

**UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION**

In re:

CHAPTER 11

**HUDSON'S FURNITURE
SHOWROOM, INC., *et.al.***

CASE NO.: 6:10-bk-03322-KSJ

**Jointly Administered with Case Nos.
6:10-bk-3543 thru 6:10-bk-3549**

Debtors.

_____/

**JOINT DISCLOSURE STATEMENT PURSUANT TO 11 U.S.C. §1125 FOR
HUDSON'S FURNITURE SHOWROOM, INC., *ET AL.***

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June 30, 2010

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I. INTRODUCTION AND SUMMARY

This Joint Disclosure Statement ("Disclosure Statement") is filed pursuant to the requirements of §1125 of Title 11 of the United States Code (the "Code"). This Disclosure Statement is intended to provide adequate information to enable holders of claims in the above-captioned bankruptcy cases ("Bankruptcy Cases") to make informed judgments about the Joint Plan of Reorganization (the "Plan") submitted by Hudson's Furniture Showroom, Inc. ("HFS"), and seven (7) of its affiliated or related debtors and debtors-in-possession as set forth in Exhibit "A" (collectively, HFS and certain affiliates and related entities listed on Exhibit "A" hereafter referred to as "Debtors"). The Debtors are soliciting votes to accept the Plan. The overall purpose of the Plan is to provide for the restructuring of the Debtors' liabilities in a manner designed to maximize recoveries to all stakeholders. The Debtors believe that the Plan provides the best means currently available for their emergence from Chapter 11 and the best recoveries possible for holders of claims and interests against the Debtors, and thus strongly recommend that you vote to accept the Plan.

THIS DISCLOSURE STATEMENT AND ITS RELATED DOCUMENTS ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES TO ACCEPT THE PLAN. THIS INTRODUCTION AND SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE REMAINING PORTIONS OF THIS DISCLOSURE STATEMENT, AND THIS DISCLOSURE

STATEMENT IN TURN IS QUALIFIED, IN ITS ENTIRETY, BY THE PLAN. THE PLAN IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT, AND ANY HOLDER OF ANY CLAIM OR INTEREST SHOULD READ AND CONSIDER THE PLAN CAREFULLY IN LIGHT OF THIS DISCLOSURE STATEMENT IN MAKING AN INFORMED JUDGMENT ABOUT THE PLAN. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN, THE PLAN CONTROLS. ALL CAPITALIZED TERMS USED IN THIS DISCLOSURE STATEMENT SHALL HAVE THE DEFINITIONS ASCRIBED TO THEM IN THE PLAN UNLESS OTHERWISE DEFINED HEREIN.

NO REPRESENTATION CONCERNING THE DEBTORS IS AUTHORIZED OTHER THAN AS SET FORTH HEREIN. ANY REPRESENTATIONS OR INDUCEMENTS MADE WHICH ARE OTHER THAN AS CONTAINED HEREIN SHOULD NOT BE RELIED UPON IN ARRIVING AT A DECISION ABOUT THE PLAN.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO AUDIT. FOR THAT REASON, AS WELL AS THE COMPLEXITY OF THE DEBTORS' BUSINESSES AND FINANCIAL AFFAIRS, AND THE IMPOSSIBILITY OF MAKING ASSUMPTIONS, ESTIMATES, AND PROJECTIONS WITH COMPLETE ACCURACY, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT INACCURACY, ALTHOUGH EVERY REASONABLE EFFORT HAS BEEN MADE TO ENSURE THAT SUCH INFORMATION IS ACCURATE. THIS DISCLOSURE STATEMENT INCLUDES FORWARD LOOKING STATEMENTS BASED LARGELY ON THE DEBTORS' CURRENT EXPECTATIONS AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL TRENDS AND ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, CAUSES OF ACTION, AND OTHER ACTIONS, THE DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

HFS is a debtor under Chapter 11 of the Code in a bankruptcy case pending in the United States Bankruptcy Court for the Middle District of Florida, Orlando Division (the “Bankruptcy Court”). In addition to HFS, as of Petition Date, there were seven (7) affiliated and related companies which also filed petitions for relief under Chapter 11 of the Code.¹ An organizational chart is available upon request.

As prescribed by the Code and the Rules, Claims asserted against, and equity Interests in, the Debtors are placed into “Classes”. The Plan contemplates the substantive consolidation of the Chapter 11 Bankruptcy Cases of the Debtors, as further detailed in the Plan. Accordingly, the Plan designates eighteen (18) separate classes of Claims and Interests, which Classes are comprised of: (9) Classes of Allowed Secured Claims; (1) Class of Unsecured Claims; and (8) Classes of Interests. Pursuant to the Plan, on the Effective Date: (i) all assets and all proceeds thereof, and all liabilities of the Debtors will be treated as though the assets and liabilities were merged into HFS (the “Reorganized Debtor”); (ii) all Allowed Claims and Claims by and among the Debtors (the “Intercompany Claims”) will receive no distribution under the Plan; (iii) any obligation of any Debtor, and all guarantees thereof executed by one or more of the Debtors, and any Claims in a case of a proponent hereof, filed or to be filed in connection with any such obligation and guarantee will be deemed one Claim against the respective Debtor; (iv) each and every Claim filed in the individual Chapter 11 Case of any of the Debtors will be deemed filed against the Reorganized Debtor; and (v) for purposes of determining the availability of the right of set-off under Section 553 of the Bankruptcy Code, the Reorganized Debtor shall be treated for purposes of the Plan as one entity so

¹ In 2009, four affiliated and related companies filed petitions for relief under Chapter 11 of the Code and are being jointly administered under Case No.: 6:09-bk-15479-KSJ - *In re Hud-Five, LLC*. et al., (collectively, the “Hud-5 Debtors”). The Hud-5 Debtors have filed their own Plan of Reorganization and are not dealt with herein.

that, subject to the other provisions of Section 553 of the Bankruptcy Code, debts due to any of the respective Debtors may be setoff against the debts of any of the Reorganized Debtor. The classification of Claims and the treatment of each Class is discussed in detail below.

To the extent the legal, contractual, or equitable rights with respect to any Claim or Interest asserted against the Debtors are altered, modified or changed by treatment proposed under the Plan, such Claim or Interest is considered “Impaired”, and the holder of such Claim or Interest is entitled to vote in favor of or against the Plan. A Ballot for voting in favor of or against the Plan (“Ballot”) will be mailed along with the order approving this Disclosure Statement.

THE VOTE OF EACH CREDITOR OR INTEREST HOLDER WITH AN IMPAIRED CLAIM OR INTEREST IS IMPORTANT. TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED AT THE ADDRESS AND BY THE DATE SET FORTH IN THE BALLOT.

VOTING DEADLINE

The last day to vote to accept or reject the Plan is _____, 2010. All votes must be received by the voting agent by 5:00 p.m. (EST) on that day.

Upon receipt, the Ballots will be tabulated, and the results of the voting will be presented to the Bankruptcy Court for its consideration. As described in greater detail in Section IV of this Disclosure Statement, the Code prescribes certain requirements for confirmation of a plan. The Bankruptcy Court will schedule a hearing (the “Confirmation Hearing”) to consider whether Debtors have complied with those requirements.

The Code permits a court to confirm a plan even if all Impaired Classes have not voted in favor of a plan. Confirmation of a plan over the objection of a Class is sometimes called “cramdown.” As described in greater detail in Section IV of this Disclosure Statement, Debtors have

expressly reserved the right to seek “cramdown” in the event all Impaired Classes do not vote in favor of the Plan.

II. DESCRIPTION OF DEBTORS’ BUSINESSES

A. In General.

Hudson’s Furniture Showroom, Inc., a Florida corporation (“HFS”), was incorporated on September 8, 1982. Each of the seven (7) affiliated or related entities that also filed for Chapter 11 bankruptcy protection on or about March 3, 2010 are single member, single purpose Florida limited liability companies (the “Hud Affiliates”) (collectively with HFS, the “Debtors”). The Hud Affiliates were formed on the following dates:

DEBTOR	DATE OF FORMATION
Hud-One, LLC	June 28, 2004
Hud-Three, LLC	November 12, 2004
Hud-Six, LLC	December 29, 2004
Hud-Ten, LLC	August 2, 2005
Hud-Twenty-Two, LLC	November 15, 2005
Hud-Twenty Four 445 S. Yonge, LLC	November 21, 2007
Hud-Twenty-Seven Mason, LLC	February 20, 2008

Since 1982, HFS has been engaged in the business of selling furniture to consumers. HFS operates a total of twelve (12) showrooms throughout central Florida. Certain Hud Affiliates own various parcels of developed commercial real estate in the central Florida area (the “Real Property”).

HFS operates and conducts its business in the furniture showrooms which are located on the Real Property. Please see the attached **Exhibit “B”** for a complete description of the Debtors’ commercial

properties². HFS delivers furniture to its customers all over Florida, as well as the Southeast United States.

As of the Petition Date, HFS is a party to oral rental agreements with each of the Hud-5 Debtors and certain Hud Affiliates listed on **Exhibit B** (collectively, the “Real Property Debtors”), pursuant to which HFS agreed to pay, in lieu of direct rent payments, each respective Real Property Debtor’s allocated share of any mortgage payment due to the respective lenders, along with property taxes and related operating costs of the property.

The remaining Debtor, Hud-Ten, LLC, is a holding company that owns a plane more particularly described as a 2000 Pilatus Model PC-12 (the “Plane”). The Plane is used to assist HFS with the operations and marketing of its retail furniture business.

Most of the personal property, including inventory, is owned by HFS. Most, if not all, of the revenue is generated by HFS through retail furniture sales. For the calendar year ending December 31, 2009, the gross revenue for HFS was \$41,162,377.40. As of the Petition Date, HFS employed 156 people. The Hud Affiliates have no employees.

B. Significant Developments and Events Leading to Chapter 11 Filing.

Overall, the decline in the economy and the furniture sales business has had a significant impact on the operations of business of HFS over the past six (6) months. Due largely to the decrease in sales, HFS has had difficulty servicing its debt, including, but not limited to, rent payments to the Real Property Debtors. As a result, the Real Property Debtors have fallen behind in paying their mortgages. Due to such circumstances, four related entities filed for Chapter 11 relief

² The attached Exhibit does not include a description of the Hud-5 Debtors’ commercial properties. That information is available in the Joint Disclosure Statement Pursuant to 11 U.S.C. §1125 for Hud-Five, LLC, *et al.* filed in Bankruptcy Case No.6:09-bk-15479-KSJ.

on October 13, 2009, and such cases are pending before this Court.³ Ultimately, the Debtors determined that it was in the best interests of all parties for them to seek reorganization under Chapter 11, as well.

C. Events Subsequent to Chapter 11 Filing.

Since the Petition Date, the Debtors have continued to operate their businesses as debtors-in-possession under Section 1107(a) and 1108 of the Code. Pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (“Bankruptcy Rules”) the Debtors sought and obtained an order from the Bankruptcy Court authorizing the joint administration of the Debtors respective Chapter 11 cases. (HFS, Doc No. 41). The Debtors also sought and obtained an order, pursuant to Section 327 of the Code, from the Bankruptcy Court authorizing the Debtors to retain Latham, Shuker, Eden & Beaudine, LLP as Debtors’ counsel. (HFS, Doc No. 76). On April 2, 2010, the Court granted an order approving the Debtors’ application to employ/retain Terry J. Soifer and Consulting CFO, Inc., as a Financial Advisor *nunc pro tunc* to March 3, 2010. (HFS, Doc. No. 70). HFS was also granted an Order giving it authority to honor prepetition deposits and cancelations on April 14, 2010. (HFS, Doc. No. 86).

On February 17, 2010, Compass Bank (“Compass”) filed a motion for Relief from Stay requesting relief from the Automatic Stay under § 362(d) of the Bankruptcy Code to foreclose on certain of the Debtors’ real property and to take possession of the rents and other collateral covered by its alleged blanket lien on all of HFS’ assets. (HFS, Doc. No. 32). On April 8, 2010, the Court entered an order directing Compass and HFS to mediation. (HFS, Doc. No. 79). Although the mediation resulted in a settlement agreement (the “Settlement Agreement”) (HFS, Doc. No. 134),

³ Supra, n.1. Those four related entities are: Hud-Five, LLC; Hud-Twenty-Three Tampa, LLC; Hud-Twenty-Five Ocoee, LLC; and A&J Rentals.

Compass subsequently unilaterally withdrew its concurrence with the Settlement Agreement and on June 23, 2010, the Court denied Compass' motion for Relief from Stay. (HFS, Doc. No. 156). On June 29, 2010, in an effort to settle various issues between Compass and HFS, HFS filed a motion for an order directing mediation between HFS and Compass. (HFS, Doc. No. 167).

On March 23, 2010, Regions Bank ("Regions") filed a motion for Relief from Stay, or in the Alternative, for Adequate Protection as to Debtor, HUD-Six, LLC ("HUD-6"). (HFS, Doc. No. 50).

On May 21, 2010, the Court issued an Order granting this Motion, in part, directing HFS to pay to Regions \$50,000 per month as adequate protection from June 1 through November 1, 2010 and authorizing Regions to be entitled to its Relief from Stay if HFS defaulted. (HFS, Doc. No. 129). Regions and HUD-6 subsequently obtained an order granting their agreed motion to determine HUD-6 is a single asset real estate case, pursuant to 11 U.S.C. § 101(51B), and imposing the requirements of 11 U.S.C. § 362(d)(3). (HFS, Doc. No. 125).

On June 22, 2010, the Debtors filed a Motion for Approval of Adequate Protection Agreement between the Debtors and Wells Fargo Bank, N.A. (HFS, Doc. No. 155). Finally, the following additional motions for relief from stay were filed, but have yet to be decided by the Court:

1. May 3, 2010 - Florida Capital Bank ("Florida Capital") filed a motion for Relief from Stay regarding property on Colonial Drive (HFS, Doc. No. 97) and a motion for Relief from Stay regarding property in Altamonte (HFS, Doc. No. 99);
2. May 24, 2010, creditor Valley Commercial Capital, LLC ("VCC") filed a motion for Relief from Stay regarding the Plane (HFS, Doc. 131); and
3. June 24, 2010, creditor GE Commercial Finance Business Property Corporation filed a motion for Relief from Stay regarding certain real and personal property (HFS, Doc. No. 160).

III. THE PLAN

THE FOLLOWING SUMMARY IS INTENDED ONLY TO PROVIDE AN OVERVIEW OF DEBTORS' PLAN. ANY PARTY IN INTEREST CONSIDERING A VOTE ON THE PLAN SHOULD CAREFULLY READ THE PLAN IN ITS ENTIRETY BEFORE MAKING A DETERMINATION TO VOTE IN FAVOR OF OR AGAINST THE PLAN. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE PLAN.

A. Overview.

In summary, the Reorganized will continue to operate its furniture showrooms with low operating expenses. The Reorganized Debtor shall transfer, or caused to be transferred, certain of the Debtors' mortgaged properties. The Reorganized Debtor shall execute new notes, mortgages, and security agreements with its secured creditors based, in part, on adjusted property values that more accurately reflect the reduced market value of the each lender's secured interest its collateral (collectively, the "New Secured Obligations"). The Debtors believe the cash flow generated from core operations along with a reduction in cash flow demands from the New Secured Obligations shall be sufficient to cover the respective Reorganized Debtor's Plan Payments.

The Allowed Secured Claims will be paid and treated as set forth below and under the Plan. Allowed Priority Claims will be paid out over time, and Allowed Unsecured Claims will be paid and treated as set forth below. As the HFS Equity Interest Holder is not impaired, it will retain its membership interests; the Equity Interests in the remaining Debtors shall be cancelled on the Effective Date.

All Claims against the Debtors shall be classified and treated pursuant to the terms of the Plan. As noted more fully below, the Plan contains eighteen (18) Classes of Claims and Interests. There are nine (9) Classes of Secured Claims, one (1) Class of Unsecured Claims, and eight (8) Classes of Equity Interests.

Overall, the Plan provides that Holders of Allowed Administrative Claims will be paid in full on the Effective Date. Holders of Allowed Priority Tax Claims will receive Cash Payments over a period not to exceed five (5) years after the date of the assessment of the Claim of a value, as of the Effective Date of the Plan, equal to the Allowed Amount of the Claim. The Debtors will pay interest on such Claims at the Statutory Rate. The Debtors estimate that the filed amount of Priority Tax Claims is approximately \$50,000.

The Holder of Allowed Secured Claims in Classes 1 to 9 to the extent they have Allowed Claims, will receive payment equal to one hundred percent (100%) of their Allowed Secured Claims, over time, on the terms as set forth below. All Allowed Unsecured Claims shall be classified in one unsecured class, Class 10, and shall receive a pro rata beneficial interest in the Performance Allocation over a five (5) year period. The Performance Allocation shall be an amount equal to fifty percent (50%) of the amount actual operating results for each quarter exceeds budgeted operating results for the same period.

Classes 12 through 18 of Interests will be cancelled upon the Effective Date; and new equity in the Reorganized Debtor will be issued as stated herein. In summary, the Plan contemplates the consolidation of the Debtors into HFS, which shall emerge as the sole Reorganized Debtor. The Reorganized Debtor shall continue the core operation and management of the twelve (12) furniture showrooms located throughout Florida. All Classes, except Class 11, are impaired under the Plan.

B. Classification and Treatment of Claims.

1. Priority Claims.

a. Administrative Expense Claims.

Holders of all Allowed Administrative Expense Claims of the Debtors shall be paid in full on the Effective Date, or, if the Claim does not become Allowed prior to the Effective Date, on the date the Allowed Amount of such claim is determined by Final Order of the Bankruptcy Court. However, nothing in this provision of the Plan shall preclude Debtors from paying any holder of a Nonordinary Course Administrative Claim less than one hundred percent (100%) of its Allowed Claim in Cash on the Effective Date provided that such Claim holder consents to different payment terms. Debtors estimate Administrative Claims to be approximately \$100,000.

b. Priority Tax Claims.

Except to the extent that the Holder and the Debtors have agreed or may agree to a different treatment, each Holder of an Allowed Priority Tax Claim shall be paid by the Debtors, or the Reorganized Debtor, payments equal to the Allowed Priority Tax Claim, which will be paid based on a five (5) year amortization and maturity with interest at the applicable statutory rate; the payments will be made quarterly. Payments will commence on the later of the Effective Date or on such date as a respective Priority Tax Claim becomes Allowed. The Debtors estimate that the filed amount of Priority Tax Claims is approximately \$50,000.

2. Secured Claims.

a. Class 1 – Wachovia Bank, N.A.

Class 1 consists of the Allowed Secured Claim of Wachovia Bank, N.A. (“Wachovia”⁴). The Claim is secured by liens on real property of the Debtors (collectively, the “Wachovia Bank Property”). Wachovia shall retain its first priority lien on, among other things, certain of the Debtors’ land, buildings, fixtures and personal property, and leases and rents.

In full satisfaction of its Allowed Class 1 Claim, Wachovia:

(i) shall receive free and clear of any liens and encumbrances except for ad valorem real estate taxes, certain of the Debtors’ mortgaged properties, listed on **Exhibit “C”** (the “Transferred Properties”); and

(ii) shall retain its liens as stated above and receive a new consolidated secured note (the “Wachovia Note”) in the amount of the Allowed Class 1 Claim after accounting for the Transferred Properties. The new note shall be paid through the proceeds of core operations. A copy of the proposed new note and mortgages shall be available at least ten (10) days prior to the Confirmation Hearing and will be provided to any party who request such.

The Wachovia Note shall be in the amount of its Allowed Secured Claim after accounting for the Transferred Properties, which claim shall not exceed the combined market value of the remaining Wachovia Bank Property. From Effective Date forward, interest will accrue at the Confirmation Rate. Interest will accrue and principal and interest paid as set forth herein based on a thirty (30) year amortization with a final maturity of sixty (60) months from the

⁴ N/k/a Wells Fargo Bank, N.A. as successor-by-merger to Wachovia Bank, N.A. However, to avoid confusion in this Disclosure Statement we shall refer to this lender as Wachovia - the originating bank as of the date of execution of loans in this Class.

Effective Date. All payments made during the Chapter 11 shall reduce, dollar for dollar, the principal amount of the Class 1 Claim.

Wachovia shall receive a Class 10 Allowed Unsecured Claim for the difference, if any, between the Wachovia Note and its claim as originally filed.

The Reorganized Debtor shall remain current on all taxes, subject to challenges by the Debtors for market conditions and taxing authority's property valuation. The Reorganized Debtor shall remain current on all appropriate insurance policies to extent obligated, list Wachovia as a loss payee, and provide proof of the same to Wachovia.

The Wachovia Note will have standard and commercially reasonable default provisions, and Wachovia will provide the Reorganized Debtor ten (10) days notice of and default with a right to cure. If said Default is not remedied within said 10 day period, the new note will provide for customary remedies. A copy of proposed loan documents will be available for inspection at least ten (10) days prior to the Confirmation Hearing.

b. Class 2 – Florida Capital Bank, N.A.

Class 2 consists of the Allowed Secured Claim of Florida Capital Bank, N.A. ("Florida Capital"). The Claim is secured by liens on real property of the Debtors (collectively, the "Florida Capital Bank Property"). Florida Capital shall retain its first priority lien on, among other things, certain of the Debtors' land, buildings, fixtures and personal property, and leases and rents.

In full satisfaction of its Allowed Class 2 Claim, Florida Capital shall retain its liens as stated above and receive a new secured note (the "Florida Capital Note") in the amount of the Allowed Class 2 Claim. The new note shall be paid through the proceeds of core

operations. A copy of the proposed new note and mortgages shall be available at least ten (10) days prior to the Confirmation Hearing and will be provided to any party who request such.

The Florida Capital Note shall be in the amount of its Allowed Secured Claim, which claim shall not exceed the combined market value of the Florida Capital Bank Property. From Effective Date forward, interest will accrue at the Confirmation Rate. Interest will accrue and principal and interest paid as set forth herein based on a thirty (30) year amortization with a final maturity of sixty (60) months from the Effective Date. All payments made during the Chapter 11 shall reduce, dollar for dollar, the principal amount of the Class 2 Claim.

Florida Capital shall receive a Class 10 Allowed Unsecured Claim for the difference, if any, between the Florida Capital Note and its claim as originally filed.

The Reorganized Debtor shall remain current on all taxes, subject to challenges by the Debtors for market conditions and taxing authority's property valuation. The Reorganized Debtor shall remain current on all appropriate insurance policies to extent obligated, list Florida Capital as a loss payee, and provide proof of the same to Florida Capital.

The Florida Capital Note will have standard and commercially reasonable default provisions, and Florida Capital will provide the Reorganized Debtor ten (10) days notice of and default with a right to cure. If said Default is not remedied within said 10 day period, the new note will provide for customary remedies. A copy of proposed loan documents will be available for inspection at least ten (10) days prior to the Confirmation Hearing.

c. Class 3 – Regions Bank.

Class 3 consists of the Allowed Secured Claim of Regions Bank ("Regions"). The Claim is secured by a lien on real property of Hud-Six, LLC (the "Regions Bank

Property”). Regions shall retain its first priority lien on, among other things, the land, buildings, fixtures and personal property, and leases and rents of HUD-6.

In full satisfaction of its Allowed Class 3 Claim, Regions shall retain its lien as stated above and receive a new secured note (the “Regions Note”) in the amount of the Allowed Class 3 Claim. The new note shall be paid through the proceeds of core operations. A copy of the proposed new note and mortgage shall be available at least ten (10) days prior to the Confirmation Hearing and will be provided to any party who request such.

The Regions Note shall be in the amount of its Allowed Secured Claim, which claim shall not exceed the market value of the Regions Bank Property. From Effective Date forward, interest will accrue at the Confirmation Rate. Interest will accrue and principal and interest paid as set forth herein based on a thirty (30) year amortization with a final maturity of sixty (60) months from the Effective Date. All payments made during the Chapter 11 shall reduce, dollar for dollar, the principal amount of the Class 3 Claim.

Regions shall receive a Class 10 Allowed Unsecured Claim for the difference, if any, between the Regions Note and its claim as originally filed.

The Reorganized Debtor shall remain current on all taxes, subject to challenges by the Debtors for market conditions and taxing authority’s property valuation. The Reorganized Debtor shall remain current on all appropriate insurance policies to extent obligated, list Regions as a loss payee, and provide proof of the same to Regions.

The Regions Note will have standard and commercially reasonable default provisions, and Regions will provide the Reorganized Debtor ten (10) days notice of and default with a right to cure. If said Default is not remedied within said 10 day period, the new note

will provide for customary remedies. A copy of proposed loan documents will be available for inspection at least ten (10) days prior to the Confirmation Hearing.

d. Class 4 – GE Commercial Finance.

Class 4 consists of the Allowed Secured Claim of GE Commercial Finance (“GE”). The Claim is secured by a lien on real property of Hudson Furniture Showroom, Inc. at 28342 US Hwy 19N, Clearwater, Florida (the “GE Bank Property”). GE shall retain its first priority lien on, among other things, certain of the Debtor’s land, buildings, fixtures and personal property, and leases and rents.

In full satisfaction of its Allowed Class 4 Claim, GE shall retain its lien as stated above and receive a new secured note (the “GE Note”) in the amount of the Allowed Class 4 Claim. The new note shall be paid through the proceeds of core operations. A copy of the proposed new note and mortgage shall be available at least ten (10) days prior to the Confirmation Hearing and will be provided to any party who request such.

The GE Note shall be in the amount of its Allowed Secured Claim, which claim shall not exceed the market value of the GE Bank Property. From Effective Date forward, interest will accrue at the Confirmation Rate. Interest will accrue and principal and interest paid as set forth herein based on a thirty (30) year amortization with a final maturity of sixty (60) months from the Effective Date. All payments made during the Chapter 11 shall reduce, dollar for dollar, the principal amount of the Class 4 Claim.

GE shall receive a Class 10 Allowed Unsecured Claim for the difference, if any, between the GE Note and its claim as originally filed.

The Reorganized Debtor shall remain current on all taxes, subject to challenges by the Debtors for market conditions and taxing authority’s property valuation. The

Reorganized Debtor shall remain current on all appropriate insurance policies to extent obligated, list GE as a loss payee, and provide proof of the same to GE.

The GE Note will have standard and commercially reasonable default provisions, and GE will provide the Reorganized Debtor ten (10) days notice of and default with a right to cure. If said Default is not remedied within said 10 day period, the new note will provide for customary remedies. A copy of proposed loan documents will be available for inspection at least ten (10) days prior to the Confirmation Hearing.

e. Class 5 – Compass Bank.

Class 5 consists of the Allowed Secured Claim of Compass Bank (“Compass”). The Claim is secured by a lien on real property of Hudson Furniture Showroom, Inc. at 3290 W. SR 46, Sanford, Florida (the “Compass Bank Property”). Compass shall retain its first priority lien on, among other things, certain of the Debtor’s land, buildings, fixtures and personal property, and leases and rents.

In full satisfaction of its Allowed Class 5 Claim, Compass shall retain its lien as stated above and receive a new secured note (the “Compass Note”) in the amount of the Allowed Class 5 Claim. The new note shall be paid through the proceeds of core operations. A copy of the proposed new note and mortgage shall be available at least ten (10) days prior to the Confirmation Hearing and will be provided to any party who request such.

The Compass Note shall be in the amount of its Allowed Secured Claim, which claim shall not exceed the market value of the Compass Bank Property. From Effective Date forward, interest will accrue at the Confirmation Rate. Interest will accrue and principal and interest paid as set forth herein based on a thirty (30) year amortization with a final

maturity of sixty (60) months from the Effective Date. All payments made during the Chapter 11 shall reduce, dollar for dollar, the principal amount of the Class 5 Claim.

Compass shall receive a Class 10 Allowed Unsecured Claim for the difference, if any, between the Compass Note and its claim as originally filed.

The Reorganized Debtor shall remain current on all taxes, subject to challenges by the Debtors for market conditions and taxing authority's property valuation. The Reorganized Debtor shall remain current on all appropriate insurance policies to extent obligated, list Compass as a loss payee, and provide proof of the same to Compass.

The Compass Note will have standard and commercially reasonable default provisions, and Compass will provide the Reorganized Debtor ten (10) days notice of and default with a right to cure. If said Default is not remedied within said 10 day period, the new note will provide for customary remedies. A copy of proposed loan documents will be available for inspection at least ten (10) days prior to the Confirmation Hearing.

f. Class 6 – Furniture Brands International - Broyhill.

Class 6 consists of the Allowed Secured Claim of Furniture Brands International – Broyhill (“Broyhill”)⁵. The Claim is secured by a lien on, among other things, accounts receivable and inventory of HFS (collectively, the “Broyhill Security”). Broyhill shall retain its lien on, among other things, the Reorganized Debtor's accounts receivable and inventory.

In full satisfaction of its Allowed Class 6 Claim, Broyhill shall retain its lien as stated above and receive a new secured note (the “Broyhill Note”) in the amount of the Allowed Class 6 Claim. The new note shall be paid through the proceeds of furniture sales. A copy

⁵ The Allowed Secured Class 6 Claim is limited to obligations of HFS for purchases of the Broyhill furniture line; to the extent Furniture Brands International may file a proof of claim including, for example, claims with respect to

of the proposed new note and UCC-1 financing statement shall be available at least ten (10) days prior to the Confirmation Hearing and will be provided to any party who request such.

The Broyhill Note shall be in the amount of its Allowed Secured Claim, which claim shall not exceed the combined market value of the Broyhill Security. From Effective Date forward, interest will accrue at the Confirmation Rate. Interest will accrue and principal and interest paid as set forth herein based on a fifteen (15) year amortization and maturity.

Broyhill shall receive a Class 10 Allowed Unsecured Claim for the difference, if any, between the Broyhill Note and its claim as originally filed.

The Broyhill Note will have standard and commercially reasonable default provisions, and Broyhill will provide the Reorganized Debtor ten (10) days notice of and default with a right to cure. If said Default is not remedied within said 10 day period, the new note will provide for customary remedies. A copy of proposed loan documents will be available for inspection at least ten (10) days prior to the Confirmation Hearing.

g. Class 7 – Valley Commercial Capital.

Class 7 consists of the Allowed Secured Claim of Valley Commercial Capital (“VCC”). The Claim is secured by a lien on, among other things, a 2000 Pilatus Model PC-12 Plane (the “Plane”) owned by Hud-Ten, LLC (collectively, the “VCC Security”). VCC shall retain its lien on, among other things, the Reorganized Debtor’s Plane.

In full satisfaction of its Allowed Class 7 Claim, VCC shall retain its lien as stated above and receive a new secured note (the “VCC Note”) in the amount of the Allowed Class 7 Claim. The new note shall be paid through the proceeds of furniture sales. A copy of the

other furniture lines or with respect to account holders other than Hudson’s Furniture Showrooms, Inc. those balances are not Class 6 Claims.

proposed new note and UCC financing statement shall be available at least ten (10) days prior to the Confirmation Hearing and will be provided to any party who request such.

The VCC Note shall be in the amount of its Allowed Secured Claim, which claim shall not exceed the market value of the VCC Security. From Effective Date forward, interest will accrue at the Confirmation Rate. Interest will accrue and principal and interest paid monthly, in arrears, on a straight line basis over a fifteen (15) year period commencing on the Effective Date. All payments made during the Chapter 11 shall reduce, dollar for dollar, the principal amount of the Class 7 Claim.

VCC shall receive a Class 10 Allowed Unsecured Claim for the difference, if any, between the VCC Note and its claim as originally filed.

The VCC Note will have standard and commercially reasonable default provisions, and VCC will provide the Reorganized Debtor ten (10) days notice of and default with a right to cure. If said Default is not remedied within said 10 day period, the new note will provide for customary remedies. A copy of proposed loan documents will be available for inspection at least ten (10) days prior to the Confirmation Hearing.

h. Class 8 – County Tax Collectors.

Class 8 consists of the Allowed Secured Claims of the County Tax Collectors (“Tax Collectors”), which are secured by a first priority Liens on the respective Debtors’ real property as set forth in **Exhibit “B”** (the “Real Property”).

In full satisfaction of their respective Allowed Secured Claims, the Tax Collectors shall retain their Liens against the applicable Real Property and receive monthly payments based on a thirty (30) year amortization and a five (5) year maturity with interest at the Statutory

Rate. Payments will commence on the First Business Day of the First Calendar month after the Effective Date and continue each month thereafter.

i. Class 9 –Tax Certificate Holders.

Class 9 consists of the Allowed Secured Claims of the Plymouth Park Tax Services, LLC (“Certificate Holder”), which are secured by Liens on HUD-Three, LLC’s real property: 4955 S. Florida Ave, Lakeland, FL 33813, and on HUD-Twenty-Four 445 S.Yonge, LLC’s real property: 445 S. Yonge Street, Ormond Beach, FL (the “Tax Certificate Properties”).

In full satisfaction of its Allowed Secured Claims, Certificate Holder shall retain its Liens against the Tax Certificate Properties and receive monthly payments based on a thirty (30) year amortization and a five (5) year maturity with interest at the applicable Tax Certificate Rate. Payments will commence on the First Business Day of the First Calendar month after the Effective Date and continue each month thereafter.

3. Unsecured Claims.

Class 10 – Allowed Unsecured Claims.

Class 10 consists of all Allowed Unsecured Claims of the Debtors. In full satisfaction of their Allowed Unsecured Claims, Holders of Class 10 Claims shall receive a Pro Rata beneficial interest in the Performance Allocation. Where the Reorganized Debtor’s sales generate greater returns than budgeted, the Performance Allocation for any quarter shall be an amount set equal to fifty (50) percent of the difference between actual and budgeted operating results for that quarter. The Performance Allocation shall be determined quarterly commencing on the First Business Day of the First Calendar month after the Effective Date and continue each quarter thereafter. Performance Allocation distributions shall be paid within thirty days after the books have

been closed for each applicable quarter.⁶ The Performance Allocation shall terminate no later than five (5) years from the Effective Date, and the associated payment, if applicable, shall occur in accordance with the established closing and distribution schedule.

4. All Equity Interests.

Class 11 - Hudson's Furniture Showroom.

Class 11 consists of any and all membership interests, common stock, stock options, and warrants currently issued or authorized in Hudson's Furniture Showroom, LLC. All currently issued and outstanding Equity Interests in the Hudson's Furniture Showroom shall be retained by their respective holders.

Class 12- Hud-One, LLC.

Class 12 consists of any and all membership interests, common stock, stock options, and warrants currently issued or authorized in Hud-One. The Class is impaired as, upon the Effective Date, all currently issued or authorized equity interests in Hud-One shall be canceled and of no further force and effect. Accordingly, the Holders of the Class 12 Interests, except to the extent that they are entitled to Distribution or as other provided elsewhere in the Plan, shall not have an ownership interest in the Reorganized Debtor.

⁶ For example, if the Effective Date falls on the 21st day of February, then the first quarterly period would commence on March 1 and continue through May 31. Assuming the accounting is completed and the books are closed on the June 18th, then the Reorganized Debtor will make its first Performance Allocation payment on or before July 18.

Class 13 – Hud-Three, LLC.

Class 13 consists of any and all membership interests, common stock, stock options, and warrants currently issued or authorized in Hud-Three, LLC. The Class is impaired as, upon the Effective Date, all currently issued or authorized equity interests in Hud-Three, LLC shall be canceled and of no further force and effect. Accordingly, the Holders of the Class 13 Interests, except to the extent that they are entitled to Distribution or as other provided elsewhere in the Plan, shall not have an ownership interest in the Reorganized Debtor.

Class 14 – Hud-Six, LLC

Class 14 consists of any and all membership interests, common stock, stock options, and warrants currently issued or authorized in Hud-Six, LLC. The Class is impaired as, upon the Effective Date, all currently issued or authorized equity interests in Hud-Six, LLC shall be canceled and of no further force and effect. Accordingly, the Holders of the Class 14 Interests, except to the extent that they are entitled to Distribution or as other provided elsewhere in the Plan, shall not have an ownership interest in the Reorganized Debtor.

Class 15– Hud-Ten, LLC

Class 15 consists of any and all membership interests, common stock, stock options, and warrants currently issued or authorized in Hud-Ten, LLC. The Class is impaired as, upon the Effective Date, all currently issued or authorized equity interests in Hud-Ten, LLC shall be canceled and of no further force and effect. Accordingly, the Holders of the Class 15 Interests, except to the extent that they are entitled to Distribution or as other provided elsewhere in the Plan,

shall not have an ownership interest in the Reorganized Debtor.

Class 16 – Hud-Twenty-Two, LLC.

Class 16 consists of any and all membership interests, common stock, stock options, and warrants currently issued or authorized in Hud-Twenty-Two, LLC. The Class is impaired as, upon the Effective Date, all currently issued or authorized equity interests in Hud-Twenty-Two, LLC shall be canceled and of no further force and effect. Accordingly, the Holders of the Class 16 Interests, except to the extent that they are entitled to Distribution or as other provided elsewhere in the Plan, shall not have an ownership interest in the Reorganized Debtor.

Class 17 – Hud-Twenty-Four 445 S. Yonge, LLC.

Class 17 consists of any and all membership interests, common stock, stock options, and warrants currently issued or authorized in Hud-Twenty-Four 445 S. Yonge, LLC. The Class is impaired as, upon the Effective Date, all currently issued or authorized equity interests in Hud-Twenty-Four 445 S. Yonge shall be canceled and of no further force and effect. Accordingly, the Holders of the Class 17 Interests, except to the extent that they are entitled to Distribution or as other provided elsewhere in the Plan, shall not have an ownership interest in the Reorganized Debtor.

Class 18- Hud-Twenty-Seven Mason, LLC.

Class 18 consists of any and all membership interests, common stock, stock options, and warrants currently issued or authorized in Hud-Twenty-Seven Mason, LLC. The Class is impaired as, upon the Effective Date, all currently issued or authorized equity interests in Hud-Twenty-Seven Mason, LLC shall be canceled and of no further force and effect. Accordingly, the

Holders of the Class 18 Interests, except to the extent that they are entitled to Distribution or as otherwise provided elsewhere in the Plan, shall not have an ownership interest in the Reorganized Debtor.

C. Means of Implementation.

1. Business Operations and Cash flow.

The Plan contemplates that the Reorganized Debtor will continue to operate their respective reorganized businesses, with low operating expenses. The Plan contemplates that the Reorganized Debtor shall execute new notes, mortgages, and security agreements with its secured creditors. The Debtors believe the cash flow generated from core operations along with a reduction in cash flow demands from the New Secured Obligations will be sufficient to meet operating needs and required Plan Payments.

2. Funds Generated During Chapter 11.

All cash in excess of operating expenses generated from operations until the Effective Date will be used for Plan Payments.

3. Substantive Consolidation.

In light of the Debtors' unique corporate structure and conduct of their business affairs, the Debtors recognized early on that an important issue in these Chapter 11 Cases would be whether the Debtors' assets and liabilities should be substantively consolidated. The Plan proposes, and its terms embody, the substantive consolidation of the Debtors for purposes of distributions under the Plan and the unsecured class of claims. Substantive consolidation is an equitable remedy that the Bankruptcy Court may order. In general, substantive consolidation can

greatly affect creditor recovery because it pools the assets and liabilities of entities with different debt-to-assets ratios. Therefore, affected parties often enter into protracted and expensive litigation related to substantive consolidation. Based on the facts of these Chapter 11 cases, and applicable case law on the subject, the Debtors believe they would prevail in any litigation over the issue of substantive consolidation. The Debtors intend to file a legal memorandum in support of substantive consolidation prior to Confirmation; however, Debtors are only seeking such remedy to the extent of the Plan.

4. Management and Control of Reorganized Debtor.

i. Directors.

The operations of the Reorganized Debtor shall be overseen by its Board of Directors. The Board of Directors shall have the power to request and obtain all financial data and operational information regarding the Reorganized Debtor at any time. The Board of Directors shall have all corporate authority vested in boards of directors under the applicable laws of the State of Florida including the power to appoint and terminate officers and to liquidate the Reorganized Debtor and to wind up its affairs, with all such powers to be exercised by a majority vote.

Mr. C. Fred Hudson shall serve as Chairman of the Board. The initial Directors shall continue to serve until either (i) Reorganized Debtor ceases to do business, or (ii) a Director resigns or is replaced by the shareholders in accordance with Florida law. The Directors shall be entitled to receive reasonable compensation.

ii. Officers.

No officer of Reorganized Debtor shall have the authority to sell substantially all of the assets of Reorganized Debtor or to liquidate Reorganized Debtor unless a majority of the Directors of Reorganized Debtor approves such actions. Should a majority of the Directors of Reorganized Debtor instruct the officers of Reorganized Debtor to take such actions, the officers of Reorganized Debtor shall follow such instructions to the best of their abilities.

Mr. C. Fred Hudson shall be the initial Chief Executive Officer of Reorganized Debtor, and Mr. Joshua L. Hudson shall be the President of Reorganized Debtor. Mr. Adam C. Hudson shall be the Vice President and Secretary. After discussions with several of the Debtors secured creditors, it is Reorganized Debtor's belief that the continued involvement of the officers is a condition precedent to the concessions received herein from the secured creditors and lenders and is crucial to Reorganized Debtor's go-forward success. In addition to Mr. C. Fred Hudson's role in developing and coordinating the plan set forth herein, he has absorbed several job functions post-filing, implemented numerous corporate and overhead cost controls and has established a small management team that reports directly to Mr. C. Fred Hudson in executing the day to day operational strategy.

In light of the foregoing, coupled with Mr. C. Fred Hudson's intimate knowledge of Reorganized Debtor's operations and critical role in the continued operations of the Reorganized Debtor, the continued employment of Mr. C. Fred Hudson is a critical prerequisite to Reorganized Debtor's feasibility.

The President shall have authority to conduct the operations of Reorganized Debtor and shall delegate such authority to other officers as the Board of Directors may

direct. The President, Chief Financial Officer, and Vice President of Reorganized Debtor shall have the powers, duties, and responsibilities typically held by such officers in companies similar to Reorganized Debtor and, in addition, shall be responsible for promptly providing any Director with all information regarding Reorganized Debtor which such Director may request. The officers of Reorganized Debtor shall be entitled to reasonable compensation as determined by respective management contracts, and, if no contract exists, as fixed by the Board of Directors.

5. Reorganized Debtor.

After Confirmation, the common stock of the Equity Holders shall remain in full force and effect as set forth herein. The current officers and directors shall remain in respect of the Reorganized Debtor.

6. Disbursements.

All Disbursements made pursuant to this Plan shall be paid by the Reorganized Debtor from cash flow generated by core operations.

D. Other Provisions.

1. Leases and Executory Contracts.

The Plan provides that the Debtors shall have through and including the hearing on Confirmation within which to assume or reject any unexpired lease or executory contract; and, further, that in the event any such unexpired lease or executory contract is not rejected by such date, then such unexpired lease or executory contract shall be deemed rejected. It is the position of the Debtors that the executory contracts listed in the respective Schedules of Executory Contracts filed pursuant to Rule 1007, are the only executory contracts to which any of the Debtors was a party on the Petition Date. The Plan also provides for the Bankruptcy Court to retain

jurisdiction as to certain matters as stated in the Plan, including, without limitation, prosecution of all Causes of Action and objections to Claims.

To the extent any executory contract or lease is rejected by operation of this provision, any party asserting a Claim, pursuant to Sections 365 and 502(g) of the Code, arising from such rejection shall file a proof of such Claim within thirty (30) days after the entry of an Order Confirming the Plan, and any Allowed Claim resulting from such rejection shall be a Class 10 Claim except as otherwise provided herein.

2. Procedures For Resolving Disputed Claims.

a. Prosecution of Objections to Claims.

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, and except as otherwise provided in the Plan, the Debtors or Reorganized Debtor shall have the exclusive right to make and file objections to all Claims. All objections commenced prior to Confirmation Date shall be finished by the Reorganized Debtor.

Pursuant to the Plan, unless another time is set by order of the Bankruptcy Court, all objections to Claims and Equity Interests shall be filed with the Bankruptcy Court and served upon the Holders of each of the Claims and Equity Interests to which objections are made within 90 days after the Confirmation Date.

Except as may be specifically set forth in the Plan, nothing in the Plan, the Disclosure Statement, the Confirmation Order or any order in aid of Confirmation, shall constitute, or be deemed to constitute, a waiver or release of any claim, cause of action, right of setoff, or other legal or equitable defense that, any Debtor had immediately prior to the

commencement of the Chapter 11 Cases, against or with respect to any Claim or Equity Interest. Except as set forth in the Plan, upon Confirmation, the Debtors shall have, retain, reserve and be entitled to assert all such claims, Causes of Action, rights of setoff and other legal or equitable defenses that any Debtor had immediately prior to the commencement of the Chapter 11 Cases as if the Chapter 11 Cases had not been commenced.

b. Estimation of Claims.

Pursuant to the Plan, the Debtors may, at any time, request that the Bankruptcy Court estimate any contingent, disputed or unliquidated Claim pursuant to Section 502(c) of the Code regardless of whether the Debtors have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent, disputed or unliquidated Claim, that estimated amount will constitute either the Allowed Amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim.

c. Cumulative Remedies.

In accordance with the Plan, all of the aforementioned Claims objections, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or

resolved by any mechanism approved by the Bankruptcy Court. Until such time as an Administrative Claim, Claim or Equity Interest becomes an Allowed Claim, such Claim shall be treated as a Disputed Administrative Claim, Disputed Claim or Disputed Equity Interest for purposes related to allocations, Distributions, and voting under the Plan.

d. Payments and Distributions on Disputed Claims.

As and when authorized by a Final Order, Disputed Claims that become Allowed Claims shall be paid by the Reorganized Debtor, such that the Holder of such Allowed Claim receives all payments and Distributions to which such Holder is entitled under the Plan in order to bring payments to the affected Claimants current with the other participants in the particular Class in question. Except as otherwise provided in the Plan, no partial payments and no partial Distributions will be made with respect to a Disputed Claim until the resolution of such disputes by settlement or Final Order. Unless otherwise agreed by the Reorganized Debtor or as otherwise specifically provided in the Plan, a Creditor who holds both an Allowed Claim and a Disputed Claim will not receive a Distribution until such dispute is resolved by settlement or Final Order.

e. Allowance of Claims and Interests.

(i). Disallowance of Claims.

According to the Plan, all Claims held by Entities against whom any Debtor has obtained a Final Order establishing liability for a cause of action under Sections 542, 543, 522(f), 522(h), 544, 545, 547, 548, 549, or 550 of the Code (“Causes of Action”) shall be deemed disallowed pursuant to Section 502(d) of the Code, and Holders of such Claims

may not vote to accept or reject the Plan, both consequences to be in effect until such time as such causes of action against that Entity have been settled or resolved by a Final Order and all sums due the related Debtor by that Entity are turned over to such Debtor. Debtors reserve and shall have the exclusive right and authority to bring any Causes of Action.

(ii). Allowance of Claims.

Except as expressly provided in the Plan, no Claim or Equity Interest shall be deemed Allowed by virtue of the Plan, Confirmation, or any Order of the Bankruptcy Court in the Chapter 11 Cases, unless and until such Claim or Equity Interest is deemed Allowed under the Code or the Bankruptcy Court enters a Final Order in the Chapter 11 Cases allowing such Claim or Equity Interest.

f. Controversy Concerning Impairment.

If a controversy arises as to whether any Claims or Equity Interests or any Class of Claims or Equity Interests are Impaired under the Plan, the Bankruptcy Court, after notice and a hearing, shall determine such controversy before the Confirmation Date. If such controversy is not resolved prior to the Effective Date, the Debtors' interpretation of the Plan shall govern.

3. Effect of Confirmation.

a. Authority to Effectuate the Plan.

Upon the entry of the Confirmation Order by the Bankruptcy Court, the Plan provides all matters provided under the Plan will be deemed to be authorized and approved without further approval from the Bankruptcy Court. The Confirmation Order will act as an order

modifying the respective Debtors' by-laws such that the provisions of this Plan can be effectuated. The Reorganized Debtor shall be authorized, without further application to or order of the Bankruptcy Court, to take whatever action is necessary to achieve Consummation and carry out the Plan.

b. Post-Confirmation Status Report.

Pursuant to the Plan, within 120 days of the entry of the Confirmation Order, the Debtors will file status reports with the Bankruptcy Court explaining what progress has been made toward consummation of the confirmed Plan. The status report will be served on the United States Trustee, and those parties who have requested special notice post-confirmation. The Bankruptcy Court may schedule subsequent status conferences in its discretion.

IV. CONFIRMATION

A. Confirmation Hearing.

Section 1128 of the Code requires the Bankruptcy Court, after notice, to hold a Confirmation Hearing on the Plan at which time any party in interest may be heard in support of or in opposition to Confirmation. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement to be made at the Confirmation Hearing. Any objection to Confirmation must be made in writing and filed with the Clerk, and delivered to the following persons, at least seven (7) days prior to Confirmation Hearing:

Counsel for the Debtors:

R. Scott Shuker, Esquire
Latham, Shuker, Eden & Beaudine, LLP
390 N. Orange Avenue, Suite 600
Orlando, Florida 32801

Debtors:

Hudson Furniture Showrooms, Inc.
Attn: C. Fred Hudson, III
3290 W. SR 46
Sanford, FL 32771

United States Trustee:

135 West Central Blvd.
Suite 620
Orlando, Florida 32801

B. Financial Information Relevant to Confirmation.

As of the original filing of the Disclosure Statement, Debtors had not yet completed the financial projections and liquidation analysis. Such documents will be filed prior to the Disclosure Statement hearing and included in the Solicitation package. Attached as Exhibits to the Disclosure Statement to be served upon Creditors and incorporated herein, are the following:

(i) **Exhibit "D"** is a copy of Debtors' financial projections for the first three years of Plan Payments. The projections indicate that the Reorganized Debtor's operational cash flow will be sufficient to service the required Plan Payments at a debt level as described herein using an anticipated Effective Date of November 30, 2010. The projections and other financial information has been provided by and prepared by the Debtors' management. The projections may not be relied upon as a guaranty or other assurance of the actual results that will occur. These projections are based upon a variety of estimates and assumptions which may not be realized. The projections are based on assumptions existing as of June 1, 2010 and have not materially changed.

(ii) **Exhibit "E"** is a copy of Debtors' Chapter 7 liquidation analysis ("Liquidation Analysis") establishing that Creditors of Debtors will fair materially poorer in the event the Debtors are forced into Chapter 7 as compared to the Plan.

C. Confirmation Standards.

For a plan of reorganization to be confirmed, the Code requires, among other things, that a plan be proposed in good faith and comply with the applicable provisions of Chapter 11 of the Code. Section 1129 of the Code also imposes requirements that at least one class of Impaired Claims accept the plan, that confirmation of the plan is not likely to be followed by liquidation, or the need for further financial reorganization, that a plan be in the best interests of creditors, and that a plan be fair and equitable with respect to each class of Claims or Interests which is Impaired under the plan.

The Bankruptcy Court shall confirm a plan only if it finds that all of the requirements enumerated in Section 1129 of the Code have been met. Debtors believe that the Plan satisfies all of the requirements for Confirmation.

1. Best Interests Test.

Before the Plan may be confirmed, the Bankruptcy Court must find (with certain exceptions) that the Plan provides, with respect to each Class, that each holder of an Allowed Claim or Interest of such Class either (a) has accepted the Plan or (b) will receive or retain under the Plan on account of such Claim or Interest, property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain if Debtors were, on the

Effective Date, liquidated under Chapter 7 of the Code. Debtors believe that satisfaction of this test is established by the Liquidation Analysis.

To determine what holders of Claims and Equity Interests would receive if Debtors were liquidated, the Bankruptcy Court must determine how the assets and properties of Debtors would be liquidated and distributed in the context of a Chapter 7 liquidation case.

Debtors' costs of liquidation under Chapter 7 would include the fees payable to a trustee in bankruptcy and to any additional attorneys and other professionals engaged by such trustee and any unpaid expenses incurred by Debtors during the Chapter 11 Cases, including compensation of attorneys and accountants. The additional costs and expenses incurred by a trustee in a Chapter 7 liquidation could be substantial and would decrease the possibility that Unsecured Creditors and holders of Equity Interests would receive meaningful distributions. The foregoing types of Claims arising from Chapter 7 administration and such other Claims as may arise in Chapter 7 or result from the pending Chapter 11 Cases would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay the Claims of Unsecured Creditors. Liquidation in Chapter 7 might substantially delay the date at which Creditors would receive any Payment.

Debtors have carefully considered the probable effects of liquidation under Chapter 7 on the ultimate proceeds available for distribution to Creditors and holders of Equity Interests, including the following:

- a. the possible costs and expenses of the Chapter 7 trustee or trustees;
- b. the possible adverse effect on recoveries by Creditors under Chapter 7 due to reduced sale prices for Debtors' assets caused by the forced Chapter 7 liquidation; and

c. the possible substantial increase in Claims, which would rank prior to or on a parity with those of Unsecured Creditors.

2. Financial Feasibility.

The Code requires, as a condition to Confirmation, that Confirmation of a plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of Debtors unless the liquidation is proposed in the Plan. As reflected in **Exhibit “D”**, Debtors believe that core operations will generate sufficient cash flow to make all Plan Payments as noted herein. Based upon the financial projections, Debtors assert that the Plan is feasible and Confirmation is not likely to be followed by further financial reorganization.

3. Acceptance by Impaired Classes.

The Code requires as a condition to Confirmation that each Class of Claims or Interests that is Impaired under the Plan accept such plan, with the exception described in the following section. A Class of Claims has accepted the Plan if the Plan has been accepted by Creditors that hold at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class who vote to accept or to reject the Plan.

A Class of Interests has accepted the Plan if the Plan has been accepted by holders of Interests that hold at least two-thirds (2/3) in amount of the Allowed Interests of such Class that vote to accept or reject the Plan. Holders of Claims or Interests who fail to vote are not counted as either accepting or rejecting the Plan.

A Class that is not Impaired under a Plan is deemed to have accepted such Plan; solicitation of acceptances with respect to such Class is not required. A Class is Impaired

unless (i) the legal, equitable and contractual rights to which the Claim or Interest entitles the holder of such Claim or Interest are not modified; (ii) with respect to Secured Claims, the effect of any default is cured and the original terms of the obligation are reinstated; or (iii) the Plan provides that on the Effective Date the holder of the Claim or Interest receives on account of such claim or interest, Cash equal to the Allowed Amount of such Claim or, with respect to any Interest, any fixed liquidation preference to which the holder is entitled.

4. Confirmation Without Acceptance by all Impaired Classes; “Cramdown.”

The Code contains provisions that enable the Bankruptcy Court to confirm the Plan, even though the Plan has not been accepted by all Impaired Classes, provided that the Plan has been accepted by at least one Impaired Class of Claims. Section 1129(b)(1) of the Code states:

Notwithstanding section 510(a) of this title, if all of the applicable requirements of subsection (a) of this section other than paragraph (8) are met with respect to a plan, the court, on request of the proponent of the plan, shall confirm the plan notwithstanding the requirements of such paragraph if the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the plan.

This section makes clear that the Plan may be confirmed, notwithstanding the failure of an Impaired Class to accept the Plan, so long as the Plan does not discriminate unfairly, and it is fair and equitable with respect to each Class of Claims that is Impaired under, and has not accepted, the Plan.

DEBTORS BELIEVE THAT, IF NECESSARY, THEY WILL BE ABLE TO MEET THE STATUTORY STANDARDS SET FORTH IN THE CODE WITH RESPECT TO THE NONCONSENSUAL CONFIRMATION OF THE PLAN AND WILL SEEK SUCH RELIEF.

D. Consummation.

The Plan will be consummated and Payments made if the Plan is Confirmed pursuant to a Final Order of the Bankruptcy Court, the Effective Date occurs, and the Reorganized Debtor and applicable parties reach agreement on any required documents. It will not be necessary for the Reorganized Debtor to await any required regulatory approvals from agencies or departments of the United States to consummate the Plan. The Plan will be implemented pursuant to its provisions and the Code.

E. Exculpation from Liability.

The Debtors, the Reorganized Debtor, their respective members, Managers, officers, and directors and their respective Professionals (acting in such capacity) shall neither have nor incur any liability whatsoever to any Person or Entity for any act taken or omitted to be taken in good faith in connection with or related to the formulation, preparation, dissemination, or confirmation of the Plan, the Disclosure Statement, any Plan Document, or any contract, instrument, release, or other agreement or document created or entered into, or any other act taken or omitted to be taken, in connection with the plan or the Reorganization Case; provided, however, that this exculpation from liability provision shall not be applicable to any liability found by a court of competent jurisdiction to have resulted from fraud or the willful misconduct or gross negligence of any such party. With respect to the Professionals, the foregoing exculpation from liability provision shall also include claims of professional negligence arising from the services provided by such Professionals during the Reorganization Case. The rights granted hereby are cumulative with (and not restrictive of) any and all rights, remedies, and benefits that the Debtors, the Reorganized

Debtor, and their respective agents have or obtain pursuant to any provision of the Code or other applicable law, or any agreement. This exculpation from liability provision is an integral part of the Plan and is essential to its implementation. Notwithstanding anything to the contrary contained herein, the provisions hereof shall not release or be deemed a release of any of the Causes of Action otherwise preserved by the Plan. The terms of this exculpation shall only apply to liability arising from actions taken on or prior to the Effective Date.

ANY BALLOT VOTED IN FAVOR OF THE PLAN SHALL ACT AS CONSENT BY THE CREDITOR CASTING SUCH BALLOT TO THIS EXCULPATION FROM LIABILITY PROVISION. MOREOVER, ANY CREDITOR WHO DOES NOT VOTE IN FAVOR OF THE PLAN MUST FILE A CIVIL ACTION IN THE BANKRUPTCY COURT ASSERTING ANY SUCH LIABILITY WITHIN THIRTY (30) DAYS FOLLOWING THE EFFECTIVE DATE OR SUCH CLAIMS SHALL BE FOREVER BARRED.

Notwithstanding the foregoing, (i) the Reorganized Debtor shall remain obligated to make payments to Holders of Allowed Claims as required pursuant to the Plan and (ii) the Debtors' respective members, Managers or executive officers shall not be relieved or released from any personal contractual liability except as otherwise provided in the Plan.

F. Police Power.

Nothing in this Article IV shall be deemed to effect, impair, or restrict any federal or state governmental unit from pursuing its police or regulatory enforcement action against any person or entity, other than to recover monetary claims against the Debtors for any act, omission, or event occurring prior to Confirmation Date to the extent such monetary claims are discharged pursuant to Section 1141 of the Code.

G. Revocation and Withdrawal of this Plan.

The Debtors reserve the right to withdraw this Plan at any time before entry of the Confirmation Order. If (i) the Debtors revoke and withdraw this Plan, (ii) the Confirmation Order is not entered, (iii) the Effective Date does not occur, (iv) this Plan is not substantially consummated, or (v) the Confirmation Order is reversed or revoked, then this Plan shall be deemed null and void.

H. Modification of Plan.

The Debtors may seek to amend or modify this Plan in accordance with Section 1127(b) of the Code, remedy any defect or omission, or reconcile any inconsistency in this Plan in such manner as may be necessary to carry out the purpose and intent of this Plan.

On or before substantial consummation of the Plan, the Debtors, may issue, execute, deliver or file with the Bankruptcy Court or record any agreements and other documents, and take any action as may be necessary or appropriate to effectuate, consummate and further evidence the terms and conditions of the Plan.

V. **ALTERNATIVE TO THE PLAN.**

If the Plan is not confirmed and consummated, Debtors believe that the most likely alternative is a sale of the Debtors or a liquidation of the Debtors under Chapter 7 or 11 of the Code.

In a liquidation or sale, Debtors believe the deficiency claims from the secured lenders could be as much as \$15,000,000, and, as such, the pool of Allowed Unsecured (Class 10) Claims would be increased and the dividend to such group greatly diminished. Debtors believe that liquidation of all real and personal property in a Chapter 7 scenario would dramatically reduce the total amount available to Creditors. In a case under Chapter 7 of the Code, a trustee would be elected or appointed to liquidate the assets of Debtors for distribution to Creditors in accordance with the

priorities established by the Code. Debtors' analysis of the probable recovery to Creditors and holders of Equity Interest is set forth in the Liquidation Analysis.

VI. CONCLUSION.

Debtors recommend that holders of Claims and Interests vote to accept the Plan.

DATED this 30th day of June 2010 in Orlando, Florida.

/s/ R. Scott Shuker
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Exhibit A**LIST OF DEBTORS**

Debtor	Case Number	Entity
In re Hudson's Furniture Showroom, LLC	Case No. 6:10-bk-03322-KSJ	Main
In re Hud-One, LLC	Case No. 6:10-bk-03543-KSJ	Affiliate
In re Hud-Three, LLC	Case No. 6:10-bk-03544-KSJ	Affiliate
In re Hud-Six, LLC	Case No. 6:10-bk-03545-KSJ	Affiliate
In re Hud-Ten, LLC	Case No. 6:10-bk-03546-KSJ	Affiliate
In re Hud- Twenty-Two, LLC	Case No. 6:10-bk-03547-KSJ	Affiliate
In re Hud-Twenty-Four 445 S. Yonge, LLC	Case No. 6:10-bk-03548-KSJ	Affiliate
In re Hud-Twenty-Seven Mason, LLC	Case No. 6:10-bk-03549-KSJ	Affiliate

Exhibit B**LIST OF THE DEBTORS' REAL PROPERTIES**

DEBTOR	PROPERTY ADDRESS	RETAIL SPACE	TENANT
HFS	3290 W. SR 46, Sanford, FL 32771	131,132± sq. ft. of distribution / warehouse / showroom space	HFS
HFS	8796 S. Tamiami Trail, Sarasota County FL, 34231	34,384± sq. ft. of retail/showroom space	HFS
HFS	9539 S. OBT, Orlando, FL 32837	14,100± sq. ft. of retail space	HFS
HFS	684 E. Altamonte Dr, Altamonte Springs, FL 32701	14,701± sq. ft. of retail space	Office Environments
HFS	11221 E. Colonial Dr, Orlando, FL 32817	15,498± sq. ft. of retail space	HFS
HFS	28342 US Hwy 19, Clearwater, FL		
HUD-1	3300 & 3320 W SR 46, Sanford, FL 32771		
HUD-1	3310 W. SR 46, Sanford, FL 32771	4.24± Gross Acres with two buildings containing 10,580 sq. ft. of retail. (Very poor condition – appraisal at land value only)	(1) 4,180± sq. ft – Utility Trailer Retail Store; (2) 6,400± sq. ft - Vacant
HUD-3	4955 S. Florida Ave., Lakeland, FL 33813	31,254± sq. ft. of showroom/warehouse space	HFS
HUD-6	4260 W. New Haven Ave., Melbourne, FL		
HUD-22	9001 US Highway 19, N. Pinellas Park, FL		
HUD-24	445 S. Yonge Street, Ormond Beach, FL		
HUD-27	1640 Mason Ave., Daytona Beach, FL 32114	35,200± sq. ft. dock height, multi-tenant office / warehouse space	HFS

Exhibit C**TRANSFERRED PROPERTIES**

Debtor	Property
HUD-1	3310 W. SR 46, Sanford, FL 32771
HUD-27	1640 Mason Ave., Daytona Beach, FL 32114
Hud-Fourteen, LLC	Vacant commercial lot on the west side of Orange Blossom Trail in Orlando, Florida ⁷

⁷ Note – This property is being transferred by a non-debtor entity. Hud-Fourteen, LLC, a non-debtor, is affiliated and related to the Debtors.