

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

IN RE:)	
)	
NANAK131313 INC.,)	Case No. 18-11158-BFK
)	Chapter 11
Debtor-In-Possession.)	
_____)	

AMENDED DISCLOSURE STATEMENT

Debtor-In-Possession, Nanak131313 inc. (“Nanak” or the “Debtor”) filed its voluntary petition for reorganization under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia, Alexandria Division on April 2, 2018.

I.
INTRODUCTION

Debtor now seeks, with the aid of this document, to have her creditors accept, and the Court confirm, the Debtor’s Amended Plan of Liquidation (the “Plan”) filed contemporaneously herewith in the case, which you will receive with this Amended Disclosure Statement (the “Disclosure Statement”).

II.
PREPARATION AND PURPOSE
OF THIS STATEMENT AND DISCLAIMER

This Disclosure Statement has been prepared and submitted by Debtor in compliance with § 1125 of the Bankruptcy Code, and Fed. R. Bankr. P. 3016 and 3017. The purpose of this Disclosure Statement is to supply Debtor’s creditors with material information sufficient to enable them to make an informed judgment as to whether they should vote for or against the Plan. The

Jonathan B. Vivona, Esquire
Virginia State Bar No. 82762
601 King Street, Suite 400
Alexandria, Virginia 22314
(Tel) 703-739-1353
(Fax) 703-337-0490
Counsel for Nanak131313 inc.

Disclosure Statement may not be used for any other purpose. No representations concerning the Debtor, particularly as to future income, business affairs, or values of property, other than as set forth in this Disclosure Statement, are authorized by the Debtor. Any representations or inducements made to secure acceptance of the plan which are not contained in this Disclosure Statement should not be relied upon by any creditor, and should be reported to the undersigned counsel for Debtor. The information contained in this Disclosure Statement has been supplied by the Debtor but has not been subjected to a certified audit. Nevertheless, reasonable efforts have been made by the Debtor to present accurate information.

In addition to reading this Disclosure Statement, you should also read the Plan of Liquidation itself. The Court's approval of this Disclosure Statement is not a decision by the Court on the merits of the Plan. After this Disclosure Statement has been approved by the Court, you will receive with this Disclosure Statement, the Plan and a Ballot on which you should indicate your acceptance or rejection of the Plan, based upon the terms of the Plan and the information contained in this Disclosure Statement. All terms not specifically defined in this Disclosure Statement shall have the same meanings as they do in the Plan.

III.

VOTING REQUIREMENTS FOR PLAN CONFIRMATION

In general, in order for the Plan to be confirmed, i.e. approved, by the Court, after which it becomes binding on the Debtor and its creditors and shareholders, it must first be accepted by creditors holding at least two thirds ($2/3$) in amount and more than one half ($1/2$) in number of the allowed claims that actually vote in each impaired class of claims. However, even if the Plan is not accepted by all of the impaired classes of claims but is accepted by at least one such impaired class, then the Court may nevertheless confirm the Plan by way of a "cram-down" if the Court finds that it does not discriminate unfairly and is fair and equitable with respect to each impaired

class that did not accept the Plan. The availability of a cram-down is a legal matter to be resolved in the context of a hearing on confirmation of the Plan.

Only creditors whose claims are not listed as disputed, contingent, or unliquidated in the Schedules that the Debtor filed, or creditors who have timely filed a proof of claim with the Court that was not disallowed as of the date of the confirmation hearing on the Plan, have the right to vote, except that if an objection to a claim is pending at the time that the Debtor solicits acceptance of the Plan, then the holder of such claim may vote on the Plan only if the Court after notice and a hearing temporarily allows the claim in an amount which the Court deems proper for the purpose of accepting or rejecting the Plan.

IV. **DESCRIPTION OF DEBTOR AND BUSINESS HISTORY**

Debtor operated a laundromat known as Latino Laundromat with a principal place of business located at 5865 Columbia Pike, Falls Church, VA 22041. In the middle of 2017, Debtor began to see a decline in the laundromat business due to recent crime in the neighborhood of the business. The reduction in revenue caused Debtor to fall behind on its monthly expenses, including rent and utilities.

V. **CHAPTER 11 OPERATIONS**

Since the bankruptcy filing on April 2, 2018, Debtor has conducted its affairs as Debtor in Possession.

A. Assets and Liabilities

The major assets contained in the Debtor's bankruptcy estate were the business property located at Debtor's principal place of business of 5865 Columbia Pike, Falls Church, VA

22041. These assets have now been sold pursuant to the Court's Order Approving Sale of Business and Assumption and Assignment of Commercial Lease dated July 12, 2018. Debtor's major liabilities consisted of rent owed to its landlord, JSNS, LLC and past due utilities on the business premises. These liabilities have been paid in full from the sales proceeds.

The Internal Revenue Service has filed a proof of claim in the amount of \$8,361.00 for income taxes and withholding taxes. The IRS asserts that \$8,196.01 of this claim is a priority claim and \$165.00 is a general unsecured claim. Debtor disputes these claims. Debtor has not filed returns for the applicable periods assessed, but believes that the amount owed will be lower because Debtor did not have employees during some of these periods.

B. Plan Funding

During the bankruptcy, Debtor was unable to cover its post-petition monthly expenses and determined that sale of the business would be the best option to reorganize and provide the greatest return to creditors. On June 19, 2018, Debtor filed a motion to approve the sale of its business and to assume and assign its lease with the landlord, JSNS, LLC. On July 12, 2018, the Court approved the sale of the business for \$160,000.00 to Amtul Bashir. At settlement, Amtul Bashir paid an additional \$3,500.00 as an advance payment of rent due to the landlord and \$2,333.60 to purchase the remaining inventory and coins located at the premises.

The sale transferred all assets of the Debtor. Pursuant to the sale order and lease assumption, Debtor was required to become current on the lease obligations, which included payment of all outstanding rent and utilities. On October 11, 2018, Debtor filed a Report of Sale accounting for the disbursement of sales proceeds in the total amount of \$165,833.69. The net proceeds of the sale were \$14,429.18, which are being held in counsel for Debtor's trust account

to be disbursed pursuant to the Amended Plan. In addition, the Plan proposes to disburse any funds remaining in Nanak's debtor in possession account.

VI. BASIS FOR PLAN

Debtor filed its Chapter 11 case because it was insolvent and could not make payments to creditors as they came due.

VII. EFFECT OF CHAPTER 7 LIQUIDATION

A. General

The requirements for confirmation of the Plan by the Court are contained in §1129 of the Bankruptcy Code. Section 1129(a)(7) therein provides that the holders of general claims must either have accepted the Plan, or will receive under the Plan at least as much as they would receive if the Debtor's assets were liquidated as of the Effective Date of the Plan and the liquidation proceeds were distributed to them as if this were a Chapter 7 liquidation case. Accordingly, the following analysis is provided to enable creditors to compare the treatment of their claims under the Plan with the probable treatment that would be obtained in a hypothetical liquidation under Chapter 7 of the Bankruptcy Code.

B. Liquidation Analysis

The Plan provides for payment to creditors from the remaining proceeds from sale of its business and funds held in the debtor in possession account. As the Debtor's assets have been sold, the outcome is similar to that of a liquidation. Debtor was able to market the Property

adequately during the Chapter 11 case and obtain good value in the sale. Debtor believes this outcome is superior to the return it would have gotten for the assets in a Chapter 7 liquidation.

VIII.

SUMMARY OF PROPOSED PLAN OF LIQUIDATION

A brief summary of the Plan is provided below. This Plan Summary should not be relied upon for voting purposes. Creditors are urged to read the entire Plan, and to consult with counsel or each other in order to fully understand the Plan. A copy of the Plan will be filed with the Clerk, United States Bankruptcy Court for the Eastern District of Virginia at 200 South Washington Street, Alexandria, Virginia 22314, and is available for inspection and review. The Plan represents a proposed legally binding agreement between the Debtor and its creditors.

A. Classification and Treatment of Claims

The Plan, in Article III, classifies and treats the allowed claims of creditors and holders of interests as follows:

Class 1 consists of (i) Allowed Claims for costs and expenses of the administration of the Estate, as defined in § 503(b) of the Bankruptcy Code (excluding professional fees of Debtor's attorney as provided below) and other post-petition operating expenses and Liquidation Expenses, and (ii) fees payable to the United States Trustee by the Debtor under 28 U.S.C. § 1930(a)(6). All unpaid Class 1 administrative claims shall be paid in full, in cash, from the Disbursing Account, on or before the Effective Date of the Plan.

This class of claims is unimpaired.

Class 2 consists of Allowed Claims for professional fees of Debtor's attorney approved by the Court. Debtor's estimated outstanding attorney's fees are \$10,000.00. Upon Court approval

of the fees, the Class 2 administrative claim shall be paid \$8,000.00 from the Disbursing Account, on or before the Effective Date of the Plan.

This class of claims is impaired.

Class 3 consists of any allowed priority tax claim of the Internal Revenue Service and Fairfax County DTA. Debtor disputes the IRS's priority tax claim in the amount of \$8,196.01 as it believes the debt owed will be lower once the appropriate returns are filed. Debtor acknowledges that Fairfax County DTA has a priority claim in the amount of \$2,500.00. Any allowed priority claims shall be paid pro rata from the remaining proceeds from sale of the Debtor's business and remaining cash in the Debtor in Possession account after payment as provided in Class 1 and Class 2. Class 3 claims shall be paid from the Disbursing Account on or before the Effective Date of the Plan.

This class of claims is impaired.

Class 4 of the Plan contains allowed general unsecured claims against the Estate which have not already been paid from proceeds of the sale of Debtor's business. These claims are listed in the table below. The Plan does not propose any distribution to Class 4 claimants unless there are excess proceeds remaining after payment as provided above in Classes 1-3. Debtor does not anticipate that there will be any funds remaining to pay Class 4 creditors.

This class of claims is impaired.

Claimant	Amount of Unsecured Claim	Amount to be Paid
Internal Revenue Service	\$165.00	\$0.00
Girish Sood	\$700.00	\$0.00
National Fire & Indemnity Exc	\$200.00	\$0.00

ADT Security Services	\$92.00	\$0.00
Total Nonpriority Unsecured Claims	\$1,157.00	\$0.00

B. Means for Implementation of the Plan

The source of funds to be distributed pursuant to the Plan, as described above, are the assets of the Debtor, which have now been liquidated.

C. Factors Bearing on the Success or Failure of the Plan

The Debtor's Plan will be successful as the sale of the business from which the Plan is funded has already occurred.

D. Litigation

There is no pending litigation, although the Plan contemplates that the Plan Administrator may commence causes of action, as necessary to liquidate the remaining assets of the Debtor.

E. Executory Contracts

The Debtor has assumed and assigned its Lease with JSNS, LLC to the purchaser of the business, Amtul Bashir.

F. Tax Consequences

The Federal, State, Local, and other tax consequences that may arise as a result of the Plan to the holders of claims and interests may vary based upon the individual circumstances of each holder. Therefore, each creditor and interest holder should consult their own tax advisor to determine the treatment afforded their respective claims and interests by the Plan under federal tax law, the tax law of the various states and local jurisdictions of the United States, and the laws of foreign jurisdictions. No statement in this Disclosure Statement should be construed as legal or

tax advice. The Debtor and its counsel do not assume any responsibility or liability for the tax consequences that a creditor or interest holder may incur or experience as a result of the treatment of its claim or interest under the Plan.

G. 11 U.S.C. §1129(a)(15)

Under 11 U.S.C. §1129(a)(15) the court shall confirm a Plan only if all of the following requirements are met:

(15) In a case in which the debtor is an individual and in which the holder of an allowed unsecured claim objects to the confirmation of the Plan –

(A) the value, as of the effective date of the Plan, of the property to be distributed under the Plan on account of such claim is not less than the amount of such claim; or

(B) the value of the property to be distributed under the Plan is not less than the projected disposable income of the debtor (as defined in section 1325(b)(2) to be received during the 5-year period beginning on the date that the first payment is due under the Plan, or during the period for which the Plan provides payments, whichever is longer.

For the purpose of this subsection, 11 U.S.C. §1129(b)(2), the condition that a Plan be fair and equitable with respect to a class includes the following requirements:

(B) With respect to a class of unsecured claims—

(i) the Plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the Plan, equal to the allowed amount of such claim; or

(ii) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the Plan on account of such junior claim or interest any property, except that in a case in which the debtor is an individual, the debtor may retain

property included in the estate under section 1115, subject to the requirements of subsection (a)(14) of this section

H. Absolute Priority Rule

In individual Chapter 11 cases, creditors get to vote to accept or reject the debtor's Plan. If the Plan is not accepted by all impaired classes, the Court can still confirm it provided at least one class of impaired claims has accepted the Plan and it (1) does not discriminate unfairly and (2) is fair and equitable with respect to each class of claims that is impaired under, and has not accepted, the Plan. As to unsecured creditors, the fair and equitable standard is met if the unsecured creditors receive payment in the full amount of their claims or, if they receive less than full payment, then no junior class retains any interest in property of the debtor. This standard is known as the absolute priority rule.

I. Section 1129(b) Election.

In order to confirm the Plan, and to the extent necessary, the Debtor invokes the entitlement of § 1129(b) of the Bankruptcy Code, such that, as long as the Plan does not discriminate unfairly, and is fair and equitable, with respect to any Class of Claims that is impaired under and has not accepted the Plan, the Plan may be confirmed by the Court.

IX.
CONCLUSION

Debtor was able to achieve a substantial return for creditors through its sale of the business which allowed it to pay the vast majority of overall creditor claims. The Plan now seeks to pay the remaining surplus from the sale to outstanding creditors. The Debtor believes that the Plan is in the best interests of all creditors and the Estate and urges the holders of claims entitled to vote to accept the Plan and to evidence such acceptance by properly voting and timely returning

their ballots. It is recommended that creditors accept the Plan of Liquidation because it will maximize the value of the Estate and provide the greatest return to all creditors.

NANAK131313 INC.
By Counsel

JONATHAN B. VIVONA, PLC

/s/ Jonathan B. Vivona
JONATHAN B. VIVONA, ESQUIRE
Virginia State Bar No. 82762
601 King Street, Suite 400
Alexandria, Virginia 22314
Telephone Number: (703) 739-1353
Fax Number: (703) 337-0490
vivonalaw@gmail.com
Counsel for Nanak131313 inc.

CERTIFICATE OF SERVICE

I hereby certify that on the 23rd day of October 2018 a true copy of the foregoing Amended Disclosure Statement was served electronically pursuant to this Court's CM/ECF procedures on: Jack Frankel, Esquire, Office of the U.S. Trustee, 115 South Union Street, Ste. 210, Alexandria, VA 22314 and Jeffrey S. Romanick, Esquire, 3975 University Dr. #410, Fairfax, VA 22030-2520; and sent first class mail, postage prepaid, to:

ADT Security Services
PO Box 371878
Pittsburgh, PA 15250

American Disposal
10370 Central Park Drive
Manassas, VA 20110

American Disposal
PO Box 28150
Miami, FL 33102

Cox Business
Dept 781114
PO Box 78000
Detroit, MI 48278

Dominion Energy Virginia
PO Box 26543
Richmond, VA 23290

Fairfax County DTA
12000 Government Center Pkwy
Fairfax, VA 22035

Fairfax Water
8570 Executive Park Avenue
Fairfax, VA 22031

Fairfax Water
PO Box 71076
Charlotte, NC 28272

Girish Sood
13895 Hedgewood Drive 349
Woodbridge, VA 22193

Gross & Romanick, PC
3975 University Drive
Suite 410
Fairfax, VA 22030

Internal Revenue Service
Centralized Insolvency
PO Box 7346
Philadelphia, PA 19101

JSNS, LLC
5809 Plainview Road
Bethesda, MD 20817

National Fire & Indemnity Exc
6030 Barcroft Avenue
Saint Louis, MO 63109

Republic Services
PO Box 9001099
Louisville, KY 40290

Sartaj Singh Randhawa
3848 Appaloosa Drive
Lakeridge, VA 22192

Washington Gas
PO Box 37747
Philadelphia, PA 19101

Washington Gas
Bankruptcy Dept
6801 Industrial Road
Springfield, Virginia 22151

/s/ Jonathan B. Vivona
JONATHAN B. VIVONA