

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

In re:	:	
	:	
417 LACKAWANNA AVENUE, LLC	:	Case No. 5-17-bk-04686
Debtor	:	Chapter 11

DEBTOR’S PLAN OF REORGANIZATION, DATED JANUARY 31, 2018

**ARTICLE I
SUMMARY**

This Plan of Reorganization (the “Plan”) under chapter 11 of the Bankruptcy Code (the “Code”) proposes to pay creditors of 417 Lackawanna Avenue, LLC, (the “Debtor”) from proceeds of sale of real property, refinance, and agreement with the secured mortgagee. This Plan provides for two classes of secured claims; three classes of unsecured claims; and one class of equity security holders. Unsecured creditors holding allowed claims who are not paid in the ordinary course will receive distributions, which the proponent of this Plan has valued at approximately 100 cents on the dollar. This Plan also provides for the payment of administrative and priority claims.

All creditors and equity security holders should refer to Articles III through VI of this Plan for information regarding the precise treatment of their claim. A disclosure statement that provides more detailed information regarding this Plan and the rights of creditors and equity security holders has been circulated with this Plan. **Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one. (If you do not have an attorney, you may wish to consult one.)**

**ARTICLE II
CLASSIFICATION OF CLAIMS AND INTERESTS**

- 2.01 Class 1. The secured claim of LACKAWANNA COUNTY TAX CLAIM BUREAU for real property taxes on 417 Lackawanna Avenue, Scranton, PA.
- 2.02 Class 2. The secured claim of SDO FUND II D 32, LLC, with a mortgage on real property at 417 Lackawanna Avenue, Scranton, PA and an assignment of rents.
- 2.03 Class 3. General unsecured creditors whose claims were paid postpetition
- 2.04 Class 4. General unsecured creditors not included in Class 3 or 5.
- 2.05 Class 5: General unsecured Insider Claim
- 2.06 Class 6 . Equity interests of the Debtor.

ARTICLE III
TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS,
U.S. TRUSTEES FEES, AND PRIORITY TAX CLAIMS

3.01 Unclassified Claims. Under section §1123(a)(1), administrative expense claims, and priority tax claims are not in classes.

3.02 Administrative Expense Claims. Each holder of an administrative expense claim allowed under § 503 of the Code will be paid in full in the ordinary course, or by other terms as may be agreed upon by the holder of the claim and the Debtor.

3.03 Priority Tax Claims. The Debtor has no priority tax claims except if any is due on the Debtor's 2016 corporate tax reports, which are not filed yet. (IRS filed a \$500 estimated claim because of the unfiled reports). The Debtor will file the 2016 tax reports within 60 days of the Effective Date. If any priority tax is owed to, it will be paid in a lump sum within 30 days after the date the reports are filed, in the amount shown on the return or per any amended claim filed by IRS or the PA Department of Revenue.

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

ARTICLE IV
TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

4.01 Claims and interests shall be treated as follows under this Plan:

Class #	Name of Creditor & Description of Claim	Impaired?	Treatment of Claim
1	<p>LACKAWANNA COUNTY TAX CLAIM BUREAU (previously WILLIAM FOX, TAX COLLECTOR)</p> <p><u>Collateral:</u> statutory lien for 2017 real estate taxes on 417 Lackawanna Avenue, Scranton, PA. <u>Estimated claim amount:</u> \$233,966.43</p>	no	<p>Real property taxes, with statutory interest, will be paid in full at closing on the sale or refinance of the real property. 2018 real property taxes, with customary pro-ratio to date of sale will also be paid.</p> <p>The Tax Claim Bureau will retain its liens on collateral until the obligation is paid.</p>
2	<p>SDO FUND II D 32, LLC</p> <p><u>Collateral:</u> mortgage on real property at 417 Lackawanna Avenue, Scranton, PA and assignment of rents. <u>Est. claim amount:</u> \$ 5,126,278.39* <u>Arrears:</u> \$ to be determined*</p> <p>*SDO has been collecting rent from tenants and applying the rent to the obligation. The Debtor does not have a current statement of what is owed.</p>	yes	<p>The Debtor entered into a Stipulation with SDO to list the real property for sale. If an acceptable offer is received -- subject to SDO approval if the purchase price will not pay SDO in full--the Debtor will sell the property. Sale proceeds will pay the Class 1 creditor and costs of sale, with the balance to SDO. SDO will retain its liens on the collateral until the obligation is paid. See VII below for other details regarding SDO.</p> <p>The Debtor may, at its option, obtain new financing at any time and pay the then-existing balance in full, or as otherwise agreed between the Debtor and SDO.</p>

Class #	Name of Creditor & Description of Claim	Impaired?	Treatment of Claim
3	General Unsecured Creditors Paid Postpetition	no	Creditors specifically included in Class 3 above are presumed to have been paid in full postpetition and will not be paid in this plan.
4	General Unsecured not included in Class 3 or Class 5	no	Allowed Class 4 claims will be paid in full within 30 days after the Effective Date from third party funds.
5	Insider claim	no	The claim of Gerard Donahue, an insider of the Debtor, will not be paid in the Plan, unless there is a surplus after payment in full of allowed claims in all prior classes.
6	Equity interest holders		Existing equity interests will retain their equity.

ARTICLE V
ALLOWANCE AND DISALLOWANCE OF CLAIMS

5.01 Disputed Claim. A disputed claim is a claim that has not been allowed or disallowed by a final non-appealable order, and as to which either: (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such claim as disputed, contingent, or unliquidated.

5.02 Delay of Distribution on a Disputed Claim. No distribution will be made on a disputed claim unless such claim is allowed by a final non-appealable order.

5.03 Settlement of Disputed Claims. The Debtor will have the power and authority to settle and compromise a disputed claim with court approval and compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure.

ARTICLE VI
PROVISIONS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES

6.01 Assumed Executory Contracts and Unexpired Leases.

(a) The Debtor assumes the following executory contracts and/or unexpired leases upon the Effective date of this Plan as provided in Article VII:

Name of other party to Contract or Lease	Description of Contract being Assumed
Bank of America, Merrill Lynch	Rental agreement
Honorable Robert Casey, Home State Office lease	Rental agreement
NetDirect Communications, Inc	Building cleaning and reception agreement
PA Dept of General Services	Rental Agreement
PA State Education Retirement System	Rental Agreement
Site 2	Rental Agreement
Sordoni Construction Services, Inc	Property Management Agreement
The Business Group, Inc	Rental Agreement
The Republic, LLC	Rental Agreement

The following executory contract is being rejected:

Name of other party to executory contract	Description of Contract being Assumed
Mericle Commercial Real Estate	Real Estate listing agreement

(b) The Debtor will be conclusively deemed, on the Effective Date, to have rejected all executory contracts and/or unexpired leases not expressly assumed under section 6.01(a) above, or otherwise assumed before the date the Plan is confirmed.

ARTICLE VII

MEANS FOR IMPLEMENTATION OF THE PLAN

The Debtor is seeking to employ Lanard & Axilbund, LLC, dba Colliers International as its real estate broker to market the real property at 417 Lackawanna Avenue, Scranton, PA. The Debtor is also proceeding to negotiate existing leases, seeking additional tenants, and pursuing the sale or refinance of the property.

Pending sale, ongoing ordinary building expenses approved by SDO will be paid from assigned rents under the terms of the Stipulation between the Debtor and SDO. Additional payments and distributions under the Plan will be funded by sale or refinance of the real property at 417 Lackawanna Avenue, Scranton, PA. Any sale or refinance would pay the Class 1 creditor in full, and pay the Class 2 Creditor either in full, or as agreed by the Class 2 creditor. Class 5 general unsecured creditors will be paid by third party funds.

On January 16, 2018 the Bankruptcy Court approved a Stipulation between the Debtor and SDO regarding funding of property expenses, timeline, and other matters. Under the Terms of this Agreement, the parties continue the prepetition arrangement wherein tenant Merrill Lynch would directly pay monthly rent to SDO, other tenants will remit rents to the property manager, which will pay approved building expenses, then remit the remainder to SDO. This arrangement continues until April 13, 2018 or until the property is sold, or as otherwise extended by the parties.

The Stipulation also sets the following deadlines:

- Marketing period for the property ends March 15, 2018
- Deadline for a sale hearing: April 30, 2018
- Deadline for closing of sale: May 30, 2018

Pursuant to the Stipulation, if the Debtor does not close a sale of the real property by May 30, 2018, then SDO may be given a deed in lieu of foreclosure or shall automatically be given relief from the automatic stay (at SDO's option and without further order of the Court) to pursue its rights in the Real Property.

ARTICLE VIII

GENERAL PROVISIONS

8.01 Definitions and Rules of Construction. The definitions and rules of construction set forth in §§ 101 and 102 of the Code shall apply when terms defined or construed in the Code are used in this Plan.

8.02 Effective Date of Plan. The effective date of this Plan is the fifteenth business day following the date of the entry of the order of confirmation. But if a stay of the confirmation order is in effect on that date, the effective date will be the first business day after the stay of order terminates, provided that the confirmation order has not been vacated

8.03 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.

8.04 Binding Effect. 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.

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

8.06 Controlling Effect. Unless a rule of law or procedure is supplied by federal law (including the Code or the Federal Rules of Bankruptcy Procedure), the laws of the State of Pennsylvania govern this Plan and any agreements, documents, and instruments executed in connection with this Plan, except if otherwise specified in the terms of any agreement.

8.07 Corporate Governance. If the Debtor is a corporation include provisions required by § 1123(a)(6) of the Code.

ARTICLE IX **DISCHARGE**

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, except that the Debtor will not be discharged of any debt: (i) imposed by this Plan; (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure; or (iii) of a kind specified in § 1141(d)(6)(B).

ARTICLE X **OTHER PROVISIONS**

10.01 PROVISION FOR UNCASHED DISTRIBUTION CHECKS. Should any distribution check mailed to the last known address of a creditor be returned to sender, address unknown, or otherwise remain uncashed for a period of 6 months after the date of the check, then at the expiration of the 6 months, the funds shall revert to the

