

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLUMBIA**

In Re:)
)
Paul's Liquor Inc.,) Case No. 16-00453
)
Debtor.) Chapter 11
_____)

DISCLOSURE STATEMENT
(MARCH 13, 2017)

Comes now debtor, by and through counsel, pursuant to 11 U.S.C. 1125, and hereby submits the following Disclosure Statement.

Introduction

The Disclosure Statement is a prerequisite to the solicitation of acceptance of Debtor's Plan of Reorganization submitted and dated of even date herewith ("the Plan"). The purpose of the Disclosure Statement is to furnish the holders of Claims and Interests with information that, as far as is reasonably practicable under the circumstances, will enable them to make an informed judgment about the Plan.

ALL HOLDERS OF CLAIMS AND INTERESTS SHOULD NOTE THAT NO REPRESENTATION CONCERNING DEBTOR, ITS BUSINESS, OR THE VALUE OF ITS PROPERTY HAS BEEN AUTHORIZED OR WILL BE AUTHORIZED OTHER THAN AS SET FORTH IN A DISCLOSURE STATEMENT WHICH HAS BEEN APPROVED BY THE COURT FOR DISSEMINATION TO ITS CREDITORS. AS OF THE DATE OF FILING, THIS DISCLOSURE STATEMENT HAD NOT YET BEEN APPROVED. ANY REPRESENTATION OR INDUCEMENT OTHER THAN ONE INCLUDED WITHIN AN APPROVED DISCLOSURE STATEMENT, MADE TO SECURE AN ACCEPTANCE OF A PLAN OF

REORGANIZATION IN THIS CASE, IS UNAUTHORIZED, IMPROPER, AND SHOULD NOT BE RELIED UPON. IF AN UNAUTHORIZED REPRESENTATION IS MADE TO OBTAIN ACCEPTANCE OF A PLAN, IT SHOULD BE REPORTED IN WRITING TO UNDERSIGNED COUNSEL FOR DEBTOR, WHO IN TURN WILL MAKE IT KNOWN TO THE COURT FOR SUCH ACTION AS THE COURT MAY DEEM APPROPRIATE.

Except as otherwise specified, the information contained herein ***HAS NOT BEEN SUBJECTED TO AN AUDIT OR TO A FORMAL RECENT APPRAISAL OR OTHER INDEPENDENT VALUATION.*** The values set forth for property represent debtor's best estimate as to values, and unless specifically stated otherwise, do not reflect costs of sale. In arriving at estimates, debtor has relied on its experience and, at times, the advice of financial advisors and professionals. Debtor is unable to warrant or represent that the information contained herein is without inaccuracy, although great effort has been made to be accurate.

Voting Instructions/Solicitations of Acceptances

In Chapter 11 cases, Creditors are placed in Classes and usually are afforded an opportunity to vote to accept or reject a filed plan of reorganization. Confirmation of the Plan is governed by 11 U.S.C. §1129. A Class of creditors or Equity Security Holders, however, that is not impaired within the meaning of 11. U.S.C. § 1124, including each Creditor or Equity Security Holder within such Class, is conclusively presumed to have ACCEPTED the Plan. A Creditor whose claim is impaired is deemed to include any Creditor who will receive less than full cash payment for the allowed amount of its Claim or whose pre-petition rights have otherwise been altered in any way by the provision of

the Plan. **As set forth in 11 U.S.C. § 1126(f), the solicitation of acceptances from an unimpaired Class of Creditors is not required.**

Debtor will provide with this Disclosure Statement, if it has been approved, a ballot so that Creditors may vote either for or against the Plan, along with a stamped envelope for convenience. ***IF THE COURT HAS SCHEDULED A HEARING ON CONFIRMATION, PLEASE NOTE THAT THE ORDER SCHEDULING THE HEARING ALSO SETS A DEADLINE FOR FILING REJECTIONS THAT HAVE BEEN RECEIVED BY UNDERSIGNED COUNSEL ON OR BEFORE THAT DEADLINE, AS OF 5:00 P.M. EASTERN TIME, REGARDLESS OF POSTMARK OR DATE OF TRANSMITTAL. LATE RECEIVED BALLOTS WILL NOT BE COUNTED.***

IN ORDER TO BE COUNTED, BALLOTS MUST BE SENT TO RICHARD L. GILMAN, ESQ., GILMAN & EDWARDS, LLC, 8401 CORPORATE DRIVE, SUITE 450, LANDOVER, MARYLAND 20785. BALLOTS SHOULD NOT BE SENT TO THE COURT.

Debtor may dispute certain Claims of creditors. The holders of disputed Claims may vote for or against the Plan only to the extent that their Claims have been allowed by the Court for purposes of voting. Similarly, the holders of Claims which have been scheduled by Debtor or filed with the Court and have been designated as contingent or unliquidated may vote only to the extent that their Claims have been allowed by the Court for purposes of voting.

The ballot included with the Disclosure Statement, if any, is not a proof of claim and will not be treated as such for purposes of voting or otherwise. The schedule of

Claims against Debtor may be inspected at the Bankruptcy Court or online utilizing PACER.

ONLY THOSE VOTES THAT ACTUALLY ACCEPT OR REJECT THE PLAN MAY BE COUNTED.

A Class of Creditors is deemed to have accepted the Plan if the Plan has been accepted by the Holders of at least two thirds in dollar amount and a majority in number among the Holders allowed for purposes of voting, ***WHICH ACTUALLY VOTE ON THE PLAN.***

At the hearing on Confirmation, the Bankruptcy Court will receive and consider a ballot report that will be prepared by the undersigned counsel concerning the votes received for acceptance or rejection of the Plan by the parties entitled to vote thereon. At the hearing on Confirmation, the Bankruptcy Court will also consider whether or not the Plan satisfies the various requirements of the Bankruptcy Code, including its feasibility and whether it is in the best interests of Creditors.

With respect to each impaired Class of Claims, in order to confirm a Plan, the Court must find that each holder of a Claim allowed for purposes of voting or of an interest in such Class has accepted the Plan or that each such holder will receive or retain on account of its Claim or Interest in property of a value, as of the Effective Date of the Plan, that is not less than that holder would receive if Debtor were liquidated under the provisions of Chapter 7 of the Bankruptcy Code, on the Effective Date. The Court may confirm the Plan even if the Plan is not accepted by all impaired Classes, provided that the Court finds that the Plan was accepted by at least one impaired Class (not counting votes of insiders) and that it does not discriminate unfairly against, and is fair and

equitable to, all non-accepting impaired classes. Debtor intends to rely on these “cram down” provisions, if necessary, in seeking confirmation of the Plan.

Debtor believes that the Plan is feasible, fair and equitable, and in the best interests of Creditors and Debtor and that the Plan does not discriminate unfairly. Accordingly, Debtor believes its Plan should be confirmed.

THIS DISCLOSURE STATEMENT, AND PLAN, SHOULD BE READ IN ITS ENTIRETY. THE WORDS DEFINED IN ARTICLE I OF THE PLAN, WHEN USED IN THIS DISCLOSURE STATEMENT, CARRY THE SAME MEANING GIVEN TO THOSE TERMS BY THE DEFINITIONS IN ARTICLE I OF THE PLAN. FURTHERMORE, AT THE TIME OF FILING, THIS DISCLOSURE STATEMENT CONSTITUTED ONLY A “PROPOSED” DISCLOSURE STATEMENT. UPON APPROVAL BY THE COURT, A DISCLOSURE STATEMENT BECOMES AN “APPROVED DISCLOSURE STATEMENT.” UNLESS THE COURT SPECIFICALLY AUTHORIZES TO THE CONTRARY, ONLY AN “APPROVED DISCLOSURE STATEMENT” MAY BE GENERALLY DISSEMINATED TO CREDITORS IN CONJUNCTION WITH THE SOLICITATION OF ACCEPTANCES OF A PLAN.

ADDITIONAL DISCLAIMER

PLAN SUMMARIES AND STATEMENTS MADE IN THE DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, OTHER EXHIBITS, SUPPLEMENTS TO THE PLAN AND THE DISCLOSURE STATEMENT. TO THE EXTENT OF ANY INCONSISTENCY

BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN SHALL CONTROL.

AS TO ADVERSARY PROCEEDINGS, CONTESTED MATTERS, OR OTHER LEGAL ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE AN ADMISSION OF ANY FACT, LIABILITY, STIPULATION, ESTOPPEL OR WAIVER.

THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED TO BE ADVICE ON TAX, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST DEBTOR. YOU ARE URGED TO CONSULT YOUR OWN COUNSEL AND FINANCIAL ADVISORS ON ANY QUESTIONS OR CONCERN WITH RESPECT TO TAX, OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS.

General Information

Debtor is a corporation duly organized under the laws of the District of Columbia. Known as Paul's Liquors, Debtor is a family owned and operated retail liquor store. It has been selling wine, beer and spirits throughout Washington, DC and the surrounding communities for more than thirty-three (33) years. It has operated from the same location-5205 Wisconsin Avenue, Washington, DC-since 1985. In addition to its brick and mortar storefront sales, Debtor also makes sales through the Internet, shipping wine, beer and alcohol across the country where permissible.

Debtor is jointly owned and operated by the families of Rick Bellman and Steve Bellman. Each of the Bellman brothers and their respective wives are equal fifty percent (50%) shareholders of Debtor. Rick Bellman and Steve Bellman run and manage

Debtor's day-to-operations, effectively working seven days a week. Debtor also employs a small staff, with occasional assistance from the Bellman wives when needed.

Events Leading to the Bankruptcy Filing

A combination of factors contributed to Debtor's financial struggles that led to this bankruptcy filing. The retail liquor marketplace gradually has transformed over the past few years. The mom-and-pop liquor store has been under siege from big chain box stores like Costco, as well as local grocery stores, which offer similar beer and wine selections at discounted prices. Similarly, the proliferation of neighborhood beer and wine cafes and online retailers has further cut into Debtor's sales and bottom line.

Compounding matters was the fact that Debtor recently lost a major account. Debtor had been the primary supplier of wine and spirits for an on-line distributor. With a change in ownership of that distributor, the account with Debtor was not renewed. This cost Debtor approximately \$500,000 of gross per annum sales. Additionally, the commencement of a major construction project on Wisconsin Avenue severely diminished in-store sales. PEPCO undertook a major modernization project that blocked the front of its 3-story building and adjacent covered parking lot. The PEPCO project effectively closed off access to Debtor's store. The project impacted all roadways surrounding the store. The massive trucks and large crews blocked street lanes as well as visual access to the store. Consequently, Debtor's sales suffered tremendously, hitting Debtor especially hard during the very profitable holiday season that typically accounts for most of Debtor's yearly profits.

The above combination of events led to diminished revenues, thereby causing Debtor to steadily fall behind on its primary obligations. Debtor could not pay the DC

sales taxes as they came due. Debtor fell behind on its monthly rental obligation.

Likewise, Debtor fell behind in paying its vendors—and without its vendors, Debtor could not stock its shelves to make sales.

Hoping to stem the tide, Debtor borrowed funds - a cash advance from AMG-secured by Debtor's assets and future sales. However, this did not provide the relief Debtor needed. The unpaid sales taxes, plus the interest and penalties associated therewith continued to mount. Additionally, Debtor struggled to cover the high interest payments on the cash advance. Simply, Debtor continued to fall further down the rabbit hole.

As the delinquencies mounted, vendors altogether refused to extend credit to debtor. Vendors demanded payment up front ("cash and carry) for any wine, beer or spirit purchased--clearly something Debtor was no longer in position to do by virtue of its limited funds. Consequently, Debtor was unable sufficiently maintain its inventory of wine, beer and spirits, and in the absence of a replenished inventory, Debtor could no longer generate the sales necessary to keep the operations going.

The last straw arrived after administrative efforts to resolve the outstanding sales tax due the District of Columbia failed. Debtor faced the imminent threat of collection action and the closure of its business. This coupled with Debtor's inability to pay rent and purchase inventory, left Debtor no choice but file for relief under Chapter 11. Without the filing of this case, collection action by the DC government would have led to the shutdown of Paul's Liquors after more than thirty-three (33) years of existence.

The filing of this Chapter 11 case has allowed Debtor to halt imminent collection efforts, prevent closure of its business and provide Debtor sufficient opportunity to reorganize and repay its obligations.

Since the Filing

Chapter 11 affords Debtor an opportunity to continue its operations and reorganize. Since the filing, Debtor has continued to manage its affairs as Debtor in possession and has taken steps necessary to ensure success.

Employment of Professionals

As of the filing of this bankruptcy case, debtor, upon Court approval, has engaged undersigned counsel to file the instant case and assist debtor through the reorganization process. Debtor also has engaged upon Court approval, Gordon J. Meltzer, Kagen & Meltzer CPAs (“Meltzer”) as accountant to assist with the myriad accounting/reporting requirements.

Prior to confirmation of the plan, fees and expenses incurred associated with professional services provided will be made pursuant to Court order. Post-confirmation until the case is administratively closed, debtor, upon notice and opportunity to object, will make payment to professionals as administrative expense in the ordinary course of business

The Lease

Since the filing of the bankruptcy, Debtor has continued to operate as a retail liquor store. Debtor continues to lease the premises at 5205 Wisconsin Avenue, N.W., Washington, D.C. Debtor has sought and the Court has granted, debtor’s request to assume the lease at 5205 Wisconsin Avenue, NW, Washington, DC. Debtor has made

all post-petition lease obligations due under the Lease. As of the petition, the monthly lease obligation was \$22,000 per month, which has increased to \$23,000 per month effective January 1, 2017. The lease calls for an annual \$12,000 increase (\$1,000/month) for each succeeding year under the lease through the final year of 2021.

Pursuant to the Court's Order, debtor has assumed the Lease and will continue to satisfy as an administrative expense of the estate, the pre-petition arrears due under the Lease. Debtor has commenced and will continue to make each of the required 36 equal monthly installments (for a total sum of the \$44,000) of \$1,222.22 per month.

Management/Operations

Rick Bellman and Steve Bellman continue to operate and manage Debtor and are responsible for the day-to-day operations of selling wine and spirits to the Washington DC community and beyond.

Prior to this bankruptcy filing, Debtor's internal operations were "old-school" if not antiquated. Debtor's manual "pen and paper" bookkeeping system left much to be desired and was grossly inefficient. This antiquated system perpetuated Debtor's inability to streamline its operations and adapt to the changing marketplace. Since the filing, Debtor has installed new software to better handle the day-to-day affairs of Debtor, including bookkeeping software that provides Debtor more insight to maximizing profit.

With this added insight, Debtor recognized that for it to succeed some serious "belt-tightening" measures and operational changes had to be implemented. Since the filing, Rick and Steve Bellman have both taken significant pay cuts. Prior to bankruptcy each Bellman family was paid approximately \$200,000 per annum. Since the filing, each Bellman receives a salary closer to \$100,000 per annum, budget permitting. To ensure

tax obligations are timely and sufficiently met, and no further tax delinquencies arise, debtor has engaged Meltzer who has assisted with the implementation of the new bookkeeping measures and software.

With the cessation of accruals and servicing costs from its unpaid debts, the newly implemented software and streamlined processes, and the significant reduction in officer compensation, debtor is now on more solid financial ground. Debtor is better positioned to not only maintain and sustain appropriate inventory levels which ensures little waste of precious resources, but also affords Debtor an opportunity to adjust product lines to maximize profit. Further Debtor is updating and increasing its Internet and On-Line social media presence, as well as establishing new avenues of revenue through on-line registries. Debtor's coordinated effort to expand in multiple mediums has facilitated Debtor's expansion and rebranding into new markets. Hopefully, this effort will maximize and broaden its business footprint and increase sales and profitability moving forward.

With all the above, Debtor is now capable of meeting its forthcoming obligations and generating sufficient income to fund a plan of reorganization.

Revenue

With the PEPCO modernization project completed and in the past, and a fully-stocked store, Debtor's foot-traffic, in-store, and on-online sales have returned. Armed with its new accounting software, streamlined inventory management, reduced officer compensation, and a renewed focus on sales, Debtor has succeeded since the filing of the bankruptcy petition.

From the September 2016 through February 28, 2017 debtor generated total

revenue of approximately \$1,799,909, resulting in a total net profit of approximately \$53,085. (See Profit and Loss attached hereto as Exhibit A). This period includes the holiday season (October-December) which typically accounts for most of Debtor's profits for the year, and the typical "down months" of January and February which follow the holiday season. With its troubles in the past, Debtor anticipates and projects a similar pattern for each year throughout the duration of the Plan, with the holiday season generating most of the annual profit to cover not only any intermittent shortage that may arise during the year, but to also fund the Chapter 11 plan. (See the attached Profit and Loss Budget Overviews attached cumulatively hereto as Exhibits B).

Overview of Assets and Claims

Assets

As of the filing of this bankruptcy case, Debtor had assets totaling \$223,858.40, which are properly reflected in the bankruptcy schedules filed with the Court and summarized below:

The Premises/Lease

Debtor does not own real property. Debtor's property is limited to the leasehold interest, fixtures and furniture that are located at the premises at 5205 Wisconsin Avenue, N.W., Washington, D.C. The aggregate value of these furnishings was and still is \$3,790. At the time of the petition, the leasehold interest had no value; the premises, while adequate to house a retail liquor store, are sparse, antiquated and in need of an upgrade. While the rental rate for the time being is reasonable, without significant upgrades, the leasehold interest is of no value.

Licenses

As of the petition date, Debtor held two (2) required DC business licenses to operate in the District of Columbia nominally valued at \$1.00 each¹. Additionally, Debtor had and continues to hold a DC alcohol and beverage license with a value of \$25,000.

Inventory

As of the filing, Debtor possessed inventory—wine, beer, spirits, and snacks—having a (cost) value of \$143,408.32. Since the filing, Debtor has continued to maintain roughly the same inventory level—possessing inventory with a similar cost value of \$169,564.

Miscellaneous

On the filing date, Debtor had a customer list valued at \$1,000.00, cash of \$300.00, and bank accounts with balances totaling 358.08. In addition, the “good-will” of the company was, and continues to be valued at \$50,000.

Claims

The claims as of the filing date are reflected in the bankruptcy schedules filed with the court, and to the extent applicable, by the proofs of claims filed by creditors. The claims, and the proposed treatment under the plan of reorganization are set forth below. To date, Debtor has not objected to any claim, and does not anticipate the need to file any such objection.

¹ The DC Department of Consumer & Regulatory Affairs (Basic Business License) and the DC DCRA Corporations License, respectively.

The Plan of Reorganization and Treatment of Creditor Classes

Debtor's proposed Plan of Reorganization is based on continued and future income from its operations. By and through the Plan, various Claims against the Chapter 11 estate have been divided into Classes. Debtor submits that there are some Classes that are "impaired" and others that are "unimpaired." An "impaired" Class includes any Creditor whose pre-petition rights have been altered in any way by the terms of the Plan, even if the alteration has been an improvement over the pre-petition terms. Any Class of Claims that is to be paid exactly in accordance with the terms of the pre-petition obligation or is to receive payment in full on the Effective Date of the Plan-defined as of a date 30 days after Confirmation-is considered "unimpaired." Only impaired Classes may vote to accept or reject the Plan. Unimpaired Classes are deemed to have accepted the Plan. The Classes and the Plan's treatment is as follows:

PRIORITY TAX CLAIMS

The District of Columbia, Office of Tax and Revenue filed a claim asserting a priority tax in the amount of \$103,709.08, representing unpaid sales tax for various periods. This claim will be paid in full in deferred cash payments, with interest at 4%.² Payments shall be made in twenty (20) quarterly payments of \$5,730. This claim is impaired.

The Internal Revenue Service filed a proof of claim asserting a priority claim in the amount of \$2,753.73, representing unassessed estimated tax liabilities for the yet to be filed 2016 Federal Income Tax Return 1120 (Income) and Unemployment Tax (FUTA)

² The remainder of the District of Columbia's proof of claim in the amount of \$20,632.09, reflects the penalties assessed with respect to these unpaid taxes and shall be treated as a general unsecured claim in Class 4. See infra.

Return. Debtor does not believe any tax will be due. However to the extent any such liability arises, Debtor will make full payment on such claim within 30 days of the effective of the plan.

This claim is unimpaired.

Class 1. Administrative Claims

Administrative claims include the claims of professionals engaged by debtor in possession for fees and reimbursement of expenses. This class includes the claims of undersigned counsel and Debtor's accountant. This class also includes fees due the Office of the United States Trustee.

Legal Fees

Since the filing of the bankruptcy case, upon application and Court Order, debtor has incurred and paid to undersigned counsel for the period ending November 29, 2016, a total of \$16,647.70, representing \$14,183 for services rendered and \$2,464.70 for reimbursement of expenses and costs. It is estimated that additional administrative fees and costs from November 29, 2016 through the confirmation process will be in the range of \$15,000-\$25,000 with total administrative fees/cost for the duration of the case to be in the approximate range of \$30,000-\$45,000. The amount of legal fees and expenses will vary depending on the needs of Debtor. As necessary, additional interim application for fees and reimbursement of costs may be filed prior to confirmation as well as a final application for fees and reimbursement of costs following the confirmation process until the case is administratively closed. Post-confirmation legal services will vary depending on Debtor's success and whether Debtor is able to maintain its operations without the need for additional legal services.

Accountant

Since the filing of the bankruptcy case, debtor has engaged Gordon J. Meltzer, Kagen & Meltzer, CPA as accountant and bookkeeper. Subject to Court approval, Debtor will compensate Gordon J. Meltzer, on a flat fee basis of \$1,200 per month. This flat fee is a reasonable, if not below market rate, considering the extent and nature of the services required and performed. This flat fee covers all work performed by Gordon Meltzer, Kagen & Meltzer CPAs that has and will continue to include the updating and implementation of new bookkeeping software, assistance with the preparation of monthly operating reports prior to confirmation, and post-confirmation reports as required. It also includes assistance in compliance with all tax reporting and payment obligations as well as the preparation and filing of all applicable tax returns.

Debtor anticipates that the flat \$1,200 monthly fee for these services will be an expense for the duration of the case--approximately \$15,000 per annum. The estimated amount of accountant fees incurred to date is approximately \$7,000. For these, as well as any other forthcoming accountant fees that may come due during the duration of the case, Debtor will file an appropriate application seeking approval from the Court until the case is administratively closed. Pursuant to the terms of the Plan, professional fees and expenses will be paid within five (5) days after the entry of a Court Order allowing such fees and expenses to be paid.

Trustee Fees

Payments due the Office of the United States Trustee are current and will remain current through confirmation and post-confirmation until the case administratively is closed. Based on debtor's current and expected operations, debtor does not anticipate any significant increase due the United States Trustee.

To the extent there is any other unpaid administrative claim, such claim will be paid in full, on the Effective Date of the Plan, unless the Creditor agrees otherwise. This Class is unimpaired.

CLASS 2. Pre-Petition Lease Arrears

At the time of the petition, Debtor was a party to an unexpired commercial lease with William C. Voight ("the Landlord"), the landlord, as to 5205 Wisconsin Avenue, N.W., Washington, DC 20015. As of the bankruptcy filing, debtor was in default under this lease in the amount of \$44,000. Upon motion and Court Order thereon, debtor was authorized to assume this lease. In this connection, debtor has and will continue to make all post-petition lease payments to Landlord as they come due. Moreover, debtor has and will continue to cure the default by remitting to the Landlord the sum of \$44,000 as administrative expense in 36 equal monthly installments in the amount of \$1,222.22. Cure payments commenced February 1, 2017. This class is impaired.

CLASS 3. SECURED CLAIM OF AMG

This class consists of the disputed secured claim of AMG in the amount of Ninety Six Thousand, Five Hundred and Three Dollars (\$96,503.00). The claim is secured by a UCC-1 filing recorded pre-petition against all assets of Debtor. The claim of AMG shall be allowed in the amount of Seventy Five Thousand Dollars (\$75,000). This class shall

receive payment of \$75,000 in full and complete satisfaction of its claim and a release of its lien. Payment will be made in twenty (20) quarterly installment payments of \$3,750, commencing on the 30th day of the effective date of the plan. This class is impaired.

CLASS 4. GENERAL UNSECURED CREDITORS

This class consists of general unsecured creditors, including, but not limited to tax claims which are not entitled to priority. These claims consist of the following (*denotes that the creditor filed a proof of claim):

<u>Creditor</u>	<u>Amount</u>
90+ Cellars/Hub Wine Corp.	\$ 731.00
American Express*	\$ 47,411.04
Bacchus Imports, Ltd.	\$ 0.00
Breakthru Beverage*	\$ 15,775.35
Cape Starz Wine	\$ 918.96
Capitol Eagle*	\$ 2,069.30
Century Distributors, Inc.	\$ 0.00
Chapel Country Creamery LLC	\$ 282.12
Chris Iribe	\$590,000.00
City Express Delivery	\$ 0.00
Constantine Wines	\$ 753.38
Country Vintner*	\$ 7,634.48
Country Vintner* (duplicate)	\$ 0.00
Craft Wine & Spirit LLC*	\$ 3,687.40
Daniel Black & Associates	\$ 0.00
DC Health Link	\$ 1.00
DC Office of Tax Revenue*	\$ 20,632.09
DC Water & Sewer Authority	\$ 322.00
Deluxe Checks Corp.	\$ 854.00
Diamond DistrictWinesxxx	\$ 14,713.15
Dionysos Imports	\$ 160.00
DOPS, Inc.*	\$ 6,353.28
DOPS, Inc.* (duplicate)	\$ 0.00
Downey Selections	\$ 8,329.52
E Wright & C Wallace Distilleries, LLC	\$ 0.00
Elite Wines*	\$ 31,894.75
Elite Wines* (duplicate)	\$ 0.00
Fed Ex	\$ 153.30
Firefly Farms	\$ 495.36
Free Fun Merchants	\$ 2,488.02

Grapes & Barley LLC	\$ 2,284.08
Guardian Protections Services	\$ 0.00
Hartford Fire Insurance Co.*	\$ 0.00
Hop & Wine Beverage LLC	\$ 0.00
Industrial Prod Supply	\$ 225.25
Interbalt Products Corp.	\$ 877.20
International Cellars LLC	\$ 7,057.79
J Gusky Plumbing & Heating	\$ 1,050.00
Jamie Bellman	\$ 80,000.00
Joseph A Magnus & Co.	\$ 336.00
Kysela Pere Et Fils Ltd	\$ 1,112.10
Lanterna Distributors, Inc.	\$ 6,882.10
Le Droit Brands*	\$ 4,189.00
Legends Ltd.*	\$ 714.00
Legends Ltd.* (duplicate)	\$ 0.00
LVDH Vignobles	\$ 2,677.50
M. Shanken Communications	\$ 150.00
Madidus LLC	\$ 0.00
Mail Chimp.com	\$ 0.00
Monsieur Toutom Selection	\$ 20,740.85
New Columbia Distillers, LLC*	\$ 1,104.00
Nice Legs, LLC*	\$ 2,018.58
One Eight Distillers LLC	\$ 4,662.00
OPICI Family Distributing of DC	\$ 30,129.30
Orkin Pest Control	\$ 108.16
Oslo Enterprises	\$ 1,467.00
Paychex	\$ 0.00
Pepco	\$ 4,253.04
Potomac Selections	\$ 156.00
Premium Dist. LLC	\$ 0.00
Prestige Beverage Group*	\$ 35,876.49
RCN Business	\$ 48.17
Republic National Distributing Company*	\$ 3,971.44
Republic Services	\$ 782.34
Roanoke Valley LLC	\$ 0.00
Siema Wines	\$ 8,639.63
Sirius XM Radio Inc.	\$ 0.00
Southern Wine & Spirits of Maryland	\$ 753.88
SpeakEasy Spirits, LLC*	\$ 327.00
The Robins Cellars	\$ 3,957.94
Tradewinds Specialty Imports	\$ 2,168.69
Travelers Insurance	\$ 0.00
Tyco Simplex Grunnell	\$ 832.00
Verizon	\$ 335.00
Vin De Terra/In France	\$ 0.00
Vini Inc.	\$ 4,009.40

Vintage Wine Distributor	\$ 426.00
Washburn Wine Company	\$ 207.24
Washington Gas*	\$ 45.07
William-Harrison Imports, Inc.*	\$ 9,097.21
Wine Fetch	\$ 0.00
Winebow*	\$ 4,599.45
Wollner & Futrovsky	\$ 0.00
Z Wine Gallery Imports	\$ 2,974.11
	=====
	\$1,006,938.41

Class 4 claims will not be paid in full. Rather, these claims will be paid a total of \$100,000, approximately ten percent (10%) of the total amount due. Payment to this class shall be made in pro rata distributions in three (3) equal annual payments of \$33,333.33³. Payments shall be made each year commencing two (2) years after the effective date of the plan. This Class is impaired.

Class 5. Debtor's Interest In Property

Class 5 consists of Debtor's interest in its property. Debtor will retain its interest in such property, except to the extent debtor sells, surrenders, or otherwise disposes of the same in the ordinary course of business or pursuant to appropriate Court order. This Class is unimpaired.

All payments to all Classes due under the Plan shall be derived from debtor operations as debtor-in possession.

Assumption and Rejection of Executory Contracts

As indicated above, Debtor was a party to the unexpired Lease with William C. Voight, the landlord, as to 5205 Wisconsin Avenue, N.W., Washington, DC 20015. Upon debtor's motion and Court Order thereon, debtor was authorized to assume the Lease.

³ The last of the three installment payments shall be \$33,333.34, rather than \$33,333.33

At the time of the petition, Debtor was a party to a secured cash advance purchase contract with AMG. By and through the plan, Debtor rejects this contract and will treat the AMG claim in its entirety as set forth in Class 3, above.

Implementation of Plan/Treatment of Claims

The purpose of the plan is to allow the reorganized debtor to continue with its operations. Upon confirmation of the plan, debtor will maintain operations and make all distributions under the Plan. Debtor will continue to be owned and operated by the Bellmans. The Bellmans shall continue to handle the day-to-day operations. Nothing herein or in the Plan shall be construed to limit or restrict the Bellmans to act in accordance with the best interests of the Debtor provided it does not contravene the Plan. In this connection, nothing herein shall restrict Debtor from conducting its affairs in the ordinary course, including but not limited to, personnel decisions (e.g., employment hiring/firing/payroll etc.), and the purchasing and selling of wine, beer and liquor, provided it does not contradict the Plan.

Subject to the provisions of the Plan, the reorganized debtor shall be authorized to operate its business and to use, sell, lease, or otherwise dispose of property free and clear of any restrictions contained in the Bankruptcy Code and/or Bankruptcy Rules.

Priority Tax Claims

District of Columbia Tax Claims

Debtor's plan proposes full payment to the District of Columbia's priority claim for unpaid sales taxes in deferred cash payments. Debtor shall make payments to these claims in twenty quarterly installments. Payment to these claims will be funded by debtor's operations as may be necessary to adequately fund the plan, in addition to any

cash reserves debtor may have on hand as is necessary. These claims will receive interest at a rate of 4%. Although the tax claims herein shall receive full payment, to the extent the tax claims are not receiving full payment as of the Effective Date of the plan there is an impairment or alteration of the rights of the creditors in this Class. The District of Columbia Priority Tax Claims therefore are impaired.

Internal Revenue Service Tax Claims:

To the extent there are any tax claims due the Internal Revenue Service, Debtor proposes full payment of such claims within 30 days of the effective date of the plan. Payments to these claims will be funded by debtor's operations as may be necessary to adequately fund the plan, in addition to any cash reserves debtor may have on hand as is necessary. The Internal Revenue Priority Tax Claims therefore are Unimpaired.

Class 1. Administrative Claims

Debtor's plan proposes full payment to the Administrative Claims on the effective date of the plan with no impairment or alteration in the rights of any creditor therein. Payment to this class will be funded by debtor's operations. Inasmuch as the Administrative Claims are not impaired, Administrative Claims will be conclusively presumed to have Accepted the Plan.

Class 2-Lease Arrears

Debtor's plan proposes full payment to Class 2. Payments to Class 2 will be in full, as an administrative expense, pursuant to this Court's order authorizing assumption of the Lease. Class 2 will be funded by debtor's operations as may be necessary to adequately fund the plan, as well as available cash reserves as may be necessary.

Although Class 2 shall receive full payment, to the extent Class 2 is not receiving full payment as of the Effective Date of the plan, there is an impairment or alteration of the rights of the creditors in this Class. This Class therefore is impaired.

Class 3-Secured Claim of AMG

Debtor proposes to pay in deferred cash payments an amount less than the full amount of the claims of this Class. Class 3 will be funded by debtor's operations as may be necessary to adequately fund the plan, as well as available cash reserves as may be necessary. Class 3 is receiving less than full payment that is an impairment or alteration of the rights of the creditors in this Class. This Class therefore is impaired.

Class 4-General Unsecured Creditors

Debtor's plan proposes partial payment to Class 4. Class 4 claims are impaired and will be paid in pro rata distribution equal in an amount to approximately 10% of all allowed claims. Payment to Class 4 shall be made in annual payments commencing in year 3 (2 years after the Effective Date of the Plan) and ending in year 5. Class 4 will be funded by debtor's operations as well as available cash reserves as may be necessary.

Class 5 -Debtor's Interest In Property

This Class consists of Debtor's interest in its property. Debtor will retain its interest in such property, except to the extent debtor sells, surrenders, or otherwise disposes of the same in the ordinary course of business or pursuant to appropriate Court order. This Class is unimpaired.

Feasibility

The Plan as proposed and level of funding were based on several assumptions. These assumptions and the underlying facts indicate clearly that the plan as presented herein is feasible. The Plan provides debtor with a reasonable level of security while similarly providing creditors with an opportunity to ensure they receive at least that which they would receive under Chapter 7 liquidation, if not more.

For a Plan to be feasible it must show a reasonable likelihood that debtor will be able to perform its obligations under the Plan. Certainty of success is not required. In this case, feasibility involves an assessment and consideration of debtor's projected income and expenses so as to determine whether debtor will be able to make the plan payments.

Since the filing of the case (September 2016 through February 28, 2017), debtor has generated total revenue and profit as follows.

<u>Month</u>	<u>Total Revenue</u>	<u>Profit</u>
September	\$208,461	\$ 7,172
October	\$264,840	\$(5,912)
November	\$345,754	\$20,917
December	\$538,980	\$65,799
<u>2017</u>		
January	\$219,279	\$(28,521)
February	\$222,595	\$(6,371)
Total	\$1,799,909	\$53,084

As with every year, the holiday season (October-December) is the most profitable. With 2016 as an example, Debtor will use much of each holiday season

surplus to cover not only the ongoing obligations and proposed plan, but also to cover the occasional dry spells and intermittent shortages that arise throughout the rest of the calendar year. (See e.g., Exhibit B). To the extent the intermittent shortages are greater than anticipated throughout the year the Bellmans will make further cuts to salary and overhead as necessary.

With its problems behind it, and fully stocked shelves, Debtor anticipates and projects that it can and will sustain profitability in like fashion for the duration of the Plan. (See Exhibit B, Budget Overview both quarterly and monthly, respectively). Based on these projections, Debtor submits that it will have sufficient funding to continue to operate and cover its obligations under the Plan (See Plan Proposed Funding attached hereto as Exhibit C, and Feasibility projection attached hereto as Exhibit D).

Together, based on Debtor's projected budget and funding, Debtor's operations moving forward will generate sufficient monies to meet the required funding under the plan, rendering the Plan feasible.

Tax Consequences

As of the filing of this disclosure statement, debtor does not anticipate any tax consequences as a result of the Plan

Liquidation Analysis

Without confirmation of the Plan as proposed, liquidation of debtor's assets would follow, most likely under a Chapter 7 case. Liquidation of debtor's assets, on its face, reflects proceeds that would pay less than that proposed under the plan.

As set forth above and reflected on schedule B of debtor's schedules filed with the Court, at the time of filing debtor's assets were valued at \$223,858.40. Since the filing,

the asset value has effectively gone unchanged—the assets of the company valued at approximately 227,881 (See February Balance Sheet attached hereto as Exhibit E).

Accordingly, if debtor ceased operations, and liquidation were to proceed, perhaps at best, \$227,881 less liquidation costs, would be available to the creditors of the estate.

From these proceeds, administrative claims, priority tax claims, and the secured claim of AMG would perhaps be paid in full, leaving nothing for Class 4⁴. Thus, without consideration to expenses associated with the liquidation of assets, as well as payment on any administrative claims due the United States Trustee, professionals, and the unpaid claims of the landlord pursuant to the assumed lease, the liquidation of the assets would provide much less to Class 4 than the \$100,000 proposed under the plan.

Liquidation of Assets	\$227,881
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Less payment to:

Secured Claim of AMG	(\$96,503)
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Priority Tax Claim	(\$103,709)
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Total Amount available to Class 4	\$23,646
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Similarly, dismissal of the bankruptcy case would lead to little or no recovery for any claim other than the priority tax claims and the secured claim.

Under the Plan, the administrative claims and tax claims are paid in full. Classes 2 is given the best opportunity to be paid in full. Class 3 is given an opportunity to receive the majority of the amount due on its claim, and Class 4 is provided the best opportunity to receive something. Additionally, the Plan provides an opportunity for

⁴ Moreover, liquidation will result in a default in the lease causing an additional claim from the landlord. This will dilute any distribution that would have otherwise inure to Class 4 general unsecured creditors.

Class 4 claimants to continue to service Debtor's need for wine and spirits, as well as Class 3 to continue to process Debtor's credit card transactions, and allow each of those classes to continue to profit from such business relationship, rather than lose out on future business in the event Debtor had to shut its doors upon dismissal or liquidation. Simply, the Plan provides debtor an opportunity to weather the storm, and provide payment to the Classes. Accordingly, the proposed Plan is not only feasible, but in the best interests of the creditors.

Possible Alternatives to Plan

As set forth above, neither liquidation nor dismissal is an alternative to the plan of reorganization. Liquidation will provide less, if not nothing, to many creditors. Similarly, dismissal will likely lead to collection efforts which would effectively close Debtor, and result in a similar liquidation which would provide little to nothing to the majority of the creditors outside of the secured creditor and taxing authorities. Therefore, debtor believes there are no plausible alternatives to the Plan.

Summary and Conclusions

It is clear that the Plan proposed by Debtor is superior to any completing Plan that could be proposed and/or dismissal and/or liquidation under Chapter 7. Wherefore,

Debtor asks that the Plan be confirmed.

Date:3/13/17.

Respectfully submitted,
Paul's Liquor, Inc.
By:/s/ Rick Bellman
Owner/President
Paul's Liquor, Inc.
Debtor-In-Possession
By:/s/ Steve Bellman
Owner/Vice-President
Paul's Liquor, Inc.
Debtor-in-Possession

Date:3/13/17.

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