

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

In Re: **Bankruptcy Case No. 17-23517-TPA**
JLC DAYCARE, INC., **Chapter 11**
Debtor **Small Business**

**DISCLOSURE STATEMENT IN SUPPORT OF
SMALL BUSINESS PLAN OF REORGANIZATION FILED BY
JLC DAYCARE, INC. DATED FEBRUARY 27, 2018**

JLC Daycare, Inc. (“Debtor”) herein, presents this Disclosure Statement to Creditors in the above-captioned matter pursuant to 11 U.S.C. § 1125 to assist them in evaluating the Plan of Reorganization filed by JLC Daycare, Inc. dated February 27, 2018 (the “Plan”), a copy of which is attached hereto. Creditors may vote for or against the Plan. Creditors who wish to vote must complete their ballots and return them to the following address before the deadline noted in the order approving the Disclosure Statement and fixing said time. (The Court will schedule a hearing on the Plan pursuant to 11 U.S.C. § 1129). **ONLY the votes of Creditors that actually vote in favor of or against the Plan will be considered in determining whether the Plan is accepted or rejected.** Capitalized terms herein shall have the same meanings as those set forth in Article I of the Plan.

ADDRESS FOR RETURN OF BALLOTS:

**Michael J. Henny, Esquire
Suite 2828 Gulf Tower
707 Grant Street
Pittsburgh, PA 15219
412- 261-2640
Counsel for Debtor**

- A. Creditors may vote to accept or reject the Plan. Only the votes of Creditors that actually vote in favor of or against the Plan will be considered in determining whether the Plan is accepted or rejected.
- B. A Class of Creditors shall be determined to have accepted the Plan if, in good faith, two-thirds (2/3) in amount and more than one half (1/2) in number of the voting members of the Class vote to accept the Plan. The Plan shall be confirmed if each impaired Class votes to accept the Plan.
- C. In the event an impaired Class of Creditors does not vote to accept the Plan, the Court may nevertheless confirm the Plan if it finds the Plan meets the requirements of Section 1129 of the Bankruptcy Code, specifically, that the Plan does not unfairly discriminate among Classes, that each holder of a non-accepting Class shall receive at least what it would have received in a Chapter 7 liquidation, and that no holder of a junior Claim or interest shall receive any distribution or retain any interest unless all senior Classes or interests are paid in full.
- D. Even if a junior Class or interest will receive a distribution or retain an interest despite non-payment in full of senior Claims or interests, and non-acceptance of the same, the Court may, under certain circumstances, confirm the Plan through the invocation of certain judicially created exceptions to the “absolute priority” rule set forth above.

I. Background

A. *Name of Debtor:*

JLC Daycare, Inc.

B. *Type of Debtor:*

A Pennsylvania Corporation

– *Debtor’s Work:*

JLC Daycare, Inc. is a Pennsylvania Sub-Chapter S corporation which was started by Patricia S. Cobbs in July, 1998. It provides daycare services for children and provides them with meals and recreation. The one-hundred percent owner of the Corporation was Patricia S. Cobbs who supervised and ran the Corporation from its inception through the early stages of 2017. During 2017, Patricia S. Cobbs became too ill to operate the daycare and she turned over the responsibilities of managing the business to her daughter, Jessica L. Cobbs who previously had worked as a teacher at the facility.

History and Events That Caused The Filing

From 1998 through early 2017, Patricia S. Cobbs was the 100% shareholder of the S Corporation which she managed and ran the daycare operations. From 2001 until 2012, the daycare center operated from its own building located at 2618 Woodstock Avenue, Pittsburgh, PA 15218. Unfortunately, this property was in disrepair and could not pass the necessary inspections to operate a daycare. As a result, since 2012, the daycare center has been operating at a location leased from the Pittsburgh Mennonite Church which is located at 2018 S. Braddock Avenue, Pittsburgh, PA 15218. When Patricia S. Cobbs's health failed in early 2017, her daughter, Jessica L. Cobbs, stepped up from her teacher's position and took over the management of the Company. She soon discovered that although withholding taxes were being paid through a payroll service, Federal and State tax returns and real estate taxes were in severe stages of arrears. She quickly filed an emergency reorganization proceeding in the spring of 2017 which was dismissed without prejudice when she thought she had all things under control. Unfortunately, she then discovered the severity of the problems and was faced with a tax sale of the real estate when a resolution could not be worked out with the Woodland Hills School District which was following through with a tax sale. She had no alternative but to file for the protection of a Small Business Chapter 11 reorganization proceeding on the day before the scheduled tax sale.

C. Date of Chapter 11 Petition:

August 31, 2017

F. Present Status and Anticipated Future Income For Funding The Plan:

As a result of its reorganization, the Debtor has streamlined its operations and has been able to bring normalcy back to its operations and been able to operate in a positive fashion. By working closely with her counsel, Michael J. Henny, Esquire, and Court approved accountant, (Terry Collier, CPA), Ms. Cobbs has been able to eliminate wasteful bank charges and expenses, and has streamlined the company's operations and has been able to properly service its growing student body, get tax returns prepared and filed, and move forward with its present operating situation with the hope of moving back to its original location at 2018 S. Braddock Avenue, Pittsburgh, PA sometime during its reorganization process.

The Debtor is the source of this information and opinion.

G. Summarize All Significant Features Of The Plan Including When And How Each Class Of Creditor Will Be Paid And What, If Any, Liens Will Be Retained By Secured Creditors Or Granted To Any Creditor Under The Plan.

Over the course of the plan, all secured creditors will be paid the full value of their collateral at interest, all priority creditors will be paid in full at interest, the administrative expenses will be paid in full and the general, unsecured creditors will receive approximately FORTY PERCENT (40%) of their allowed, unsecured claims.

SUMMARY OF PLAN

Class 1 is the allowed secured claim of the Mon Valley Initiative (\$95,000.00) which has a first lien on the commercial property of the Debtor located at 2618 Woodstock Avenue, Pittsburgh, PA 15218 and all of the Debtor's assets. The value of the Debtor's collateral is \$72,510 less the real estate taxes ahead of it (\$28,544) leaving a collateral value of \$44,000 (rounded up from \$43,966). Adequate protection payments of interest only totaling \$1,738 have been paid during the reorganization. This will continue through confirmation. The secured portion of the debt (\$44,000) will be paid in full at the contract rate of interest over 120 months. The unsecured portion (\$51,000) will be treated as a general, unsecured claim along with the Class 8 general, unsecured creditors. This Class is impaired by the plan.

Class 2 is the allowed secured claim of the Borough of Swissvale (\$3,000) which has a lien on the Debtor's real estate. This Class will be paid in full at interest over the course of the plan. This Class is not impaired by the plan.

Class 3 is the allowed secured claim of the County of Allegheny (\$4,257.00 - POC #5) which has a lien on the Debtor's real estate. This Class will be paid in full at interest over the course of the plan. This Class is not impaired by the plan.

Class 4 is the allowed secured claim of the Woodland Hills School District (\$25,500.00 – this represents POC #4 plus the 2017 taxes), which has a lien on the Debtor's real estate. This Class will be paid in full at interest over the course of the plan. This Class is not impaired by the plan.

Class 5 is the allowed priority claim of the Internal Revenue Service (\$3,737.00 – this represents POC #2 plus amounts due per tax returns). This Class is not impaired by the plan. This Class will be paid in full at interest over the course of the plan. This Class is not impaired by the plan.

Class 6 is the allowed, priority claim of the Pennsylvania Department of Revenue (\$766.00 – this represents POC #1 plus amounts due per tax returns). This Class will be paid in full at interest over the course of the plan. The Class is not impaired by the plan.

Class 7 are the allowed administrative claims which will be paid in full over the course of the plan. This Class is not impaired by the Plan.

Class 8 are the allowed general unsecured claims of unsecured creditors which consists of its general, unsecured trade creditors which total approximately \$74,945. This Class will be paid approximately FORTY PERCENT (40%) of their allowed claims (\$30,000.00) over the course of the plan. This Class is impaired by the plan.

H. Are all Monthly Operating Statements Current and on File With The Clerk of Court?

Yes No

If Not, Explain: N/A

II. Summary of Assets

- A. *Assets* – The value of the Estate as presented in the Plan is marginally higher than that contained in the Debtor’s bankruptcy schedules because asset realizations reflect going-concern as opposed to “quick” liquidation amounts.

Monthly operating reports have been filed showing the status of the Debtor’s financial condition, as well as other operating information. These reports have been electronically filed with the Court and are available for review by any party in interest either by accessing these documents electronically, reviewing them at the Court or requesting them from the Debtor’s undersigned Counsel in writing. Written requests should be directed to Michael J. Henny, Esquire, Suite 2828 Gulf Tower, 707 Grant Street, Pittsburgh, PA 15219.

ASSETS	ESTIMATED VALUE	NAME OF LIEN HOLDER OR EXEMPTED
Real Property		
Commercial property at: 2618 Woodstock Ave., Pgh., PA 15218	\$60,000.00	Swissvale Boro. taxes (\$3,300), Allegheny County Taxes \$4,257. (POC #5) and Woodland Hills School District delinquent real estate taxes \$25,500 (POC #4 PLUS the 2017 taxes) (Except for the 2017 school taxes, these taxes total \$28,544.00)
TOTAL	\$60,000.00	
Personal Property		
Bank accounts	2,959.00	Fully secured by Mon Valley Initiative (Class 1) And PA Department of Revenue (Class 2)
Accounts receivable	9,000.00	
Office equipment and computer	550.00	
State Cert. of Compliance	1.00	
Total Personal Property	\$12,510.00	
Total of all Assets	\$72,510.00	

1. Are any assets which appear on Schedule A or B of the Debtor's bankruptcy schedules not listed above?

NO

2. Are any assets listed above claimed as exempt?

NO, debtor is a PA corporation and is not entitled to any exemptions.

III. Summary of Liabilities

A. Liabilities – Following are lists of the Debtor’s outstanding obligations. The asserted amounts and classifications of these Claims are based on the Debtor’s schedules and internal records and have been adjusted to reflect any and all proofs of claims that have been timely filed by creditors. Nothing herein shall limit the Debtor’s ability to object to proofs of claim, but the Debtor does not believe that they will be filing any such objections. All amounts set forth in the Debtor’s Plan and Disclosure Statement reflect the amounts due in either the Debtor’s schedules, as adjusted by timely filed proofs of claims, or as agreed to by the parties.

Secured Creditors

Name of Creditor	Class	Asserted Amount Owed As of Filing Date	Type of Collateral/Priority of Lien	Disputed (D) Liquidated (L) or Unliquidated (U)	Will Liens Be Retained Under the Plan?
Mon Valley Initiative	1	\$95,000.00	First lien on Debtor’s Real estate and assets	L	Yes
Boro. Of Swissvale	2	\$ 3,300.00	Lien on Debtor’s real estate	L	Yes
County of Allegheny (POC #5)	3	\$ 4,257.00	Lien on Debtor’s real estate	L	Yes
Woodand Hills School District (POC #4 – Plus 2017 taxes)	4	\$25,500.00	Lien on Debtor’s real estate	L	Yes

Priority Creditors

Name of Creditor	Class	Asserted Amount Owed	Priority Statute
Internal Revenue Service (POC #2 plus filed tax returns)	5	\$ 3,737.00**	11 USC §507 (a)(8)
PA Department of Revenue (POC #1 plus filed tax returns)	6	\$ 766.00**	11 USC §507 (a)(8)

NOTE: “*” - The proofs of claims filed by both the Internal Revenue Service and the Pennsylvania Department of Revenue were based on estimates for non-filed returns. The amounts set forth above represent the estimated amounts due after the preparation and filing of the Debtor’s Federal and State tax returns for 2009 through 2012. Since his approval by the Court, Terry Collier, CPA has been working with Debtor’s representatives. This has been made more difficult by the passing of Patricia S. Cobbs, the 100% shareholder on December 10, 2017. Subsequently, Mr. Collier and his staff have collaborated with the deceased’s daughter, Patricia I. Cobbs who has taken over the operations of the business and the 2009, 2010, 2011 and 2012 have been completed and are being filed. Ms. Cobbs and Mr. Collier and his staff are continuing to work on the Federal and State returns for 2013 through 2016 which will be completed in the near future. Any such corporate taxes found to be due and owing will be treated as a Class 5 Claim (IRS) or a Class 6 Claim (PA Department of Revenue) respectively and added to the above amounts.**

Administrative Claims – Class 7 Claims

Name of Creditor	Amount Owed (Professional Fees & Costs Subject To Court Approval)	Type of Claim
Final U.S. Trustee quarterly fee	\$ 650.00*	Court fees
Clerk Notice Fees	\$ 250.00*	Court fees
Terry Collins, CPA	\$ 7,200.00**	Accounting Fees

Michael J. Henny, Esq.		\$ 750.00*	Legal expenses advanced during proceeding
Michael J. Henny, Esquire		12,000.00***.	Professional fees Pending court approval
TOTAL		\$20,850.00*	

Note: * - estimated amounts

**** - estimated amount being paid at \$600/month per Court Order**

*****- estimated amount of \$14,283. LESS retainer paid of \$2,283.**

Unsecured Claims – Class 8 Claims

Name of Creditor	Class	Asserted Amount Owed	Type of Claim
Duquesne Light (POC #7)	8	\$ 383.00	Electric services
Internal Revenue Service (POC #2)	8	\$22,062.00 -	Taxes
Mon Valley Initiative	8	\$51,000.00	Unsecured debt
Pinnacle Credit, assignee of SKEEZIX c/o Resurgent Capital Services (Sprint)	8	\$ 1,036.00	
Security Systems of America	8	\$ 138.00	Services
U. S. Trustee-prior case	8	\$ 325.00	Fee
TOTAL		\$74,944.00	

General Unsecured Creditors: (Class 8)

1. Amount Debtor Scheduled (Disputed and Undisputed)	\$ 12,002.00
2. Amount of Unscheduled Claims	\$ 62,942.00
3. Total Claims Scheduled or Filed	\$ 74,944.00
4. Amount Debtor Disputes	\$ 0.00
5. Estimated Allowable Class 8 Claims	\$ 74,944.00

C. Other Classes of Equity Interest Holders:

None

D. Executory contracts and leases:

The Debtor has a lease with Pittsburgh Mennonite Church for the lease of its business facility at 2018 South Braddock Avenue, Pittsburgh, PA 15218 for \$2,900.00 per month. It also has a lease of storage unit with Storexpress at 1555 Brinton Road, Pittsburgh, PA 15221 for \$246 monthly. Both of these leases have been continued during the Debtor's reorganization proceeding and will be assumed by the reorganized Debtor. Effective in March, 2018, the Debtor is reducing its leasehold space with Pittsburgh Mennonite Church and its monthly rental obligation will be reduced to \$2,100/month which will be a savings of \$800 per month, which will be used for the refurbishing of 2618 Woodstock Avenue, Pittsburgh, PA 15218.

There are not any other executory contracts that need to be assumed and therefore, all other executory contracts are deemed rejected.

IV. Summary of Plan

A. When is the Effective Date of the Plan?

Thirty (30) after the date of Confirmation.

B. Proposed Treatment of Creditors:

Following are lists of the Creditors including the anticipated schedule of cash distribution(s) thereto

Secured Claims

Name of Creditor	Class	Asserted Amount Owed	Proposed Treatment
Mon Valley Initiative	1	\$95,000.00	This creditor has been receiving adequate protection payments of interest at the contract rate of interest which equates to \$348 per month which will continue through confirmation. The secured portion of this debt (\$44,000) will be paid over one-hundred months (120) months in monthly payments of \$569.35 commencing on the last day of the month following the month of the effective date of the Plan. The unsecured portion of the claim (\$51,000) will be treated as a general, unsecured creditor along with the Class 8 unsecured creditors. This class is impaired by the Plan
Boro. Of Swissvale	2	\$ 3,300.00	This Debt will be paid in full at ten percent (10%) interest in sixty (60) equal monthly payments of \$70.12 commencing on the last day of the month following the month of the effective date of the Plan. This class is not impaired by the Plan
County of Allegheny (POC #5)	3	\$ 4,257.00	This Debt will be paid in full at twelve percent (12%) interest in sixty (60) equal monthly payments of \$73.41 commencing on the last day of the month following the month of the effective date of the Plan. This class is not impaired by the Plan
Woodland Hills School District (POC #4)	4	\$25,500.00	This Debt will be paid in full at ten percent (10%) interest in sixty (60) equal monthly payments of \$541.80 commencing on the last day of the month following the month of the effective date of the Plan. This class is not impaired by the Plan

Priority Claims

Name of Creditor	Class	Asserted Amount Owed	Proposed Treatment
Internal Revenue Service (POC #2 plus filed tax returns)	5	3,737.00**	This debt will be paid in full at four percent (4%) interest in sixty (60) equal monthly payments of \$68.82 commencing on the last day of the month following the month of the effective date of the Plan. This class is not impaired by the Plan
Pennsylvania Department of Revenue (POC #1 plus filed tax returns)	6	766.00**	This debt will be paid in full at four percent (4%) interest in 60 equal monthly payments of \$14.11 commencing on the last day of the month following the month of the effective date of the Plan. This class is not impaired by the Plan

NOTE: The proofs of claims filed by both the Internal Revenue Service and the Pennsylvania Department of Revenue were based on estimates for non-filed returns. The amounts set forth above represent the estimated amounts due after the preparation and filing of the Debtor’s Federal and State tax returns for 2009 through 2012. Since his approval by the Court, Terry Collier, CPA has been working with Debtor’s representatives. This has been made more difficult by the passing of Patricia S. Cobbs, the 100% shareholder on December 10, 2017. Subsequently, Mr. Collier and his staff have collaborated with the deceased’s daughter, Patricia I. Cobbs, who has taken over the operations of the business and the 2009, 2010, 2011 and 2012 have been completed and are being filed. Ms. Cobbs and Mr. Collier and his staff are continuing to work on the Federal and State returns for 2013 through 2016 which will be completed in the near future. Any such corporate taxes found to be due and owing will be treated as a Class 5 Claim (IRS) or a Class 6 Claim (PA Department of Revenue) respectively and will be paid in full at interest over the sixty months.

Administrative Claims – Class 7 Claims

Name of Creditor	Amount Owed (Professional Fees & Costs Subject To Court Approval)	Proposed Treatment
Final U.S. Trustee quarterly fee	\$ 650.00*	To be paid in full on the effective date (not impaired)
Clerk Notice Fees	250.00*	To be paid on the effective date (not impaired)

Terry Collins, CPA		7,200.00**	Is being paid at the rate of \$600/month pending final Court approval (not impaired)
Michael J. Henny, Esq.		\$750.00*	To be paid as part of legal fees and expenses pending court approval (not impaired)
Michael J. Henny, Esquire		12,000.00***	Payable in full over plan pending court approval (not impaired)
TOTAL		\$20,850.00*	

Note: * - estimated amounts

** - estimated amount being paid at \$600/month per Court Order

***- estimated amount of \$14,283. LESS retainer paid of \$2,283.

Unsecured Creditors – Class 8 Creditors

Treatment of General Unsecured Creditors

The General Unsecured Creditors total approximately \$74,944.00. Monthly payments will be made to the disbursing agent beginning on the last day of the month following the month of the effective date of the plan and will continue for sixty-three (63) months. A quarterly distribution will be made by the disbursing agent to unsecured creditors. This quarterly distribution will be a pro-rata share of \$1,500.00 beginning on the last day of the sixth month following the month of the effective date of the Plan. This will continue through month sixty-three (63) of the plan. (The monthly payment for the Class 8 debts is \$500.00 per month as set forth in Exhibit “B”). This will total \$1,500.00 per quarter and will total \$30,000.00 over the life of the plan.

. As a result, the unsecured creditors will receive a pro-rata share of \$30,000.00 that is to be paid to them pursuant to the provisions of this Plan. The total unsecured debt to be recognized under the plan is \$74,944.00. Therefore, the payout to general, unsecured creditors would be approximately FORTY PERCENT (40%) of their allowed claims. This Class is impaired by the plan

NOTE: FOR PAYMENT PURPOSES THOSE CREDITORS HOLDING CLAIMS OF \$500.00 OR LESS (OR CREDITORS WHO AGREE TO HAVE THEIR CLAIMS REDUCED TO \$500.00) WILL BE PAID A LUMP SUM PAYMENT EQUAL TO THIRTY-FIVE PERCENT (35%) OF THEIR ALLOWED CLAIM. THIS PAYMENT WILL BE MADE ON THE LAST DAY OF THE FOURTH MONTH FOLLOWING THE MONTH OF THE EFFECTIVE DATE OF THE PLAN.

General Unsecured Creditors: (Class 8)

Unsecured Claims – Class 8 Claims

Name of Creditor	Class	Asserted Amount Owed	Percentage to be Paid
Duquesne Light (POC #7)	8	\$ 383.00	Approx. 40%
Internal Revenue Service (POC #2)	8	\$22,062.00 -	Approx. 40%
Mon Valley Initiative	8	\$51,000.00	Approx. 40%
Pinnacle Credit, assignee of SKEEZIX c/o Resurgent Capital Services (Sprint)	8	\$ 1,036.00	Approx. 40%
Security Systems of America	8	\$ 138.00	Approx. 40%
U. S. Trustee-prior case	8	\$ 325.00	Approx. 40%
TOTAL		\$74,944.00	

C. Will periodic payments be made to unsecured creditors?

Yes - quarterly No

D. State source of funds for planned payments, including funds necessary for capital replacement, repairs, or improvements:

For the lump-sum amounts due on the date of confirmation, the Debtor will pay this from amounts put aside during its reorganization proceeding or from operations.

The remaining Plan payments will be made from the income that Debtor receives from the operation of its business.

E. Other significant features of the Plan:

None

F. Include any other information necessary to explain this Plan:

None

V. Comparison of Plan with Chapter 7 Liquidation

If Debtor's proposed Plan is not confirmed the potential alternatives would include dismissal of the case or conversion of the case to Chapter 7. If this case is converted to Chapter 7, a Trustee will be appointed to liquidate the Debtor's assets. ALL of the Debtor's assets are fully exempted. In this event, all secured claims (to the value of the collateral) all priority claims and all expenses of administration (both Chapter 7 and Chapter 11) must be paid in full before any distribution is made to unsecured creditors.

Total value of Chapter 7 estate

<u>ASSET</u>	<u>ACTUAL VALUE</u>	<u>LIQUIDATION VALUE</u>
REAL PROPERTY		
2618 Woodstock Avenue Pittsburgh, PA 15218	\$60,000.00	\$ 48,000.00*
PERSONAL PROPERTY		
Cash and Bank Accounts	\$ 2,959.00	\$ 2,811.00**
Accounts Receivable	\$ 9,000.00	\$ 6,750.00***
Office Equipment	\$ 550.00	<u>\$ 275.00****</u>
SUB-TOTAL		\$ 57,836.00
LESS: Secured Taxes		\$ <u>(32,757.00)</u>
BALANCE REMAINING		\$ 25,079.00
AMOUNT TO SECURED CREDITORS (\$44,000.00)		\$ <u>25,079.00</u>
BALANCE REMAINING		\$ 0.00
AMOUNT AVAILABLE FOR PRIORITY, ADMINISTRATIVE AND UNSECURED CREDITORS		\$ 0.00
AMOUNT TO SECURED ON SECURED CLAIM (\$25,079. DIVIDED BY \$44,000. = FIFTY-SEVEN PERCENT (57%))		

Notes:

- * assume 80% recovery
- ** assume 95% recovery
- *** assume 75% recovery
- **** assume 50% recovery

A. *Will the Creditors fare better under the Plan than they would in Chapter 7 liquidation?*

Yes X No

Explain:

It is clear that creditors will benefit from the plan of reorganization. In a liquidation, although the real estate taxes would be paid in full, the secured creditors will receive only approximately fifty-seven percent (57%) of their allowed secured claims and administrative, priority and general, unsecured claims would receive ABSOLUTELY NOTHING (\$0.00). However, in the reorganization proceeding, the secured creditors will be paid the full value of their collateral at interest, the administrative claims will be paid in full, and the general, unsecured creditors will receive a pro-rata share of approximately \$30,000.00 or approximately FORTY PERCENT (40%) of their allowed claims. As a result, the creditors will get more pursuant to the plan than they would pursuant to a liquidation.

THEREFORE, THE UNSECURED CREDITORS WILL GET APPROXIMATELY FORTY PERCENT (40%) of their allowed claims.

VI. Feasibility

The Debtor attaches hereto certain financial information as follows:

Attached hereto and marked Exhibit "A" is a current summary of the Debtor's actual Income/Expenses while it has been operating under Chapter 11.

Attached hereto and marked Exhibit "B" is Cash Flow for the initial twelve (12) months subsequent to confirmation of the Plan.

Attached hereto and marked Exhibit "B-1" is a detailed month-by-month Cash Flow for the initial twelve (12) months subsequent to confirmation of the Plan.

The financial data provided concerns the total existing assets of the Debtor, the secured claims against the Debtor, the Priority claims against the Debtor and the total of all allowed unsecured claims.

The Plan will be funded from the continued income of the Debtor pursuant to the same terms that it has been operating since the filing of its reorganization proceeding with the noted reduction in monthly rent to Pittsburgh Mennonite Church commencing in March, 2018.

In addition, the Debtor has paid all U. S. Trustee quarterly fees when due during the Plan. (This expense, as well as the adequate protection payment that the Debtor has been making to the Mon Valley Initiative will not be required of the reorganized Debtor which will help it in meeting the required Plan payments).

Through the Plan, the secured creditors will be paid the full value of their collateral interest at interest, the real estate taxes will be paid in full at interest, the administrative creditors will be paid in full, and the unsecured creditors will receive a pro-rata distribution of approximately \$30,000.00 (approximately 40% of their allowed claims).

In analyzing the Debtor's assets and liabilities and the eventual distribution to all creditors, it must be remembered that the Debtor's assets have a much greater value in regard to its Plan of reorganization than in a liquidation basis. In the Plan of Reorganization, secured claims will be paid the full value of their collateral value at interest, the administrative claims will be paid in full, the tax claims will be paid in full at interest and the general unsecured creditors will be paid approximately FORTY PER CENT (40%) of their allowed claims.

Since the filing of its reorganization proceeding, the Debtor has paid all current expenses as well as the additional costs associated with operating under Chapter 11 including all U. S. Trustee quarterly fees.

The Plan provides for the Debtor to make additional monthly payments that have not been made during the reorganization proceeding as follows:

REQUIRED MONTHLY PLAN DISBURSEMENTS THAT HAVE NOT BEEN MADE THROUGHOUT THE DEBTOR'S REORGANIZATION PROCEEDING

Creditor Class	Monthly Payment
Class 1	569.35
Class 2	70.12
Class 3	73.41
Class 4	541.80
Class 5	68.82
Class 6	14.11
Class 7	200.00
Class 8	500.00
Disbursing Agent (\$100. Plus \$25. Mail.)	<u>125.00</u>
TOTAL	\$ 2,163.00

As set forth in the Exhibits attached hereto, the Debtor's income over expenses during the five (5) months of the Debtor's reorganization (\$2,121. per month) plus the amount that it has paid to the US Trustee for quarterly fees to date and the adequate protection payments that it has made to Mon Valley Initiative(\$418./m), PLUS the anticipated savings of \$800./month in rent leaves the Debtor with an average monthly

income of \$3,339.00 per month to fund its plan and make repairs to the real estate. The \$800. per month from reduced rent will be earmarked for real estate repairs This leaves \$2,539.00 per month available to fund the plan. This is sufficient income in order to fund its Plan of Reorganization which requires \$2,163. per month and leaves a cushion of \$376.00 per month for a hiccup in its operations or a temporary downturn in business income. As a result, the Debtor's Plan is more than feasible when based on the income that it has been earning/receiving to date while operating as a Debtor-In-Possession plus the changes that it has set forth in his plan.

Therefore, since the creditors will receive more under a plan than they would in a liquidation, it appears that the proposed Plan of Reorganization is certainly in the best interest of all of the creditors of the estate. Further, the Plan of reorganization calls for realistic income that is necessary to meet the payments required in the Debtor's Plan of reorganization.

Periodic financial statements (Monthly Financial Reports) have been filed with the Bankruptcy Court during the course of this Chapter 11 reorganization proceeding. These are available for inspection at the Clerk's Office of the United States Bankruptcy Court for the Western District of Pennsylvania at 5414 U. S. Steel Tower, 600 Grant Street, Pittsburgh, PA 15219 during normal business hours. These statements, along with the Debtors' Schedules and Statement of Affairs, may be inspected by all interested parties.

Administrative Fees/Costs – Paid On Effective Date

Estimated amount to be paid on effective date of Plan, including administrative expenses, is \$900.00 which is calculated as follows:

\$ 650.00	Class 7 – Final U.S. Trustee fee
<u>\$ 250.00</u>	Class 7 - Clerk notice fee
\$ 900.00	TOTAL

The Debtor should have this amount available in its bank accounts and/or paid over to the Disbursing Agent for deposit into the Disbursing Agent bank account

Administrative Fees/Costs – Paid Over Time

\$12,000.00 – Class 7 – Balance of Professional fees/costs for Debtor’s counsel which are subject to court approval and are not paid on the effective date will be paid at the rate of \$200.00 per month commencing in month 1 of the plan.

What assumptions are made to justify the increase in cash available for the funding of the Plan?

NONE

VII. Reorganized Debtor: Management, Ownership and Management Salaries

Jessica L. Cobbs will be the President of the reorganized Debtor. She will continue to receive her annual salary of approximately \$15,000.00 during the plan. It is also anticipated that she will continue to receive these amounts along with reasonable cost-of-living adjustments from time to time.

In addition, the reorganized Debtor will retire the stock of deceased one-hundred percent (100%) shareholder Patricia S. Cobbs and issue One-hundred shares of common stock to Jessica L. Cobbs who will become the corporation’s President and one-hundred percent (100%) shareholder.

VIII. Identify the Effect on Plan Payments and Specify Each of the Following:

1. What, if any, litigation or litigation claims are pending?

None.

2. What, if any, litigation or litigation claims are proposed or contemplated?

None other than possible objections to claims to have the claims classified as general, unsecured claims. Although it is not aware of any other specific matters at present, the Debtor reserves the right to pursue any such matters in the future.

IX - Disbursing Agent

1. Upon confirmation, the Debtor will seek to have the court approve Michael J. Henny, Esquire, as Disbursing Agent in this case at the cost of \$100.00 per month plus costs of \$25.00 per month.

X - Additional Information and Comments

All capitalized terms in this Disclosure Statement shall have the same meanings as ascribed in the Plan of Reorganization.

XI. Certification

The undersigned hereby certify that the information herein is true and correct to the best of my knowledge and belief formed after reasonable inquiry.

Respectfully submitted,

February 27, 2018

JLC Daycare, Inc., Debtor

By: */s/ Jessica L. Cobbs, Vice President*

Jessica L. Cobbs, Vice President

February 27, 2018

/s/ Michael J. Henny, Esquire

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Debtor and Debtor-In-Possession