

IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ALABAMA, NORTHERN DIVISION

IN RE:)
)
FAMILY CHILD CARE, LLC,) CASE NO. 17-80334-CRJ-11
EIN: XX-3729266) CHAPTER 11
)
Debtor.)

SECOND AMENDED
DISCLOSURE STATEMENT FOR CHAPTER 11 PLAN OF
FAMILY CHILD CARE, LLC
DEBTOR AND DEBTOR-IN-POSSESSION

October 30, 2017

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Solicitation of Votes with Respect to the Chapter 11 Plan

of

FAMILY CHILD CARE, LLC

THE MANAGEMENT OF FAMILY CHILD CARE, LLC, DEBTOR AND DEBTOR-IN-POSSESSION (THE “DEBTOR” OR THE “COMPANY”), BELIEVES THAT THE DEBTOR’S CHAPTER 11 PLAN DATED OCTOBER 30, 2017, (THE “PLAN”), IS IN THE BEST INTERESTS OF ITS CREDITORS. ALL CREDITORS ARE PROVIDED FOR IN THIS DISCLOSURE STATEMENT. TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED, AND RECEIVED BY COUNSEL FOR THE DEBTOR, STUART M. MAPLES, MAPLES LAW FIRM, PC, 200 CLINTON AVENUE WEST, SUITE 1000, HUNTSVILLE, ALABAMA, 35801, BEFORE 5:00 P.M. ON _____ (THE “VOTING DEADLINE”).

ALL CREDITORS ARE ENCOURAGED TO READ AND CONSIDER CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN, PRIOR TO SUBMITTING BALLOTS PURSUANT TO THIS SOLICITATION. THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN, AND IS NOT INTENDED TO REPLACE CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN.

ALL CAPITALIZED TERMS IN THIS DISCLOSURE STATEMENT NOT OTHERWISE DEFINED HEREIN HAVE THE MEANINGS GIVEN TO THEM IN THE PLAN. THE SUMMARIES OF THE PLAN AND THE OTHER DOCUMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE QUALIFIED BY REFERENCE TO THE PLAN AND SUCH OTHER DOCUMENTS THEMSELVES.

I. INTRODUCTION.

A. Preliminary Statement.

On February 3, 2017, Family Child Care, LLC, debtor and debtor-in-possession (the “Debtor”) filed a voluntary Chapter 11 under of the Bankruptcy Code before the United States Bankruptcy Court for the Northern District of Alabama, Northern Division. The Debtor is managing its assets, business, and financial affairs as a debtor-in-possession, subject to the supervision of the Bankruptcy Court and the provisions of the Bankruptcy Code.

As set forth in more detail below, the Plan provides that the Debtor shall be allowed to retain its assets, which are subject to certain liens and interest, of which the Debtor has agreed to pay as provided for in the Plan.

Accompanying this Disclosure Statement are copies of the following:

1. **The Order of the Bankruptcy Court dated _____, 2017**, approving this Disclosure Statement and solicitation and voting procedures related to the Plan and setting the hearing on confirmation of the Plan for _____.
2. **The Plan.**
3. **A ballot for accepting or rejecting the Plan.** Ballots are provided to holders of Allowed Claims in Classes 1, 2 and 3 so that they may vote to accept or reject the Plan under the provisions of the Bankruptcy Code. *See* Section I.B.2 (“Voting on the Plan”) for additional information regarding ballots and voting procedures.

B. Plan Confirmation Process.

1. Approval of Disclosure Statement.

After notice and a hearing held on _____, by order dated _____, pursuant to § 1125 of the Bankruptcy Code, the Bankruptcy Court approved this Disclosure Statement as containing information of a kind, and in sufficient detail, that would enable a hypothetical reasonable investor typical of the holders of claims or interests in Classes 1, 2, and 3 to make an informed judgment whether to accept or reject the Plan. The Bankruptcy Court’s approval of this Disclosure Statement, however, does not constitute a determination by the Bankruptcy Court as to the fairness or merits of the Plan.

2. Voting on the Plan.

(a) Who May Vote. Pursuant to § 1126 of the Bankruptcy Code, holders of Allowed Claims or Interests may vote to accept or reject the Plan, provided, however, that (i) the holders of Claims or Interests in classes that are not conclusively impaired under the Plan are presumed to have accepted the Plan and solicitation of acceptances with respect to such classes is not required, and (ii) a class is deemed not to have accepted the Plan if the Plan provides that the Claims or Interests of such class do not entitle the holders of such Claims or Interests to receive or retain any property under the Plan on account of such Claims or Interests. Accordingly, the Debtor is soliciting acceptance of the Plan only from holders of Claims or Interests in the following classes, which are “impaired” under the Plan and are entitled to accept or reject the Plan:

- Class 1 – Allowed Secured Claims:
- Class 1(a) - Allowed Secured Claim of First National Bank.
- Class 1(b) - Allowed Secured Claim of North Alabama Bank.
- Class 1(c) - Allowed Secured Claim of the IRS.
- Class 1(d) - Allowed Secured Claim of the Foundation Group, LLC.
- Class 2 – Allowed Unsecured Claims
- Class 3 – Equity Interest Holders

Only Persons who hold Claims or Interests in the foregoing impaired classes are entitled to vote to accept or reject the Plan.

THE DEBTOR BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF HOLDERS OF CLAIMS AND INTERESTS IN ALL IMPAIRED CLASSES. THE DEBTOR RECOMMEND THAT ALL PERSONS ENTITLED TO VOTE CAST A BALLOT TO ACCEPT THE PLAN.

(b) Deadline for Voting. The Bankruptcy Court has fixed 5:00 p.m. (Central Time) on _____, as the deadline for voting. To be counted, all ballots must be completed and received, as set forth below, before the Voting Deadline.

(c) Voting Procedures. Holders of Claims in Classes 1, 2 and 3 should complete and sign the enclosed Ballot and deliver it by mail, hand or overnight delivery to:

Stuart M. Maples
Maples Law Firm, PC
200 Clinton Ave. W., Suite 200
Huntsville, Alabama 35801

TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED BY THE VOTING DEADLINE OF 5:00 P.M. CENTRAL TIME ON _____, 2017. You must ensure the receipt of the ballot before the Voting Deadline. Ballots received after the Voting Deadline will not be counted.

(d) Significance of Voting. The vote for each holder of a claim in an impaired class is important. Acceptance by each impaired class of claims is a condition to confirmation of the Plan on a consensual basis. The Bankruptcy Code defines “acceptance” of a plan by a class of creditors as acceptance by holders of two-thirds in dollar amount and more than one-half in number of the claims of that class that actually cast ballots for acceptance or rejection of the Plan. If a class or classes of impaired Claims does not accept the Plan, the Debtor has required confirmation of the Plan under the “cram down” provisions of § 1129(b) of the Bankruptcy Code, which permits confirmation, notwithstanding non-acceptance by one or more impaired classes, if the Plan does not discriminate unfairly and is “fair and equitable” with respect to each non-accepting class.

THESE CALCULATIONS ARE BASED ONLY ON THE CLAIM AMOUNTS AND NUMBER OF CREDITORS WHO ACTUALLY VOTE. THE VOTE OF EACH CREDITOR IS IMPORTANT.

The Debtor will prepare and file with the Court a certification of the results of the balloting with respect to the Plan. **ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED, NOR WILL ANY BALLOTS RECEIVED BY FACSIMILE BE ACCEPTED.**

3. Confirmation Hearing.

Pursuant to § 1128 of the Bankruptcy Code, the Bankruptcy Court shall schedule a confirmation hearing to consider confirmation of the Plan.

At the Confirmation Hearing, the Court will (i) determine whether the requisite vote has been obtained for each Class, (ii) hear and determine objections, if any, to the Plan and to confirmation of the Plan that have not been previously disposed of, (iii) determine whether the Plan meets the confirmation requirements of the Bankruptcy Code, and (iv) determine whether to confirm the Plan.

Any objection to confirmation of the Plan must be in writing and filed and served as required by the Court pursuant to the Order Approving Disclosure Statement. **Specifically, all objections to the confirmation of the Plan must be served in a manner so as to be received on or before _____, at 5:00 p.m. (Central Time) by:**

- (a) Clerk of the Court, United States Bankruptcy Court, 400 Wells Street, P.O. Box 3045, Decatur, Alabama, 35602.
- (b) Counsel to the Debtor, Stuart M. Maples, Maples Law Firm, PC, 200 Clinton Ave. West, Suite 1000, Huntsville, Alabama, 35801; and
- (c) Richard Blythe, Office of the Bankruptcy Administrator, 400 Wells Street, P.O. Box 3045, Decatur, Alabama, 35602.

II. BUSINESS AND HISTORY OF DEBTOR.

A. Company Structure.

The Debtor is an Alabama LLC solely owned by Troy Ponder, and run by his daughter, Myra McCrary.

B. Overview of Debtor's Business.

The Debtor operates a child care facility located at 124 Plaza Blvd., Madison, Alabama (the "School"). The School serves infants through Pre-K children. The Debtor currently operates under the Primrose Schools Franchising Corporation (the "Primrose Franchise").

C. History.

The Debtor purchased the School in 2011 and has operated since that time.

D. Assets.

The attached Schedule A/B filed in this matter accurately reflects the assets of the Debtor. A related LLC, Child Care Properties, LLC, owns the real estate. This real estate was most currently valued at \$2,700,000.00 in 2011.

E. Debt Structure.

1. Administrative Expense Claims.

At Confirmation, the Debtor anticipates administrative expense claims allowable under the Plan by Maples Law Firm, P.C., in the approximate amount of \$14,000.00.

Seaman, Shinkunas & Lindgren, P.C., was approved as accountants for the Debtor, *nunc pro tunc*, to the petition date on October 3, 2017. Debtor anticipates administrative expense claims allowable under the Plan by Seaman, Shinkunas & Lindgren, P.C., through the month of December 2017, in the approximate amount of \$3,000.00.

All Administrative Claims are Unclassified.

2. Tax Claims.

The Debtor currently owes the Internal Revenue Service for withholding taxes in the amount of \$304,600.48, and the Alabama Department of Revenue for withholding taxes in the amount of \$8,851.52.

All Tax Claims are Unclassified.

3. Allowed Secured Claims.

The Debtor currently has (3) three secured lenders:

First National Bank for the Promissory Note dated February 14, 2012, with a current balance as of the Petition Date of \$1,870,254.32.

North Alabama Bank for a Promissory Note dated May 6, 2015, with a current balance as of the Petition Date of \$298,342.44.

IRS for taxes subject to liens, with a current balance as of the Petition Date of \$126,346.40.

The Plan places all Secured Claims in Classes 1(a), 1(b), 1 (c), and 1(d).

4. Summary of Unsecured Debt for Distribution Purposes Under the Plan.

The Plan places all Unsecured Claims in Class 2. The total amount of these claims is \$714,256.15.

The Debtor reserves all rights, claims, and defenses with respect to the allowance, amount, and classification of all claims. Moreover, some of the claims are disputed or unliquidated. Additional claims may be unknown to the Debtor. The Debtor reserves all rights and make no representation or warranty as to the amount of Allowed Claims.

F. Potential Claims of Debtor.

The Debtor is currently unaware of any potential claims they may have against any entity.

III. EVENTS LEADING TO CHAPTER 11.

Debtor had fallen behind on its financial obligations to the Primrose Franchise, and the Primrose Franchise was threatening termination proceedings.

IV. CHAPTER 11 PROCEEDINGS.

Post-Filing Operations. After filing this Chapter 11 case, the Debtor has operated its business and managed its assets and affairs as a debtor-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code. The Debtor will file monthly reports with the Bankruptcy Court summarizing its post-filing operating results.

Motion for Relief by Primrose. On May 8, 2017, the Primrose Franchise filed a Motion for Relief from the Automatic Stay. This Motion was heard on June 8, 2017, and was then continued by the Court to June 27, 2017; wherein the Court ordered the payment of certain franchise fees.

V. SUMMARY OF PLAN.

NOTE: The following is a summary of the Plan. Read the Plan itself for a full disclosure of its contents. The following summary is provided for convenience only and is not intended as a complete statement of the terms of the Plan. If the summary conflicts in any way with the Plan, the terms of the Plan shall control. **REFERENCE TO THE PLAN IS NECESSARY FOR A FULL UNDERSTANDING OF ITS TERMS.**

A. Overview. The Plan provides for the payment of secured and unsecured debt.

B. Disclosure of Unclassified Claims.

1. Administrative Expense Claims. This class shall consist of all administrative expense claims of the Debtor's Chapter 11 case as allowed pursuant to § 503(b) of the Code and given priority in accordance with § 507(a)(1) of the Code. This class is divided into the following sub-classes:

(i) Maples Law Firm, P.C.: Debtor has incurred legal fees with the law firm of Maples Law Firm, P.C., relating to the firm's representation of the Debtor in Bankruptcy. These legal fees, if approved by the Court, shall constitute an Administrative Expense Claim which is unimpaired and shall be paid in full as of the Effective Date of the Plan.

(ii) Seaman, Shinkunas & Lindgren, P.C.: Debtor has retained Seaman, Shinkunas, & Lindgren, P.C., as accountants. The retention is billed at a flat monthly rate according to their menu of services performed. These accounting fees shall constitute an Administrative Expense Claim which is unimpaired and shall be paid in full as of the Effective Date of the Plan.

2. Tax Claims.

(i) The Allowed Tax Claim of the IRS.

(ii) The Allowed Tax Claims of the Alabama Department of Revenue.

(iii) The Allowed Tax Claim of any other taxing authorities.

C. Classification of Claims and Interest. The Plan places claims against the Debtor and interest in the Debtor in the following impaired classes:

Class 1 –Allowed Secured Claims.

Class 1(a) shall consist of the Allowed Secured Claim of First National Bank.

Class 1(b) shall consist of the Allowed Secured Claim of North Alabama Bank.

Class 1(c) shall consist of the Allowed Secured Claim of the IRS.

Class 1(d) shall consist of the Allowed Secured Claim of the Foundation Group, LLC.

Class 2 – Allowed Unsecured Claims.

Class 2 shall consist of the Allowed Unsecured Claims of all other Unsecured Creditors.

Class 3 – Equity Interest Holders.

Class 3 shall consist of the equity position of Troy Ponder in the Debtor.

D. Treatment of Unclassified Claims.

1. **Administrative Expense Claims:** This class shall consist of all administrative expense claims of the Debtor' Chapter 11 case as allowed pursuant to § 503(b) of the Code and given priority in accordance with § 507(a)(1) of the Code. This class is divided into the following sub-classes:

(i) **Maples Law Firm, P.C.:** Debtor has incurred legal fees with the law firm of Maples Law Firm, P.C. relating to the firm's representation of the Debtor in Bankruptcy. These legal fees, if approved by the Court, shall constitute an Administrative Expense Claim which is unimpaired and shall be paid in full as of the Effective Date of the Plan.

(ii) **Seaman, Shinkunas & Lindgren, P.C.:** Debtor has incurred accounting fees with the Seaman, Shinkunas, & Lindgren, P.C., relating to their accounting services performed for the Debtor. These accounting fees shall constitute an Administrative Expense Claim which is unimpaired and shall be paid in full as of the Effective Date of the Plan.

2. Tax Claims:

(i) **IRS:** The amended claim filed by the IRS on March 1, 2017, in the **sum** of \$304,600.48 shall be allowed as filed, and shall be classified as set forth below.

The unsecured priority portion of the claim in the sum of \$120,661.79 shall be amortized over a period of sixty (60) months payments with interest at the applicable interest rate of 4.00%. The Debtor shall remit to the IRS, sixty (60) payments of \$2,222.71 each. The first monthly payment shall be due on or before December 1, 2017, and subsequent installments shall be due on the 1st day of each month thereafter until said debt is paid in full.

The Debtor shall pay in full any liability, including tax, interest and penalty, for the post-petition Form 941 tax periods ended March 31, 2017 and June 30, 2017, by November 15, 2017.

In the event the Debtor fails to remit any monthly payment on the IRS secured, unsecured priority, or general unsecured claim as each payment becomes due; or pay in full the debt due for the Form 941 tax periods March 31, 2017 and June 30, 2017 by November 15, 2017, as set forth herein, the automatic stay will be considered terminated and the IRS may proceed with its legal and/or administrative remedies to collect any and all sums due on its amended claim.

For the tax periods listed on the amended claim filed by the IRS, the time periods found at 26 U.S.C. §§ 6503(b) and 6503(h) are tolled during the term for repayment stated in this plan.

For the tax periods listed on the amended claim, the time periods found at 11 U.S.C. §§ 523(a)(1) and 507(a)(8) are tolled during the term for repayment stated in this plan.

In the event the Debtor fails to remit any monthly installment due on the secured, unsecured priority and general unsecured portion of the IRS claim as set forth herein, the automatic stay will be considered terminated and the IRS may proceed with its legal and/or administrative remedies to collect any and all sums due on its amended claim amount.

The Debtor shall timely file all post-petition federal Form 941 tax returns beginning with the Form 941 for the tax period ended September 30, 2017, and the Form 940 tax return for the tax period ended December 31, 2017, by the due date for each respective tax period. Upon the filing of the applicable Form 941 and Form 940 tax returns, beginning with the Form 941 for the tax period ended September 30, 2017, and the Form 940 tax return for the tax period ended December 31, 2017, to the extent there is a balance due the IRS, the Debtor shall remit the balance due at the time the return is filed with the IRS.

During the pendency of the repayment period for the pre-petition tax debt owed to the IRS, in the event the Debtor fails to timely file any and all post-petition federal Form 941 tax returns beginning with the Form 941 for the tax period ended September 30, 2017, and the Form 940 tax return beginning with the tax period December 31, 2017, and remit any balance due the IRS; the automatic stay will be considered terminated and the IRS may proceed with its legal and/or administrative remedies to collect any and all sums due on its amended claim and any post-petition liability.

For the tax periods listed on the claim filed by the IRS, the time periods found at 26 U.S.C. §§ 6503(b) and 6503(h) are tolled during the term for repayment stated in this plan.

The IRS tax debt for the tax periods listed on the IRS claim shall not be the subject of any discharge entered in this case until the Debtor has complied with the terms of the repayment of the terms of the secured, unsecured priority and general unsecured debt of the IRS debt as set for herein.

For the tax periods listed on the amended claim, the time periods found at 11 U.S.C. § 507(a)(8) are tolled during the term for repayment stated in this plan.

The IRS reserves the right to adjust the amount of its claim if it determined through the IRS administrative process that the amounts due on any tax period listed on the IRS claim are due to be adjusted.

(ii) **The Alabama Department of Revenue:** The Alabama Department of Revenue asserts a Priority Claim of \$7,304.35. The Allowed Priority Claim of the ADOR shall be paid in sixty (60) equal monthly installments, commencing sixty (60) days after the Effective Date of the Plan. Payment on the ADOR Tax Claim shall be \$134.52 per month, at 4% interest, per annum.

(iii) **The Alabama Department of Revenue:** The Alabama Department of Revenue asserts a claim of \$240.06. The Allowed Claim of the ADOR shall be paid on the Effective Date of the Plan.

E. Treatment of Impaired Classes. The treatment of all claims and interests shall be in accordance with the Plan.

Class 1 – Secured Claims.

Class 1(a) shall consist of the Allowed Secured Claim of First National Bank (“FNB”) in the amount of \$1,870,254.32. Class 1(a) shall accrue interest at Prime plus 2.75%, currently 7.0%. Class 1(a) shall be paid on a five (5) year term, amortized over twenty (20) years commencing sixty (60) days after the Effective Date of the Plan. Such payments shall be \$14,500.06, per month and a balloon payment in the sixty first (61) month of 1,608,128.76. This payment will be paid direct by the Debtor. Financial disclosure shall be made in accordance with the relevant loan documents.

Class 1(b) shall consist of the Allowed Secured Claim of North Alabama Bank (“NAB”) in the amount of \$298,342.44. The Debtor seeks to reduce the interest rate on this claim from 6.25% to 5.25%, per annum. Class 1(b) shall accrue interest at 5.25%. Class 1(b) shall be paid on a five (5) year term, amortized over ten (10) years commencing sixty (60) days after the Effective Date of the Plan. Such payments shall be \$3,200.96, per month for sixty (60) months, and a balloon payment in the sixty first (61) month of \$168,596.71. This payment will be paid direct by the Debtor. Financial disclosure shall be made in accordance with the relevant loan documents.

Class 1(c) shall consist of the Allowed Secured Claim of the IRS. The secured portion of the claim in IRS the sum of \$126,346.40 shall be amortized over a period of six years (6) years/seventy-two (72) payments with interest at the applicable interest rate of 4.00%. The Debtor shall remit to the IRS sixty (60) payments in the sum of \$1,279.20 and twenty (20) payments in the sum of \$3,256.10. The first monthly payment shall be due on or before December 1, 2017, and subsequent

installments shall be due on the 1st day of each month thereafter until said debt has been paid in full. This payment will be paid direct by the Debtor.

The IRS shall retain the tax lien(s) which secure(s) the payment of the debt for the tax periods listed on the IRS claim and shall only be required to release said tax lien(s) after the tax debt for the tax periods listed on the IRS claim including post-petition accruals of interest have been paid in full.

Class 1(d) shall consist of the Allow Secured Claim of Foundation Group, LLC ("Foundation"). Foundation asserts a secured claim of \$96,687.73. The Debtor disputes this secured claim as unperfected. Further, even if secured the Debtor asserts the value of such secured claim to be \$29,175.00. This objection is set for evidentiary hearing on November 28, 2017.

If there is an Allowed Secured Claim of Foundation, the Debtor seeks to reduce the interest rate on the claim from 6.25% to 5.25%, per annum. Class 1(d) shall accrue interest at 5.25%. Class 1(d) shall be paid on a five (5) year amortized term, commencing sixty (60) days after the Effective Date of the Plan. If the Allowed Secured Claim is \$29,175.00, such payments shall be \$553.90, per month for sixty (60) months, and a balloon payment in the sixty first (61) month of \$168,596.71. This payment will be paid direct by the Debtor. Any Allowed Unsecured Claim shall be treated in Class 2.

Financial disclosure shall be made in accordance with the relevant loan documents.

Class 2 – Allowed Unsecured Claims.

Class 2 consists of the Allowed Unsecured Claims of all other unsecured creditors. The Allowed Unsecured Claims of the unsecured creditors will be paid from fifty percent (50%) of the Net Plan Profits (as defined in the Plan) of Debtor for five (5) years or until paid in full. However, if unsecured debts are not paid in full by the end of year five (5), any remaining balance will balloon at the end of year six (6) and be due and payable by the Debtor at that time.

The unsecured portion of the IRS claim in the sum of \$57,592.29 shall be paid as a Class 2 claim.

Annual Net Plan Profit calculation will be available by the Debtor to Class 2 creditors upon request.

Class 3 – Equity Interest Holders.

Class 3 shall consist of the equity position of Troy Ponder in the Debtor. Mr. Ponder, or his assigns, will receive no equity distribution (other than salary) unless and until Class 2 is paid in full. It is anticipated that Mr. Ponder will transfer his interest to his daughter, Myra McCrary.

F. Implementation of the Plan. The Plan would involve the assumption of the Primrose Franchise Agreement and continued operation of the child care facility as a Primrose Franchise. The method of assumption will be described in Section F.1 below. The Debtor forecasts cash flow sufficient to service the amortized secured debt, the Tax Claims, the Primrose Franchise assumption, and yield a return to Unsecured Creditors. Equity would be sold to Myra McCrary, but no distribution would be made to equity unless Unsecured Creditors are paid in full. If Unsecured Creditors are not paid in full during the five (5) year payout, remaining unsecured debt will balloon and be due and payable by the Debtor.

1. **Treatment of Executory Contracts and Unexpired Leases.** The Primrose Franchise is based upon the agreement which is attached hereto as Exhibit “A”. This agreement has been assumed pending confirmation. *See* Order [Doc. 252] which is attached hereto as Exhibit “B”. This relationship will be assumed in accordance with the agreement which is attached hereto as Exhibit “C”. The Lease between the Debtor and Child Care Properties will be assumed at confirmation. The result of the Child Care Property assumption will be the continued payment of the FNB and NAB mortgages as set out herein, as well as taxes, insurance and maintained of the facility. The equipment leases with the Lioce Group and Canon will be assumed upon confirmation.

Pursuant to § 1123(b)(2) of the Bankruptcy Code, except for those executory contracts and unexpired leases, if any, assumed pursuant to the Plan or as to which the Debtor has filed prior to the Confirmation Date a motion to assume and assign or a motion to reject, all executory contracts and unexpired leases to which the Debtor is or was a party and not previously rejected or assumed and assigned pursuant to prior order of the Bankruptcy Court, including, without limitation, all executive and employee severance, vacation, benefit and retirement plans, contracts and agreements (including, but not limited to all stay or retention programs, incentive plans, accelerated vesting plans, accelerated benefit plans, and any other plan, agreement, contract or document relating to or providing for payments to executives or employees not part of recurring salaries and wages), are deemed rejected pursuant to § 364(a) of the Bankruptcy Code as of the Effective Date.

Each party to an executory contract or unexpired lease rejected pursuant to the Plan (and only such entities) asserting a claim for damages arising from such rejection shall file, not later than thirty (30) days following the Confirmation Date, a proof of such Claim; *provided, however*, that (1) the Bar Date established for rejection damages claims in this Section IV of the Plan shall not apply to Persons that may assert a Claim on account of an executory contract or unexpired lease that was rejected by the Debtor before Confirmation for which a prior Bar Date was established; and (2) any Person asserting a claim for rejection damages that does not timely file a proof of claim in accordance with the Plan shall be forever enjoined and barred from asserting such Claim against the Debtor, the Estate or any property of the Estate.

2. **Limits on Insider Compensation and Benefits.** Troy Ponder's and Myra McCrary's total cumulative compensation and benefits during the term of the Plan shall not exceed \$127,500.00 annually.

3. **Means of Execution of The Plan.** The Plan will be funded by the operations of the Debtor.

B. Management. The Debtor shall continue to manage its affairs through Myra McCrary.

C. Creditor's Committee. No creditor's committee was formed in this matter. Operating reports will continue and shall be available to the creditors until the Plan is substantially consummated and the case is closed.

D. Disbursing Agent. Myra McCrary shall be the Disbursing Agent.

E. De Minimis Distributions. Notwithstanding anything to the contrary contained in the Plan, the Debtor shall not be required to transmit Cash to the holder of an Allowed Claim in an impaired class of claims if the amount of Cash otherwise due is less than \$10.00. All Cash not so distributed shall be deposited into the Unpaid Claims Reserve, and such Cash shall become the sole and exclusive property of the Debtor.

G. Provisions Governing Distributions.

1. Procedure for Determination of Claims.

a. **Objections to Claims.** Notwithstanding the occurrence of the Confirmation Date, and except as to any Claim that has been Allowed prior to such date or pursuant to this Plan, the Debtor, or any other Person authorized under § 502(a) of the Bankruptcy Code, may object to the allowance of any Claim against the Debtor or seek estimation thereof on any grounds permitted by the Bankruptcy Code; provided, however, that after the Effective Date the Bankruptcy Court shall have exclusive authority and responsibility to prosecute objections to Claims.

b. **Disputed Claims.** Payments or Distributions under the Plan on account of disputed claims shall be held in reserve pending the allowance or disallowance of the Claim. To the extent any property is distributed to an entity on account of a Claim that is not an Allowed Claim, such property shall promptly be returned to the Disbursing Agent for deposit in the Unpaid Claims Reserve. To the extent that a disputed claim ultimately becomes an Allowed Claim, payments and distributions on account of such Allowed Claim shall be made in accordance with the provisions of the Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Code allowing such Claim becomes a Final Order, any property held in reserve as pursuant to the Plan that would have been distributed prior to the date on which a disputed claim becomes an Allowed Claim shall be distributed, together with any dividends, payments or other distributions made on

account of such property from the date such distributions would have been due had such Claim then been an Allowed Claim to the date such distributions are made.

H. Distributions.

1. **Undeliverable Distributions.** Except as otherwise provided herein, distributions to holders of Allowed Claims shall be made: (a) at the addresses set forth on the respective proofs of Claim filed by such holders; (b) at the addresses set forth in any written notice of address change delivered to the Debtor after the date of the filing of any related proof of Claim; or (c) at the address reflected in the Schedules or the Debtor's records if no proof of Claim has been filed and if the Debtor has not received written notice of a change of address, as set forth herein. If a distribution is returned as undeliverable, the maker of such distribution shall hold such distribution and shall not be required to take any further action with respect to the delivery of the distribution unless and until the earlier of (1) the date on which Debtor is notified in writing of the then current address of the holder entitled to receive the distribution or (2) within six (6) months from the first payment due on the Unsecured Claims, except as the Bankruptcy Court may otherwise order. If the Disbursing Agent is notified in writing of the then current address of the holder before the expiration of the six (6) month period, the Disbursing Agent shall promptly make the distribution required by the Plan to the holder at the then current address. If the Disbursing Agent is not so notified by the end of the six (6) month period, and the holder of the Claim does not by such date assert a right to such undeliverable distribution, the holder shall be forever barred from asserting a Claim to such undeliverable distribution, which shall become available for distribution to holders of other Allowed Claims as provided in the Plan.

2. **Manner of Payment.** Distributions by the Disbursing Agent may be made, at the option of the Disbursing Agent, in cash, by wire transfer or by check drawn on such accounts established by the Disbursing Agent as necessary to effectuate the Plan.

3. **Interest.** Unless otherwise required by Final Order of the Bankruptcy Court or applicable bankruptcy law, interest shall not accrue or be paid after the Filing Date on any Claims, and no holder of a Claim shall be entitled to interest accruing on or after the Filing Date on any Claim.

4. **Fractional Dollars; *De Minimis* Distributions.**

a. Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole cent.

b. No interim distribution will be made on account of any Allowed Class 2 Claim to the holder of any such Allowed Class 2 Claim if the amount of such distribution for the Allowed Claim is less than \$25.00. Immediately before the last distribution date on Unsecured Claims, the Disbursing Agent shall (i) aggregate the amount of all distributions that would have been made on account of an Allowed Claim but for this *de minimis* provision and (ii) on the last distribution date, make a distribution on account of such Allowed Claim in accordance with the Plan.

5. Distributions on Claims Allowed Pursuant to Section 502(h) of the Bankruptcy Code. Except as otherwise provided in the Plan, no distributions shall be made on account of a Claim arising as a result of a Final Order entered in an avoidance action until such Claim becomes an Allowed Claim. Any Claim that is allowed pursuant to § 502(h) of the Bankruptcy Code prior to the first distribution date as a result of the entry of a Final Order in any avoidance action will be treated in accordance with the provisions of the Plan. All holders of such Claims that become Allowed Claims after the first distribution date will receive an initial distribution on the distribution date next following the date on which their Claim becomes an Allowed Claim and shall receive subsequent distributions, if any, in accordance with the provisions of the Plan. Distributions under the Plan on account of anticipated Claims that may arise or become allowable as a result of the entry of a Final Order in any avoidance action that are not Allowed Claims as of the first distribution date may be held in reserve, at the discretion of the Disbursing Agent, pending the allowance or disallowance of such Claims.

6. Disbursing Agent's Compliance with Tax Requirements. In compliance with § 346 of the Bankruptcy Code, to the extent applicable, the Disbursing Agent shall comply with all withholding and reporting requirements imposed by federal, state or local taxing authorities in connection with making distributions pursuant to the Plan. The Disbursing Agent shall be authorized to take any and all action necessary and appropriate to comply with such requirements. As a condition to making any distribution under the Plan, the Disbursing Agent may require the holder of an Allowed Claim to provide such holder's taxpayer identification number, and such other information, certification or forms as necessary to comply with applicable tax reporting and withholding laws. Notwithstanding any other provision of this Plan, each entity receiving a distribution of cash pursuant to this Plan shall have sole and exclusive responsibility for the satisfaction and payment of tax obligations imposed by any governmental unit, including income, withholding and other tax obligations, on account of any such distribution.

7. Reserve for Disputed Claims. Except as otherwise provided in the Plan, no distributions shall be made on account of a disputed claim until such claim becomes an Allowed Claim. In making any distribution on Allowed Claims, the Disbursing Agent shall calculate the amount of such distribution (for purposes of making a Pro Rata calculation) as if each disputed claim were an Allowed Claim, unless the Bankruptcy Court enters an order specifying that the disputed claim should be treated as being a different amount for purposes of such calculation. The Disbursing Agent shall reserve from distributions a

sufficient amount to make a distribution on a disputed claim in the event it becomes an Allowed Claim (unless the Bankruptcy Court orders otherwise). To the extent a disputed claim is allowed pursuant to a Final Order, any reserves attributable to the disallowed portion of the disputed claim shall be distributed on account of Allowed Claims pursuant to the terms of the Plan.

8. Setoffs. Subject to § 553 of the Bankruptcy Code, in the event the Debtor has a claim of any nature whatsoever against a holder of a Claim, the Disbursing Agent may, but is not required to, set off the Debtor's claim against such Claim (and any distributions or other rights to receive property arising out of such Claim under the Plan) unless any such claim of the Debtor is or will be released under the Plan. Neither the failure to set off nor the allowance of any Claim under the Plan shall constitute a waiver or release of any claim of the Debtor.

9. Reliance on Claims Register. In making distributions under the Plan, the Disbursing Agent may rely upon the accuracy of the claims register maintained by the Bankruptcy Court or its designee as claims agent in the case, as modified by any Final Order of the Bankruptcy Court disallowing Claims in whole or in part.

C. Reservation of the Rights of the Estate.

All claims, rights to payment, causes of action, cross-claims and counterclaims of the Debtor of any kind or nature whatsoever including, without limitation, causes of action and avoidance actions, against third parties arising before the Confirmation Date that have not been disposed of prior to the Effective Date shall be preserved and treated in accordance with the Plan. Without limitation of the foregoing, pursuant to § 1123(b) of the Bankruptcy Code, the Debtor shall enforce, for the benefit of the holders of Allowed Class 2 Claims (a) the causes of action and avoidance actions; (b) all Claims, causes of action, and related recoveries against any person; and (c) all other claims, rights to payment and causes of action, cross-claims and counterclaims of any nature or type whatsoever, at law or in equity, against any person.

VI. TAX CONSEQUENCES OF PLAN.

The following summary discusses the material federal income tax consequences expected to result from the consummation of the Plan. This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the "Tax Code"), applicable Treasury Regulations, judicial authority and current administrative rulings and pronouncements of the Internal Revenue Service (the "IRS"). There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS has been or will be sought by the Debtor or his advisors. Legislative, judicial or administrative changes or interpretations may be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences to, among others, the Debtor and the holders of Claims.

The following summary is for general information only. The federal income tax consequences of the Plan are complex and subject to significant uncertainties. This summary does not address foreign, state or local tax consequences of the Plan, nor does it purport to address all of the federal income tax consequences of the Plan. This summary does not purport to address the federal income tax consequences of the Plan to taxpayers subject to special treatment under the federal income tax laws, such as broker-dealers, tax-exempt entities, financial institutions, insurance companies, S corporations, small business investment companies, mutual funds, regulated investment companies, foreign corporations, and non-resident alien individuals. **EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE POTENTIAL FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF THE PLAN.**

A. Federal Income Tax Consequences to the Debtor.

NOTHING STATED IN THE DISCUSSION WHICH FOLLOWS IS OR SHOULD BE CONSTRUED AS TAX ADVICE TO ANY CREDITOR OF THE DEBTOR. CREDITORS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE PLAN.

The statements contained in this portion of the Disclosure Statement are based on existing provisions of the Internal Revenue Code of 1986, as amended ("Code"), Treasury Regulations promulgated thereunder, existing court decisions, published Revenue Rulings, Revenue Procedures and Technical Information Releases of the Internal Revenue Service ("IRS"), and legislative history. Any changes in existing law may be retroactive, may affect transactions commenced or completed prior to the effective date of the changes, and may significantly modify this discussion.

Legislation may be introduced in future sessions of Congress which could eliminate or alter some of the anticipated tax results of the Plan. No attempt has been made to evaluate in any detail the impact, which may be substantial, of any proposed legislation on the Plan.

The following is intended to be only a summary of certain tax considerations under current law which may be relevant to the creditors of the Debtor. It is impractical to set forth in this Disclosure Statement all aspects of federal, state, and local tax law which may have tax consequences to the Debtor and his creditors.

Some of the tax aspects discussed herein are complex and uncertain. Moreover, the discussion below is necessarily general, and the full tax impact of the Plan upon the creditors will vary depending upon each creditor's individual circumstances. Therefore, all the creditors should satisfy themselves as to the federal, state and local tax consequences of the Plan by obtaining advice solely from their own advisors.

THE CREDITORS SHOULD NOT CONSIDER THE DISCUSSION WHICH FOLLOWS TO BE A SUBSTITUTE FOR CAREFUL, INDIVIDUAL TAX PLANNING AND ARE EXPRESSLY CAUTIONED THAT THE INCOME TAX CONSEQUENCES TO THE CREDITORS ARE COMPLEX AND VARY CONSIDERABLY DEPENDING UPON EACH PARTY'S CIRCUMSTANCES. ACCORDINGLY, CREDITORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS WITH REGARD TO THEIR PARTICULAR TAX SITUATIONS.

1. **The Plan.** The terms of the Plan provide for payment provisions which should be analyzed individually for each Creditor with its tax advisor.

2. **Creditors.**

a. To the extent that Creditors receive payments under the Plan as interest, such Creditors will recognize interest income under § 51(a)(4) of the Code.

b. To the extent that, pursuant to the Plan, creditors receive cash payments from the Debtor in satisfaction of their claims, such creditors may recognize gain or loss, as the case may be, equal to the difference between the amount of the cash so received and their adjusted basis in such claim.

c. The gain or loss to be recognized by such creditors will be either ordinary income or capital gain depending on, among other factors, the status of the creditor and the nature of Claim in the hands of the creditor. While capital gains and ordinary income are presently taxed at the same rates, §§ 1211 and 1212 of the Code, limit the ability to offset net capital losses against ordinary income.

3. **Bad Debt Deduction.** Section 166 of the Code permits the deduction of debts which have become totally or partially worthless. Therefore, to the extent that certain creditors will receive less than full payment from the Debtor with respect to the debt owed such creditors, such creditors may be able to deduct such bad debts for federal income tax purposes. The nature of the deduction for a bad debt depends on its classification as either a business or non-business debt. For non-corporate taxpayers, non-business bad debts are deductible as short-term capital losses, and so are subject to the limitations on deductibility of capital losses under §§ 1211 and 1212 of the Code. Business bad debts and bad debts held by corporate taxpayers are deductible as ordinary losses. A bad debt is deductible to a creditor at the time it becomes wholly or partially worthless determined under the particular facts and circumstances.

4. **Income from the Discharge of Indebtedness.** As a general rule, § 61(a)(12) of the Code, requires that gross income for federal income tax purposes include income from the discharge of indebtedness. However, § 108(a)(1) of the Code, specifically excludes discharge of indebtedness income from gross income if the discharge occurs in a Title 11 (bankruptcy) case. Therefore, the Debtor will not recognize income on the discharge of indebtedness pursuant to the Plan.

Section 108(b) of the Code does, however, provide that the amount excluded from gross income under § 108(a)(1) must be applied to reduce, in order, the following tax attributes of the Debtor: (a) net operating losses and net operating loss carryovers; (b) general business credits; (c) capital loss carryovers; (d) the basis of the property of the taxpayer (but not below the aggregate liabilities of the taxpayer after the discharge, pursuant to § 1017(b)(2) of the Code); and (e) foreign tax credit carryovers.

Alternatively, the Debtor may elect, under § 108(b)(5) of the Code, to apply any portion of the reduction referred to above to a reduction of the taxpayer's basis in depreciable property and real estate held for sale in the ordinary course of business.

The effect of the reduction of tax attributes is to defer the recognition of income on the discharge of indebtedness income until such time as the reduced tax attribute would have otherwise been available to the Debtor to decrease taxable income.

5. State and Local Taxes. In addition to the federal income tax consequences described above, Creditors should consider potential state and local tax consequences which are not discussed herein. In general, the State of Alabama imposes a tax against income of residents and non-residents of Alabama who have income from sources within the state of Alabama. The Alabama income tax is imposed on taxable income at a graduated rate of up to five percent (5%).

THE FOREGOING ANALYSIS IS NOT INTENDED TO BE A SUBSTITUTE FOR CAREFUL TAX PLANNING, PARTICULARLY SINCE CERTAIN OF THE INCOME TAX CONSEQUENCES OF THE PLAN WILL NOT BE THE SAME FOR ALL CREDITORS, DUE TO THEIR RESPECTIVE DIFFERING SOURCES AND TYPES OF INCOME AND DEDUCTIONS, AND OTHER FACTORS. ACCORDINGLY, CREDITORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS WITH REFERENCE TO THEIR OWN TAX SITUATION.

VII. PLAN CONFIRMATION PROCESS.

A. Confirmation.

At the Confirmation Hearing, the Bankruptcy Court shall confirm the Plan if the Plan satisfies all requirements of § 1129(a) include the following: (1) the Plan must be accepted by all impaired classes, (2) the Plan must be feasible, and (3) with respect to each holder of a Claim or Interest that does not vote to accept the Plan (even if such holder is a member of a Class that as a whole votes to accept the Plan), the Plan must be in the “best interest” of such holder in that the Plan provides for a distribution to the holder that is not less than the amount such holder would receive in a hypothetical Chapter 7 liquidation of the Debtor. With respect to the requirement that each impaired class votes to accept the Plan, § 1129(b) provides that if all other requirements of § 1129(a) are satisfied, the Plan still may be confirmed if the Plan, with respect to each impaired class that does not accept the Plan, “does not discriminate unfairly” and is “fair and equitable” with respect to such class. The acceptance, feasibility, unfair discrimination and fair and equitable concepts are discussed in more detail below.

B. Acceptance of Plan by Voting.

For the Plan to be accepted by an impaired class of claims, it must be accepted by holders of Claims in such Class that hold at least two-thirds in dollar amount and one-half in number of the Claims in such Class held by creditors that actually vote. A Class is impaired if the legal, equitable, or contractual rights of the members of such class are modified or altered by the Plan (with an exception, not applicable to the Plan, for curing defaults, reinstating maturity and compensating certain damages). Classes 1, 2 and 3 in this Plan are impaired and entitled to vote.

If any impaired Class does not accept the Plan, and at least one impaired Class accepts the Plan, the Debtor may seek confirmation of the Plan under the “cram down” provisions of § 1129(b) of the Bankruptcy Code. To obtain confirmation despite non-acceptance by one or more impaired Classes, the Debtor must show to the Bankruptcy Court that the Plan does not discriminate unfairly and is fair and equitable with respect to each such Class. Each of these requirements is discussed further, as follows:

1. Unfair Discrimination. A plan does not discriminate unfairly with respect to a non-accepting Class if it protects the rights of such Class in a manner consistent with the treatment of other Classes with similar rights. The unfair discrimination test does not require that similarly situated Classes be treated in exactly the same way. The test requires that such Classes be treated substantially similarly *or* if not treated substantially similarly, that differences in treatment be fair.

2. Fair and Equitable. A plan does not discriminate unfairly if either (a) each holder of a Claim or Interest in the non-accepting Class receives or retains under the Plan property of a value equal to the Allowed amount of such Claim or Interest; or (b) the holders of Claims or Interests that are junior to such Class receive or retain nothing under the Plan on account of such Claims or Interests (the “Absolute Priority Rule”).

C. Feasibility.

As a condition to confirmation of the Plan, § 1129(a) of the Bankruptcy Code requires that Confirmation is not likely to be followed by the liquidation of the Debtor (except as provided in the Plan) or the need for further financial reorganization. The Plan provides for reorganization of the Debtor's assets. The Debtor is not likely to need further financial reorganization. Accordingly, the Plan is feasible and the Debtor can demonstrate that the Plan is not likely to be followed by the liquidation of the Debtor (except as provided in the Plan) or the need for further financial reorganization of the Debtor. Attached as Exhibit “D” is a budget by which the Debtor believes it can fund this Plan.

This budget is based upon the following:

1. A historical sampling of financial data over the last four (4) years of operation;
2. Management's estimation of projected enrollment increases, focused a change in class mix. The Debtor has eliminated the "Explorer" after school program, and is in the process of retrofitting this space for 2-year-old students. This student base is expected to be more profitable, stable, and lead to higher retention in older years. Management is also reviewing potential tuition increases; and
3. Management is also exploring tuition grants and supplements through the Alabama Department of Human Recourses Child Care Management Agencies ("CMA") program.

D. Best Interest of Creditors Test.

1. **Overview.** Confirmation requires that each holder of an Allowed Claim and Interest that is included in an Impaired Class (a) accept the Plan or (b) receive or retain under the Plan, property of a value, as of the Effective Date of the Plan, that is not less than the value such holder would receive or retain if the Debtor was liquidated under chapter 7 of the Bankruptcy Code. This requirement applies to all dissenting or non-voting members of impaired Classes, even with respect to a Class that has accepted the Plan.

To determine what holders of Claims and Interests would receive in a hypothetical Chapter 7 liquidation, the Bankruptcy Court will consider the dollar amount that would be generated in a straight liquidation of the Debtor's assets and properties. Such amount would be reduced by the costs and expenses of liquidation by additional administrative expense claims that would accrue in Chapter 7. Chapter 7 costs and expenses would include, without limitation, (a) statutory fees payable to the Chapter 7 trustee pursuant to § 326 of the Bankruptcy Code; (b) fees payable to attorneys, accountants, auctioneers, liquidators and other professional advisors that the Chapter 7 Trustee would engage to assist in discharging his duties under the Bankruptcy Code; and (c) any unpaid expenses incurred by the Debtor during the case, such as unpaid vendor invoices and fees and reimbursement of expenses of attorneys, accountants and other professional advisors retained by the Debtor or statutory committees or any party asserting a substantial contribution claim under § 503(b)(3) of the Bankruptcy Code.

Based on the foregoing, holders of Allowed Claims and interests in Class 1, would not receive full distribution in Chapter 7, and Class 2 would likely receive no distributions. The Plan also provides for payment of priority and administrative claims that would be payable from the proceeds of causes of action before any distribution to Unsecured Claims. The Plan, therefore, provides for distributions not less than the value that such holders would receive in Chapter 7.

Accordingly, the Plan meets the best interests of creditors test with respect to all holders of Claims and interests. The Debtor believes the Plan will maximize the potential return to all parties in interest.

There are no known avoidance actions.

Based on the foregoing, the Debtor has concluded that reorganization under the Plan will result in a greater distribution to holders of all classes than liquidation through Chapter 7.

VIII. ALTERNATIVES TO PLAN.

As an alternative to confirming the Plan, the Bankruptcy Court could convert the case to a case under Chapter 7 of the Bankruptcy Code, dismiss the case, or consider another Chapter 11 plan.

A. Liquidation under Chapter 7.

If the Plan is not confirmed, and no other alternative plan is proposed, the Bankruptcy Court could find cause to convert the case to a case under Chapter 7 of the Bankruptcy Code. In Chapter 7, a trustee would be elected or appointed to liquidate the assets of the Debtor for distribution to the Debtor's creditors in accordance with the priorities established by the Bankruptcy Code.

The Debtor believes that conversion of the case to a case under Chapter 7 of the Bankruptcy Code would result in lower distributions to all Creditors. Substantially all assets of the Debtor, with the exception of the avoidance actions, are subject to liens of the holders of Secured Claims (the "Secured Parties"). In a chapter 7 case, the Secured Parties likely would be able to obtain relief from automatic stay under § 362(d) to foreclose on its liens. In this event, essentially no assets, other than avoidance actions, would remain to satisfy the claims of creditors other than the Secured Parties.

As disclosed in the Debtor's Summary of Assets and Liabilities, a copy of which is attached hereto as Exhibit "C", total assets of the Debtor totals \$29,175.00, and total liabilities are \$2,910,023.68. There is no unencumbered equity in any asset. Further, the value of the real estate would likely only pay the lien interest of the first mortgage lien of First National Bank, leaving no money for the second lien holder, North Alabama Bank.

Conversion to Chapter 7 would result in a No Asset Case.

Based on the foregoing, the Debtor believes that holders of Claims and Interests would receive a lower distribution on account of such Claims and Interests if the case were converted to Chapter 7.

B. Comparison of Plan.

The Debtor is of the opinion that the proposed Plan provides more for each class of creditors and represents the statutorily mandated payment of priority claims.

C. Dismissal of Case.

Dismissal of the case likely would have a disastrous result on the value of the Debtor's assets and the return to holders of Claims and Interests. Without limitation, dismissal of the case would terminate the automatic stay and allow the Secured Creditors, including unperfected creditors like Can Capital and Foundation, Group, LLC, the IRS and the State of Alabama to immediately foreclose its liens on substantially all of the Debtor's assets. Moreover, dismissal of the case would leave the Debtor without sufficient funding to preserve assets pending their liquidation. Dismissal also would terminate all means for the repayment of Unsecured Creditors under the Plan. Accordingly, dismissal of the Case would drastically reduce the value of the Debtor's assets, would lower the return to the Secured Creditors and essentially eliminate any return to holders of other Claims and Interests. The Debtor believes that dismissal of the case is not a viable alternative to the Plan.

D. Alternative Chapter 11 Plan.

If the Plan is not confirmed, the Debtor and other parties in interest, including, without limitation, holders of Claims and Interests and any official statutory committee, could propose an alternative plan. The Debtor believes, however, that the Plan will provide the greatest and most expeditious return to holders of Claims and Interests. Because the Claims of the Secured Parties exceed the expected liquidation value of the Debtor's assets, an alternative plan would not likely provide for any distributions to parties other than the Secured Parties. The formulation, negotiation, and confirmation of an alternative plan also would delay significantly the administration of the Debtor's case and would have a negative impact on the Debtor's ability to reorganize. Under the circumstances, the Debtor submits that confirmation of an alternative plan is unlikely on terms and conditions as favorable to holders of Claims and Interests as those in the Plan.

IX. CONCLUSION/RECOMMENDATION.

Based on the foregoing, the Debtor believes that the Plan is the best alternative to maximize the value of the Debtor's assets and to maximize the return to creditors and equity security holders. The Debtor believes confirmation of the Plan is in the best interests of all parties in interest in the case.

The Debtor recommends that all parties entitled to cast ballots vote to ACCEPT the Plan.

Respectfully submitted on October 30, 2017.

Debtor and Debtor-in-Possession

FAMILY CHILD CARE, LLC

By: Myra McCrary
Its: General Manager

/s/ Myra McCrary

MYRA MCCRARY

/s/ Stuart M. Maples

STUART M. MAPLES

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Attorney for the Debtor

CERTIFICATE OF SERVICE

I do hereby certify that on October 30, 2017, a copy of the foregoing document was served on the following by Electronic Case Filing a copy of the same.

Richard Blythe
Bankruptcy Administrator
P.O. Box 3045
Decatur, AL 35602

All parties requesting notice

/s/ Stuart M. Maples _____

STUART M. MAPLES