmation

The Court will set a date for the hearing on the acceptance of the Plan and its confirmation. Prior to such hearing, those creditors eligible to vote on the Plan may so vote on the Plan by filling out and mailing the ballot which accompanies the approved Disclosure

Statement. Ballots should be forwarded to: Robert E. Chernicoff, Esquire, Cunningham & Chernicoff, P.C., P. O. Box 60457, Harrisburg, Pennsylvania 17106-0457, in accordance with the Order setting the time for the filing of ballots. Ballots must be received on or before the date fixed by the Court. Any ballots received after the deadline may not be counted unless the Court orders otherwise. Any ballot which sets forth an amount of a Claim which differs from the amount which is scheduled, or as filed in a Proof of Claim, as allowed, may, at the option of the Plan proponent (the “Debtor”), be corrected to the allowed amount (as defined in the Plan). Further, any ballot which sets forth the wrong classification may be corrected by the Plan proponent, unless the Court orders otherwise.

As a creditor, your vote is important. The Plan can be confirmed by the Court if it is accepted by the holders of two-thirds in amount and more than half in number of the Claims of each of the affected, impaired classes voting on the Plan. In the event the requisite acceptances are not obtained, the Court may nevertheless confirm the Plan. To be confirmed, the Plan must be accepted by at least one (1) impaired class determined without considering acceptances of insiders. If at least one (1) impaired class accepts the Plan, the Plan may be confirmed by the Court, if the Court finds, after notice, among other things, that the Plan accords fair and equitable treatment to any class rejecting the Plan, the Plan does not discriminate unfairly and the Plan meets the requirements of Section 1129(b) of the Code, including the requirement that creditors will receive as much as they would receive in a liquidation.

In the event a class of unsecured creditors fails to accept the Plan, a Plan may not be approved by the Court unless certain requirements are met as to classes of Claims or interests junior to the class which does not accept the Plan.

In this case, the last class of Claims, is the Class 4, General Unsecured Claims. The only Class junior to the Class 4 Claims would be Class 5, Equity Holder. All the equity of the Debtor consists of the stock in the Debtor held by 1947198 Ontario Inc. (“Ontario”). In order for the Plan to be confirmed without violation of what is known as the Absolute Priority Rule, the Debtor must secure sufficient votes from its Class 4 General Unsecured Creditors to cause such Class 4 to have accepted confirmation of the Plan. These votes must be in the numbers set forth above of two-thirds in dollar amount, and more than one-half in number of the Claims, which have voted on the Plan. In the event insufficient votes in Class 4 occur, to meet these numbers, the Debtor has certain additional provisions under the Code by which it can secure confirmation of the Plan, including, but not limited to, the placing of new value into its Debtor’s estate, or exposing the equity of the Debtor to bids by third parties.

As set forth above, the Class 5 Equity Holder may on the occasion of insufficient votes from the Class 4, General Unsecured Creditors, take the opportunity to place additional funds into the estate. The Plan provides that the spouse of the president of the Debtor may cause entities in which she has an interest to sell real estate and/or refinance real estate and place the funds which result from such sale or refinancing into the Debtor in order to partially fund the payments necessary for the Plan. Such additional funds may be considered new

value. The Debtor will also be utilizing its revenue and income from its operations to fund the Plan.

The Debtor is unable to predict how much new value might be placed into the estate and into the Plan, particularly because the amount of the Claims of the various taxing authorities is not yet fixed.

Also, in the event that the Debtor does not receive sufficient votes from the Class 4 unsecured creditors, the Debtor may file an Amended Plan or provide a further analysis so as to cause unsecured creditors to vote in favor of the Plan. The Debtor believes that the offer to the unsecured creditors made in this Plan is a realistic one based upon the Debtor's liquidation values and based upon the Debtor's cash flow.

Other than the taxing authorities, there are no secured creditors. It is believed that the taxing authorities may not have filed liens so as to attach to the assets of the Debtor. Further, the tangible assets of the Debtor to which such liens may attach are minimal and, thus, there are effectively no secured creditors in this Plan.

The Debtor believes nonetheless the Plan can meet the requirements of Section 1129 as to confirmation even if all classes of Claims of creditors do not accept the Plan.

1.4 Disclaimers

NO REPRESENTATIONS CONCERNING THE DEBTOR, PARTICULARLY AS TO FUTURE BUSINESS OPERATIONS, VALUE OF PROPERTY, OR THE VALUE OF ANY PROMISES TO BE MADE UNDER THE PLAN OR ANY AGREEMENTS INCORPORATED IN THE PLAN, OTHER THAN AS SET FORTH

IN THIS STATEMENT, ARE AUTHORIZED BY THE DEBTOR. THE ATTORNEYS FOR THE DEBTOR MAKE NO REPRESENTATION OTHER THAN THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BASED, IN PART, UPON INFORMATION SUPPLIED BY THE DEBTOR AND THE DEBTOR BELIEVES SUCH INFORMATION TO BE CORRECT AT THE TIME OF THE FILING OF THIS DISCLOSURE STATEMENT. NOTHING CONTAINED HEREIN SHALL CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE THE DISCLOSURE STATEMENT WAS COMPILED. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE THE VOTES OR ACCEPTANCES OF CREDITORS WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY CREDITORS IN ARRIVING AT A DECISION, AND ANY SUCH REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO THE COUNSEL FOR THE DEBTOR WHO, IN TURN, MAY DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS DEEMED APPROPRIATE. THIS DISCLOSURE STATEMENT, WHEN APPROVED BY THE COURT, IS THE ONLY APPROVED STATEMENT CONCERNING THE MATTERS AND FACTS DEALING WITH THE SOLICITATION OF ACCEPTANCES FOR THE PLAN.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSES OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN, AND NOTHING CONTAINED IN IT SHALL CONSTITUTE AN ADMISSION OF

ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE PROPONENT OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON THE DEBTOR, HOLDERS OF CLAIMS OR INTERESTS, OR THE REORGANIZED DEBTOR.

THIS DISCLOSURE STATEMENT AND THE ACCOMPANYING PLAN IS NOT AN OFFER TO SELL SECURITIES. ALL CREDITORS AND PARTIES IN INTEREST ARE DIRECTED TO CONSULT WITH THEIR TAX ADVISORS AND NO TAX ADVICE IS INTENDED TO BE GIVEN BY THE PLAN AND DISCLOSURE STATEMENT

THE STATEMENT AND REPRESENTATIONS CONTAINED HEREIN ARE MADE SOLELY BY OR AT THE INSTANCE OF THE PLAN PROPONENT AND NO OTHER PARTY IN INTEREST IS RESPONSIBLE FOR THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. THE PLAN PROPONENT DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY.

CERTAIN OF THE INFORMATION, BY ITS NATURE, IS FORWARD LOOKING, CONTAINS ESTIMATES AND ASSUMPTIONS WHICH MAY PROVE TO BE FALSE OR INACCURATE AND CONTAINS ESTIMATES WHICH MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE EXPERIENCES. SUCH ESTIMATES AND ASSUMPTIONS ARE MADE FOR INFORMATIONAL PURPOSES ONLY AND NO REPRESENTATION OR WARRANTY IS MADE

WITH RESPECT THERETO. ALL PROJECTIONS CONTAINED HEREIN WERE PREPARED BY OR AT THE REQUEST OF THE DEBTOR.

1.5 Sources of Information

Financial information contained in this Disclosure Statement has not been subject to a certified audit. The Debtor has had tax returns prepared in the past, but has not had an audit prepared.

The financial information contained in this Disclosure Statement and in the Exhibits hereto have been prepared based upon information supplied by the Debtor. While no appraisal as to the Debtor's Assets has occurred, because of the small value of the tangible assets, no appraisal is believed to be necessary. Based upon current market conditions, it is believed that the values which it has placed upon the Personal Property in the Liquidation Analysis set forth hereinafter and the Debtor's Schedules are reasonable. The values contained in the Liquidation Analysis are based upon the Debtor's knowledge of values of its Personal Property.

Thus, the Debtor believes that any valuations contained in this Disclosure Statement are reasonable and accurate. Every reasonable effort has been made to present accurate figures.

Attached hereto as referenced in this Disclosure Statement are various exhibits. These exhibits include a list and schedule of Pre-Petition debts as of the Petition Date (Exhibit "A"). There may be additional Claims not reflect on the Schedules however, the Debtor believes that the Schedules are accurate. Exhibit "A" is based upon information supplied

by the Debtor. The Schedules of Pre-Petition Debt are intended to reflect amounts believed owed Pre-Petition by the Debtor. Attached hereto as Exhibit "B" is the Claims Register reflecting Claims as filed with the Court as part of the Disclosure Statement process, the Debtor will file a Motion with the Court seeking a Claims bar date. As a result, the Court will set a date by which all Claims against the Debtor will have to be filed.

The Debtor has prepared and filed with the Court a Statement of Financial Affairs, and Schedules of Liabilities and Assets, as required by the Bankruptcy Rules. The Debtor has filed monthly operating reports on a regular basis. The Statement of Financial Affairs, Schedules of Liabilities and Assets, and the monthly operating reports are on file with the Clerk in charge of Bankruptcy Operations, United States Bankruptcy Court for the Middle District of Pennsylvania, 228 Walnut Street, Room 320, Harrisburg, Pennsylvania 17101. Further, all pleadings and Orders filed in this case are on file with the Bankruptcy Clerk at such address or online in the Court's ECF system. These documents are available for public inspection; all documents filed with the Court by the Debtor, and those attached to this Disclosure Statement, are believed to accurately reflect the Debtor's assets and liabilities at the date of filing, to the best of the Debtor's knowledge, information and belief, and the Debtor's cash receipts and expenditures since the date of filing. As set forth above, however, none of these documents have been subject to a certified audit, although the Debtor believes the information to be reasonably accurate.

II. BACKGROUND

2.1 General

The Debtor is a Pennsylvania business corporation which was formed in 2014. The Debtor performs warehousing and fulfilment of various orders for third parties who ship and sell goods at retail and wholesale. The Debtor operates out of an office and various warehouse facilities in Dauphin County, Pennsylvania.

2.2 Pre-Petition Activities

During 2015, the Debtor purchased certain computer equipment and furniture from an entity known as Outsourcing of Millersburg, Inc. for approximately \$18,000.00. It is believed that this equipment and furniture were purchased at market value. Because the Internal Revenue Service had liens on such equipment, the net proceeds of the purchase price for this equipment was paid to the IRS. The Debtor believed that it was thereby providing the IRS with value for such equipment.

Because the IRS believes that the Debtor is an alter ego of Outsourcing of Millersburg, Inc. and another entity known as 350 Wiconisco Street of Millersburg, Inc., the IRS levied against the assets of the Debtor and seized approximately \$100,000.00 in receivables of the Debtor. Because of continuing levies of the IRS, the Debtor determined to file Chapter 11 in order to permit it to reorganize, fix the amount owed to the Internal Revenue Service and other tax agencies and pay the Internal Revenue Service the amount which the Debtor believes is owed to the Internal Revenue Service. The Debtor disputes that

it is an alter ego of Outsourcing of Millersburg, Inc. (“Millersburg”) and 350 Wiconisco Street of Millersburg, Inc. (“Wiconisco”). The IRS obviously contends otherwise.

III. PRE-PETITION OBLIGATIONS

Attached hereto as Exhibit “A” is Schedules E and F of the Bankruptcy Schedules, as filed by the Debtor in this case. These Schedules set forth the creditors of the Debtor, as the Debtor believes such existed as of the Chapter 11 Petition Date.

The Schedules of the Debtor, as set forth in Exhibit “A”, list those creditors of the Debtor which the Debtor believes existed as of the date of the Chapter 11 Petition, together with the amounts which the Debtor believes it owed to these creditors as of the Petition date.

A bar date will be established as part of the case process. Creditors may file Claims which are in amounts which are different from those set forth on the Schedules, assuming such amounts are supported by an actual debt. The bar date will establish a final date by which all Claims against the Debtor will need to be filed. The Debtor will examine all Claims as filed and the Debtor reserves the right under the Plan and under the Bankruptcy Code to object to any Claims which may be in error, including, those Claims which are duplicative or contain improper amounts of interest. A summary of the various Claims of creditors is set forth hereinafter.

3.1 Priority Tax Claims

3.1.1 The IRS has filed Claims against the Debtor for various taxes in the total amount of \$2,777,121.76. Of such Claim, the IRS sets forth the sum of \$2,598,440.60 as

secured. Because the Debtor has virtually no tangible assets, it is believed that such Claim is not secured.

As set forth above, the Debtor also contends that such obligations are not owed by it by the IRS. Certain of the IRS Claim which is from the period after the Debtor began operations may be those of the Debtor. Other parts of the IRS Claim predate the Debtor's existence. The Debtor intends to object to the IRS Claim unless same can be resolved short of an objection.

The Debtor scheduled the IRS Claim as unknown.

3.1.2 The Pennsylvania Department of Revenue has filed a Claim in the amount of \$159,880.65. Of the filed PA Revenue Claim, \$131,980.10 is listed as secured. Again, because there are no assets to which any lien of the Pennsylvania Department of Revenue can attach, it is believed that such Claim is not secured. Further, most of the quarters set forth in the Claim relate to a period of time prior to the Debtor's operations and thus, the Debtor believes that such Claim is not owed by the Debtor. Unless the Debtor can resolve the Claim through negotiations with the Pennsylvania Department of Revenue, such Claim will be objected to by the Debtor.

The Pennsylvania Department of Revenue has also filed an administrative Claim in the amount of \$36,024.29. The Debtor is hopeful that by the time the Plan is confirmed, that such administrative Claim will be paid.

3.1.3 The Debtor also scheduled a Claim owed to the Pennsylvania Department of Labor & Industry for unemployment taxes in the amount of \$56.21 which it believes results

from Outsourcing of Millersburg, Inc. To date, such governmental entity has not filed a Proof of Claim.

3.2 Unsecured Claims

The Debtor scheduled total unsecured Claims of \$357,101.12. There has only been one unsecured Claim filed to date which is that of JC Ehrlich Co Inc. in the amount of \$633.88.

Included in the unsecured Claims filed by the Debtor are Claims which may not be owed by the Debtor. The Debtor scheduled a Claim owed to Gratz Bank in the amount of \$251,253.08. This debt is not a direct obligation of the Debtor, but rather, the Debtor guaranteed this debt and, thus, it should be listed as contingent. The same holds true for an additional Claim in favor of Gratz Bank in the amount of \$74,949.75. Both of these Claims owed to Gratz Bank represent obligations owed by other entities which are secured upon real estate owned by such other entities. The Debtor has guaranteed such obligations. The unsecured Claims which are not contingent, or guaranteed, as scheduled equals \$30,954.50.

IV. POST-PETITION ACTIVITIES

4.1 General

Immediately upon the filing of the case, the Debtor filed motions to utilize cash collateral and with respect to utilities and also to permit the payment of pre-Petition payroll. The Court scheduled a hearing on these First Day Motions and, ultimately, the Debtor was permitted to pay its pre-Petition payroll. The Court also entered an Order with respect to utility deposits. A cash collateral Order was also entered.

The Debtor also filed an application to employ its counsel, Cunningham, Chernicoff & Warshawsky, P.C., which application was approved by the Court. An application to employ as accountants Gift CPAs was filed, which application was approved by the Court.

The Debtor has had negotiations with the IRS with respect to its Claim. The IRS also filed a Motion for a Rule 2004 Examination of the president of the Debtor, Ivan Rempel. Such examination has occurred.

V. SUMMARY OF DEBTOR'S ASSETS

5.1 General

The Debtor is essentially a service business. It leases various warehouse space and the warehouses are utilized to store products owned by other companies. Thus, the Debtor has very little assets.

5.2 Accounts Receivable

The Debtor did list receivables on its schedules in the amount of \$32,873.01. These receivables are paid within sixty days and are generally replaced on a regular basis.

5.3 Equipment

The Debtor scheduled office equipment and other such items having a value of approximately \$18,000.00. These assets consist of furniture and computers. Because of the nature of these assets, these items retain very little value.

5.4 Miscellaneous and Cash on Hand

While the Debtor listed an account at Gratz Bank, the value of the account was zero as of the Petition Date, as there was nothing in the account as of the Petition Date.

VI.
SUMMARY OF THE PLAN OF REORGANIZATION

6.1 Introduction

INCLUDED WITH THIS DISCLOSURE STATEMENT, UPON APPROVAL OF THIS STATEMENT BY THE COURT, IS A COPY OF THE PLAN OF REORGANIZATION OF THE DEBTOR, WHICH HAS BEEN FILED WITH THE BANKRUPTCY COURT. FOLLOWING IS A BRIEF SUMMARY OF THE DEBTOR'S PLAN OF REORGANIZATION, AND CREDITORS ARE URGED TO READ THE FULL TEXT OF THE PLAN ITSELF. WHILE THE FOLLOWING IS A SUMMARY, CREDITORS SHOULD NOT RELY UPON THE SUMMARY AS CONTAINING ALL PARTS OF SUCH PLAN. FURTHER, OTHER PARTS OF THIS STATEMENT, INCLUDING PART IV RELATING TO POST-PETITION TRANSACTIONS, SET FORTH ADDITIONAL INFORMATION REGARDING THE PLAN. IF CONFIRMED, THE PLAN WILL BE BINDING UPON THE DEBTOR, ITS CREDITORS, ALL PARTIES IN INTEREST, AS WELL AS ALL EQUITY INTEREST HOLDERS, ALL OF WHOM ARE URGED TO CAREFULLY READ THE PLAN.

The Plan divides Claims into four (4) classes. Classes of creditors' Claims consist of: (1) expenses of administration for compensation of professionals; (2) other Administrative Claims; (3) Priority Tax Claims; and (4) the Claims of all other unsecured, non-priority Claim holders.

Classes 1, 2 and 3 are unclassified under the Plan and are listed as classes of Claims for convenience only.

The fifth (5th) Class is Class 5, the Equity Holder. The Equity Holder is 1947198 Ontario, Inc., which owns 100% of the equity in the Debtor.

The first three classes are technically unclassified Claims and will not have the opportunity to vote. The treatment of classes of Claims is as set forth hereinafter. It should be noted, however, that the terms and conditions of the Plan control notwithstanding any statement contained in this Disclosure Statement.

6.2 Professional Administrative Claims and Administrative Claims

The general bankruptcy counsel to the Debtor during the Chapter 11 case is Cunningham, Chernicoff and Warshawsky, P.C. The Debtor's accountants are Gift CPAs, who also provide regular bookkeeping services to the Debtor.

All professional Administrative Claims will be paid in cash on or before the Confirmation Date of the Plan, or as otherwise agreed in writing by the Claimant and the Debtor. If funds are owed to professionals and approval by the Court is necessary for payment, then a sum will be escrowed in an amount sufficient to fund such sums owed to professionals.

Administrative Claim holders will be paid in the ordinary course of business, within sixty (60) days after the effective date of the Plan, or as otherwise agreed by the Claimant and the Debtor, whichever of these dates are later. Fees owed to the Office of the U.S. Trustee will be paid in the regular course by thirty (30) days after the close of each calendar quarter. To the extent that any fees are owed to the Office of the U.S. Trustee as of the Confirmation Date, such fees are to be paid by the Debtor.

6.3 Priority Taxes

Because of the minimal assets owned by the Debtor, all Claims of taxing authorities will be treated as priority tax claims to the extent of the taxes and interest to the Petition Date. No tax Claim shall include penalties.

All priority tax Claims, once fixed, are to be paid in full on or before five years from the Petition Date, together with interest at the rate of three percent (3%) per annum. Interest will begin to accrue as of the Effective Date of the Plan on the unpaid tax balance. Payments will be made on a regular monthly basis on the agreed upon amount of a tax Claim, with each payment to begin during the first calendar month after the Effective Date of the Plan.

In the event that the Debtor raises additional funds through any loans or through any sales of real property by any affiliates of the Debtor, such payments shall be made directly to each taxing authority pro rata. Upon such payment, the amount to be paid on a regular monthly basis to a taxing authority who received the payment will be reamortized.

To the extent that any liens exist to any taxing authority, such liens will be retained until such time as an amount equal to the secured value of the Claim is paid in full.

6.4 General Unsecured Creditors

The Class 4 unsecured Claim holders will be paid 10% of their allowed Class 7 Claim, payable in five (5) equal annual installments of 2% each. The first installment will be paid on or about six (6) months after the Effective Date of the Plan, with each succeeding annual installment continuing on the same month of each succeeding four (4) years thereafter.

6.5 Equity Holders

The Equity Holder is 1947198 Ontario, Inc., who owns 100% of the equity in the Debtor. At the option of such shareholder, the equity interest in the Debtor will either be retained or canceled as of the Effective Date. If the shares are canceled, the Equity Holder will be issued new shares in the same percentage as exists pre-Petition.

6.6 Executory Contracts

6.6.1 Real Estate Leases

The Debtor leases various warehouse space located in the Millersburg, Dauphin County, Pennsylvania area. It is believed that all leases are on a month-to-month basis. To the extent that any lease may be assumed, the Plan provides for the assumption of such lease.

6.6.2 Customer Agreements

The Debtor has various agreements with its customers whereby it warehouses the customers' products and ships the products as required by a specific customer. This is the main source of business for the Debtor. To the extent that any such agreements are in effect, such agreements are assumed under the Plan.

6.6.3 Insurance Contracts

All contracts of insurance, including health insurance, are assumed under the Plan.

6.6.4 Miscellaneous

All other contracts which are not specifically mentioned under the Plan are rejected as part of the Plan.

6.7 Means for Execution of the Plan

The Debtor intends to continue to operate its warehousing and shipping business. The Debtor has been increasing its business operations and seeking additional customers. It believes that its business operations can be operated efficiently in an amount sufficient to fund the Plan. The Debtor also intends to consider asking certain affiliates or other entities to sell real estate or utilize such real estate to secure loans which would be utilized to pay priority tax claims.

The real estate entities have approximately \$1,000,000.00 to \$1,500,000.00 in equity. The Debtor is negotiating with these companies to assist to fund the Plan.

Attached hereto as Exhibit "C" are forecasted financial projections. The projections set forth the cash flow of the Debtor and from sales or refinancing. These projections appear to set forth sufficient funds to make all payments under the Plan.

BECAUSE THE PAYMENT TO CREDITORS UNDER THE PLAN IS BASED, IN PART, UPON FUTURE EARNINGS OF THE DEBTOR, NOT ALL PAYMENTS TO CREDITORS UNDER THE PLAN ARE CERTAIN. ANY PAYMENTS TO BE PAID UNDER THE PLAN ARE THEREFORE CONTINGENT UPON THE FUTURE EARNINGS OF THE DEBTOR AND UPON SUFFICIENT VALUE BEING REALIZED BY THE DEBTOR FROM ITS ASSETS.

VII.
CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

7.1

BECAUSE THE TAX CONSEQUENCES TO CREDITORS AND DEBTOR ARE VARIED AND COMPLEX AND DEPEND, IN PART, ON PARTICULAR CIRCUMSTANCES AND BECAUSE NO RULING HAS BEEN REQUESTED OR OBTAINED FROM THE INTERNAL REVENUE SERVICE AS TO ANY TAX ASPECTS OF THE PLAN, AND NO OPINION OF COUNSEL HAS BEEN OBTAINED WITH RESPECT THERETO, EACH CLAIM HOLDER AND INTEREST HOLDER IS STRONGLY URGED TO CONSULT WITH THEIR RESPECTIVE TAX ADVISOR OR ACCOUNTANT ABOUT THE POSSIBLE TAX CONSEQUENCES OF THE PLAN. ALL Claim HOLDERS AND INTEREST HOLDERS SHOULD CONSIDER THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF THE PLAN. THE PLAN PROPONENTS ARE NOT MAKING ANY REPRESENTATION REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO ANY CREDITOR, NOR ARE THE DEBTOR, THE COMMITTEE, OR THEIR RESPECTIVE COUNSEL RENDERING ANY FORM OF LEGAL OPINION AS TO SUCH TAX CONSEQUENCES.

7.2

The following is a general summary of certain significant federal income tax consequences of the Plan for the Debtor's creditors. The following summary may assist the Debtor and its creditors in evaluating the effect U.S. federal income taxes may have if the

Plan is consummated. This summary does not address the federal income tax consequences to creditors whose Claims are entitled to reinstatement or payment in full in cash, or are otherwise unimpaired under the Plan.

This summary does not discuss all aspects of federal income taxation that may be relevant to creditors, particularly to creditors subject to special treatment under the federal income tax laws, such as tax-exempt entities, governmental agencies or political subdivisions, broker-dealers, mutual funds, insurance companies, small business investment companies, regulated investment companies, foreign corporations or individuals who are not citizens or residents of the United States. Except as expressly stated below, this discussion does not address any state, local or foreign tax matters.

This discussion is based upon information received from various sources and has not been audited or verified. Any material inaccuracies in the information may affect the stated conclusions regarding the tax consequences of the Plan. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), the Treasury regulations (including temporary regulations) promulgated thereunder, judicial authorities and current administrative rulings, all as in effect on the date hereof and all of which are subject to change (possibly with retroactive effect) by legislation, administrative action or judicial decision.

This discussion is only an overview of significant tax issues that may change their application and results (e.g., we are not discussing the tax consequences from the distribution

or liquidation of certain non-core assets). Moreover, the tax consequences of certain aspects of the Plan are uncertain because of the lack of applicable legal precedent.

Because of the complexity of the transactions contemplated by the Plan, the differences in the nature of the Claims of the various creditors, their taxpayer status and methods of accounting and prior actions taken by creditors with respect to their Claims, the described tax consequences are subject to significant uncertainties and variations in their application. The Plan proponents have not received an opinion of counsel or a ruling from the IRS as to the consequences of the Plan and do not intend to seek a ruling from the IRS or opinion of counsel with respect thereto. There can be no assurance the treatment discussed below may be accepted by the IRS.

7.2.1 Federal Income Tax Consequences to Holders of Claims

The federal income tax consequences of the implementation of the Plan to a creditor may depend upon a number of factors, including whether the creditor is deemed to have participated in an exchange for federal income tax purposes, the type of consideration received by the creditor in exchange for its allowed Claim, and whether the creditor reports the income on the accrual basis.

In general, holders of Claims who receive cash should recognize gain or loss in an amount equal to the difference between (I) the cash received and (ii) its adjusted tax basis in the Claim.

Where gain or loss is recognized by a holder of a Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be

determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount or for the sale of inventory, and whether and to what extent the holder had previously Claimed a bad debt deduction.

To the extent that any amount received by a holder of a Claim under the Plan is attributable to accrued interest not previously included in the holder's gross income, such amount should be taxable to the holder as interest income. Conversely, a holder of a Claim may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for bad debts) to the extent that any accrued interest on such holder's Claim was previously included in the holder's gross income but was not paid in full by the Debtor. Such loss may be ordinary, but the tax law is unclear on this point. The extent to which the consideration received by a holder of a Claim will be attributable to accrued interest on the obligations constituting such Claim is unclear.

VIII. DISPUTES

8.1 General

Under the Plan, the Debtor reserves the right to dispute and object to any Claim as filed.

8.2 Tax Claims

The Debtor intends to dispute the various tax Claims as filed by the IRS and by the Pennsylvania Department of Revenue. These disputes are generally based upon the fact that the Debtor believes it is not an alter ego of other companies against which the IRS and PA

Revenue have asserted employment tax Claims. In the event the Debtor is not able to negotiate as to these disputes, the Debtor will object to the Claims and there will be proceedings in the Bankruptcy Court to determine the amount of such Claims.

IX. RISK FACTORS

9.1 Continued Operations of the Debtor

There is no guarantee that the Debtor will obtain sufficient business to generate income to fund its Plan. Further, there is no guarantee that the Debtor's business will prove to be profitable and thereby generate sufficient cash flow to remain in operation and fund the Plan.

9.2 Real Estate Funds

There is no guarantee that the affiliates of the Debtor or third parties will consent to either sell real estate or utilize the real estate to obtain loans which may be utilized to provide for financing to fund the Plan.

9.3 Governmental Tax Claims

There is no guarantee the Debtor will be successful in contesting the governmental tax Claims from other entities as not being those of the Debtor. If the Debtor is not so successful, the amount of such tax Claims may be so large as to make it impossible for the Debtor to feasibly propose a Plan that is confirmable.

X.
ALTERNATIVES TO THE PLAN

10.1

An alternative to the Plan is a liquidation of the Debtor's Assets. Because the Debtor has very few tangible assets, this would realize very little in the way of funds for the Debtor to pay to creditors.

The only assets of the Debtor which it has which has any value are its receivables which are paid on a regular basis and are expended for the Debtor's operations. At most, the Debtor has on hand \$40,000.00 in accounts receivable. The only other assets which the Debtor has is its office equipment.

The Debtor's liquidation analysis, thus, would be as follows:

	Face Amount	Liquidation Amount
Accounts Receivable	\$40,000.00	\$40,000.00
Office Equipment	\$18,000.00	\$5,000.00
Subtotal	\$58,000.00	\$45,000.00
Less Costs of Administration	<u> </u>	<u>(\$50,000.00)</u>
Amount Available for Priority and Unsecured Creditors		\$0.00

As to a refinance by the Debtor, because the Debtor has no appreciable assets and its receivables are utilized on a regular basis, a refinance of the Debtor would be very difficult, if not, in fact, impossible.

XI.
OWNERSHIP OF DEBTOR'S ASSETS
SUBSEQUENT TO REORGANIZATION

11.1

Subsequent to the Confirmation of the Plan, the Debtor will be revested with all of its property then existing, free and clear of all liens, Claims and encumbrances, except as set forth in Articles V and XIII of the Plan. The IRS and Pennsylvania Department of Revenue, to the extent that they have liens, will retain their liens until such time as an amount equal to the collateral for the lien Claims are paid in full. This would be approximately \$45,000.00 which equals the amount of the receivables and the Debtor's equipment.

11.2

Any transfer of any assets by the Debtor, including the sale of any real property of the Debtor, will constitute a transfer under the Plan, if it occurs after Confirmation of the Plan, and shall not be subject to a transfer, stamp or similar tax under any law, including those laws of the Commonwealth of Pennsylvania.

11.3

The Debtor's current management is through Ivan Rempel, who will remain as president of the Debtor.

XII. MISCELLANEOUS PROVISIONS

12.1

Under the Plan, the Debtor, its shareholders, officers, directors, employees, or agents (including the professionals and any other professionals retained by such persons) are released from liability to any holder of a Claim for any act or omission in connection with, or arising out of the bankruptcy case of the Debtor, the formulation of the Plan, the pursuit of approval of the Disclosure Statement for the Plan, or the solicitation of votes for or confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence, and in all respects, each shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

12.2

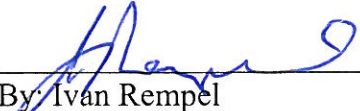
This Disclosure Statement will be provided to creditors after it has been approved, after notice and a hearing, by an Order of the United States Bankruptcy Court. The Court will find, upon approving the Disclosure Statement, that the statement contains adequate information in accordance with the provisions of the Bankruptcy Code. It should be understood that the Court's approval of the Disclosure Statement in no way constitutes an endorsement of the Plan by the Court or a guaranty of the accuracy or completeness of the information.

The information contained in this Disclosure Statement, and in the Plan, is based upon information developed by the Debtor. It has not been subject to a certified audit or independent review. Accordingly, neither the Debtor nor its counsel are able to warrant or represent that the information contained herein is complete, or is without any inaccuracy, although they have reasonably endeavored to obtain and supply all material information.

It is hoped that all creditors will join in to confirm the contents of the Plan so that creditors, as well as the Debtor, will receive the maximum results from the Plan.

Debtor:

OUTSOURCING STORAGE, INC.



By: Ivan Rempel
Its: President

Date: 12/7/17

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