

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

In re: _____)
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HELLBENDER BREWING COMPANY LLC,)
)
)
Debtor. _____)
_____)

Case No. 16-00577-SMT

(Chapter 11)

**PROPOSED DISCLOSURE STATEMENT FOR THE CHAPTER 11 PLAN
OF REORGANIZATION OF HELLBENDER BREWING COMPANY LLC**

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Counsel to the Debtor

Dated: April 24, 2017

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FOR THE DISTRICT OF COLUMBIA**

In re:

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OF REORGANIZATION OF HELLBENDER BREWING COMPANY LLC**

This disclosure statement (the “Disclosure Statement”) has been prepared by Hellbender Brewing Company LLC, the debtor and debtor-in-possession herein (the “Debtor”), to provide disclosure of the Debtor’s Chapter 11 Plan of Reorganization (the “Plan”). The Debtor is the proponent of the Plan. The Plan provides for the reorganization of the Debtor’s business, the resolution of the allowance of claims and equity interests, and the distribution to creditors in accordance with the priorities of the Bankruptcy Code.¹

On November 1, 2016 (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code initiating this chapter 11 case (the “Chapter 11 Case”). At all times following the filing of the Chapter 11 Case, the Debtor has retained custody of its assets and has operated its business as a “debtor-in-possession” pursuant to sections 1107 and 1108 of the Bankruptcy Code. No unsecured creditors’ committee has been appointed by the Office of the United States Trustee in this Chapter 11 Case.

This Disclosure Statement is intended to aid creditors in making an informed judgment regarding acceptance or rejection of the Plan. If you have any questions regarding the Plan, the Debtor urges you to contact its counsel, Hirschler Fleischer pc, 8270 Greensboro Drive, Suite 700, Tysons, Virginia 22102, Attention: Lawrence A. Katz.

While the Bankruptcy Court has approved this Disclosure Statement as containing “adequate information” to enable you to vote on the Plan, the Bankruptcy Court’s approval of the Disclosure Statement does not constitute approval or disapproval of the Plan itself. The Bankruptcy Court will consider approval of the Plan only after the completion of voting on the Plan. A copy of the Plan is attached to this Disclosure Statement and is incorporated herein by reference as Exhibit A.

¹ All capitalized terms not otherwise defined herein shall have the meaning ascribed to such term under Article I of the Plan. See Exhibit A attached hereto.

No representation concerning the Debtor, its business operations, its assets or the value of such assets has been authorized except as set forth in this Disclosure Statement. No representations other than those made in this Disclosure Statement should be relied upon in evaluating the Plan.

The information presented in this Disclosure Statement has not been subjected to an external audit. The Debtor and its counsel and advisors cannot warrant the accuracy of the information contained in this Disclosure Statement, although the Debtor has used its best efforts under all of the circumstances to ensure that the information herein is as accurate as possible.

THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF THE PLAN. CREDITORS ARE URGED TO READ THE ENTIRE PLAN AND THE DISCLOSURE STATEMENT BEFORE VOTING ON THE PLAN.

I. INTRODUCTION

A. Classification and Treatment of Claims and Equity Interests Under the Plan.

Certain Classes of Claims and Equity Interests are impaired under the Plan and, accordingly, are entitled to vote to accept or reject the Plan. The Debtor is seeking votes to accept the Plan from Holders of Claims and Interests in these Classes. Each Class of Claims and Equity Interests, except Administrative Expense Claims, Professional Fee Claims, and Priority Tax Claims, are placed in the following Classes and will receive the following treatment under the Plan:

Summary of Classification and Treatment of Claims Under the Plan

<u>Class</u>	<u>Estimated Claims</u>	<u>Impaired</u>	<u>Treatment</u>
Class 1 - Allowed Secured Lender Claim	\$1,053,663.99	Yes	The holder of the Allowed Class 1 Claim shall receive on the Effective Date Cash in the amount of any post-petition payments due and owing the Lender as of the Effective Date. Commencing on the first day of the first month after the Effective Date, the Reorganized Debtor shall make monthly payments to the Lender of consisting of principal and interest in an amount so as to fully amortize the Allowed Class 1 Claim over a term commencing on the first day of the first month after the Effective Date and ending on March 27, 2024. Until such time as the Allowed Class 1 Claim is paid in full in accordance with the Plan, the holder of the Allowed Class 1 Claim shall retain a lien on the Assets of the Reorganized Debtor. Class 1 is impaired by the Plan.
Class 2 – Allowed Priority Claims	\$0.00	No	Each holder of an Allowed Class 2 Claim shall be paid as follows: (i) in Cash in an amount equal to such Allowed Class 2 Claim, on the later of the Effective Date or thirty (30) days after any such claim becomes an Allowed Priority Claim, or (ii) upon such other less favorable terms as may be agreed to by the holder of such Allowed Priority Claim and the Reorganized Debtor. Class 2 is unimpaired by the Plan.

<u>Class</u>	<u>Estimated Claims</u>	<u>Impaired</u>	<u>Treatment</u>
Class 3 – Allowed Unsecured Claims	\$160,965.37	No	Each holder of an Allowed Class 3 Claim shall be paid as follows: (i) in Cash in an amount equal to such Allowed Class 3 Claim, on the later of the Effective Date or thirty (30) days after any such claim becomes an Allowed Unsecured Claim, or (ii) upon such other less favorable terms as may be agreed to by the holder of such Allowed Unsecured Claim and the Reorganized Debtor. Class 3 is unimpaired by the Plan.
Class 4 – Allowed Equity Interests	N/A	Yes	Upon the Effective Date, provided each holder of an Allowed Class 4 Equity Interest contributes to the Equity Infusion in an amount proportionate to such holder's existing Equity Interest, each holder of an Allowed Class 4 Equity Interest shall retain such Equity Interest held in the Debtor as of the Petition Date. In the event any holder of an Allowed Class 4 Equity Interest contributes to the Equity Infusion in an amount greater than or less than the proportionate amount of such holder's Equity Interest held in the Debtor as of the Petition Date, then the Equity Interests of all holders of Allowed Class 4 Equity Interests shall be adjusted so that the amount of each holder's Equity Interest is proportionate to the total amount contributed by such holder both prior to the Petition Date and as part of the Equity Infusion. Holders of Equity Interests are not entitled to, and shall not receive, any distribution of Available Cash on account of such Equity Interests under the Plan, until holders of all Allowed Claims have been paid in full as provided under the Plan. Class 4 is impaired by the Plan.

B. Voting Instructions and Deadline.

If a creditor or holder of an Equity Interest holds a Claim or Equity Interest classified in a Class of Claims or Equity Interests entitled to vote under the Plan, the vote of such creditor or holder of an Equity Interest to accept or reject the Plan is important and must be in writing and filed on time. The Voting Deadline is _____, 2017 at 5:00 p.m. (prevailing Eastern Time). IN ORDER FOR A VOTE TO BE COUNTED, THE BALLOT MUST BE PROPERLY COMPLETED IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RETURNED TO DEBTOR'S COUNSEL BY THE VOTING DEADLINE. Creditors and holders of Equity Interests must use only the ballot or ballots sent to them with this Disclosure Statement. If a creditor or holder of an Equity Interest has Claims or Equity Interests in more than one Class, such creditor or holder of an Equity Interest should receive multiple ballots. If a creditor or holder of an Equity Interest receives more than one ballot, such creditor or holder of an Equity Interest should assume that each ballot is for a separate Claim or Equity Interest and should complete and return all of them. **IF A CREDITOR OR HOLDER OF AN EQUITY INTEREST IS A MEMBER OF A VOTING CLASS AND DID NOT RECEIVE A BALLOT FOR SUCH CLASS, OR IF SUCH BALLOT IS DAMAGED OR LOST, OR IF A CREDITOR OR HOLDER OF AN EQUITY INTEREST HOLDER HAS ANY QUESTIONS CONCERNING VOTING PROCEDURES, PLEASE CONTACT:**

Lawrence A. Katz, Esq.
HIRSCHLER FLEISCHER PC
8270 Greensboro Drive, Suite 700
Tysons, Virginia 22102
Email: lkatz@hf-law.com
Telephone: (703) 584-8362

C. The Combined Hearing.

On the date and at the time given in the notice served with this Disclosure Statement, the Court will hold a combined hearing to consider (i) final approval of this Disclosure Statement and (ii) confirmation of the Plan (the “Combined Hearing”). The Court has ordered that objections, if any, to either (i) final approval of this Disclosure Statement or (ii) confirmation of the Plan be filed and served within the time and in the manner described in the notice that accompanies this Disclosure Statement. The date of the Combined Hearing may be continued at such later time(s) as the Court may announce during the Combined Hearing or any continued hearing without further notice. **CREDITORS AND HOLDERS OF EQUITY INTERESTS ARE NOT REQUIRED TO ATTEND THE COMBINED HEARING UNLESS THEY HAVE EVIDENCE OR ARGUMENT TO PRESENT TO THE COURT CONCERNING THE MATTERS TO BE ADDRESSED AT THE COMBINED HEARING.** If the Plan is confirmed by the Court, it will be binding on all holders of Claims and Equity Interests, regardless of whether any such individual holder supported or opposed the Plan.

II. BACKGROUND

The Debtor is a Delaware limited liability company organized in 2012 for the purpose of constructing and operating a microbrewery to produce malt beverages for sale in the District of Columbia and neighboring areas within the Washington, D.C. metropolitan region. In 2014, with funding from private individuals and a loan from Lender and guaranteed by the Small Business Administration (“SBA”), the Debtor constructed a state-of-the-art microbrewery in a warehouse located at 5788 2nd Street, N.E., Washington, D.C. 20011 (the “Premises”). In addition to the microbrewery where the Debtor produces its hand-crafted beers, a tasting room where beer is sold directly to patrons is also located on the Premises. In addition to onsite sales, the Debtor’s products are distributed to restaurants and bars in Washington, D.C., Montgomery County, Maryland and in Northern Virginia, both inside the Capital Beltway and in Loudoun and Fauquier Counties.

A. Secured Debt Obligations

On March 27, 2014, the Debtor entered into a Loan Agreement with Lender (the “Loan Agreement”) pursuant to which Lender made a loan to the Debtor in the amount of \$1,150,000 under Section 7(a) of the Small Business Act, as amended (the “SBA Loan”). The Debtor executed a Note dated March 27, 2014 (the “Note”) in accordance with the Loan Agreement, which Note was secured by a Security Agreement – Commercial of even date (the “Security Agreement”). Benjamin D. Evans and Patrick R. Mullane, the Debtor’s two managing members, also executed personal guaranties in connection with the SBA Loan (collectively, the “Guarantees” and, together with the Loan Agreement, the Note, and the Security Agreement, the

“Loan Documents”). Pursuant to the Security Agreement, the Debtor pledged all of its assets to Lender as collateral for the Note. The proceeds of the SBA Loan were used by the Debtor to construct its brewery and tasting room and to commence and fund operations for the production and sale of beer.

B. Lease Obligations

On February 14, 2013, the Debtor and Industrial Investors Limited Partnership (the “Landlord”) entered into a lease agreement for the Premises (the “Lease”). The initial term of the Lease was five years, commencing on June 1, 2013 and expiring on May 31, 2018. The Debtor has the option of renewing the Lease for two additional five-year terms provided it is not in default under the Lease. Prior to the commencement of the Chapter 11 Case, the Debtor was in arrears on the payment of rent due under the Lease.

C. Distributor Obligations

Hop & Wine Beverages, LLC (“H&W”) is in the business of distributing alcoholic beverages, including beer, throughout the mid-Atlantic region. On September 16, 2013, the Debtor entered into a distribution agreement with H&W (the “Distribution Agreement”), pursuant to which H&W agreed to serve as the exclusive distributor of the Debtor’s malt beverages within the District of Columbia. H&W also serves as the Debtor’s exclusive distributor in certain portions of Virginia. As discussed in greater detail below, on March 23, 2017, the Bankruptcy Court entered an order providing for the rejection of the Distribution Agreement effective as of the Petition Date.

D. Events Leading to Bankruptcy and Pre-Petition Date Restructuring Efforts

During the first two years of operations, the Debtor operated at a loss. As a result, the Debtor did not have sufficient available cash to meet its rent obligations to the Landlord, stay current with its monthly payments due on the SBA Loan, satisfy its various tax obligations, or timely pay its trade creditors.

In early August, 2016, the Debtor met with representatives of Lender and the SBA in an effort to resolve the Debtor’s cash flow problems. As a result of this meeting, the Debtor was granted a six-month grace period during which time it would be allowed to make interest-only payments under the Note, rather than the amortized payments of both principal and interest that were otherwise due.

While this forbearance partially alleviated the Debtor’s cash flow problems, it did not address the Debtor’s obligations to the Landlord, taxing authorities, or trade creditors, nor did it resolve the fundamental cash flow problems the Debtor believes were caused in large part by the Distribution Agreement. The Debtor attempted to negotiate with H&W to terminate the Distribution Agreement, but these negotiations were unsuccessful. The Debtor successfully negotiated a forbearance with the Landlord, but this agreement (as well as the agreement with Lender) was conditioned on the filing of a bankruptcy petition and the reorganization of the Debtor under chapter 11. Accordingly, on November 1, 2016 (the “Petition Date”), the Debtor filed a voluntary petition under chapter 11 of the Bankruptcy Code, thereby commencing this Chapter 11 Case.

III. PLAN

Pursuant to the Plan, the Debtor will restructure its secured obligations and its lease obligations and will use ongoing business operations and the Equity Infusion to pay the Claims of creditors.

A. Treatment of Administrative Claims, Tax Claims, and Trustee Fees.

Certain Claims need not be classified under a plan pursuant to the Bankruptcy Code, including Administrative Claims, Professional Fee Claims and Priority Tax Claims. These Claims are not entitled to vote on the Plan.

1. **Administrative Claims.** Except to the extent that the holder of an Allowed Administrative Expense Claim agrees to less favorable treatment, each holder of an Allowed Administrative Expense Claim shall receive Cash in an amount equal to such Allowed Administrative Expense Claim on or before the later of (i) the Effective Date or (ii) the fifteenth day of the first month following the month in which such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, *provided, however*, that Allowed Administrative Expense Claims representing obligations incurred in the ordinary course of the Debtor's business or taxes incurred by the Debtor that are Administrative Expense Claims under section 503(b)(1) of the Bankruptcy Code shall be paid in full in accordance with the terms and conditions of the particular transactions, any applicable agreements, and applicable bankruptcy and non-bankruptcy law. All Disputed Administrative Expense Claims shall be reserved for in full on the Effective Date. Payment of Allowed Administrative Expense Claims on the Effective Date shall be made from the Equity Infusion, Available Cash, and such other available and permitted sources hereunder.

2. **Administrative Expense Claim Bar Date.** Requests for payment of Administrative Expense Claims existing as of the Confirmation Date must be filed with the Bankruptcy Court and served on the Reorganized Debtor no later than forty-five (45) days after the Effective Date. Objections to payment of Administrative Expense Claims must be filed with the Bankruptcy Court and served on the holder of such Administrative Expense Claim, the Reorganized Debtor and the U.S. Trustee by the later of (i) thirty (30) days after the Effective Date or (ii) thirty (30) days after the filing of the applicable request for payment of such Administrative Expense Claim, unless otherwise ordered or extended by the Bankruptcy Court. Notwithstanding anything to the contrary herein, no request for payment of an Administrative Expense Claim need be filed with the Bankruptcy Court for the allowance of (a) an Administrative Expense Claim incurred in the ordinary course of the Debtor's business or (b) the fees of the United States Trustee arising under 28 U.S.C. § 1930(a)(6). **Any Entity that is required to, but fails, to file a request for allowance of an Administrative Expense Claim on or before the deadline referenced above shall be forever barred from asserting such Administrative Expense Claim against the Reorganized Debtor, and the holder thereof shall be enjoined from commencing or continuing any action, employment of process, or act to collect, offset, or recover amounts asserted against the Reorganized Debtor in such Administrative Expense Claim.**

3. **Priority Tax Claims.** Each holder of an Allowed Priority Tax Claim shall receive, at the sole option of the Reorganized Debtor, in full satisfaction, settlement, release and discharge of, and in exchange for, such Allowed Priority Tax Claim, one of the following treatments: (i) Cash in an amount equal to such Allowed Priority Tax Claim on the later of thirty

(30) days after the Effective Date and the first (1st) Business Day that is thirty (30) days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim; (ii) equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at the Legal Interest Rate, over a period not exceeding five (5) years after the Petition Date, which payments shall begin one (1) year after the Petition Date; or (iii) such other treatment as to which the Debtor and a holder of an Allowed Priority Tax Claim shall have agreed upon in writing.

4. Professional Fee Claims. All Professionals seeking an award by the Bankruptcy Court of a Professional Fee Claim incurred through and including the Effective Date shall, unless otherwise ordered by the Bankruptcy Court, file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by the date that is no later than forty-five (45) days after the Effective Date. Professional Fee Claims shall be paid by the Reorganized Debtor pursuant to the provisions in section 2.2 of the Plan with respect to Allowed Administrative Expense Claims generally.

B. Treatment of Classified Claims and Interests.

Subject to all other applicable provisions of the Plan (including its distribution provisions), classified Claims and Interests shall receive the treatment set forth below. A Claim is in a particular Class only to the extent that the Claim is an Allowed Claim in that Class and has not been paid, released, withdrawn, waived, or otherwise satisfied under the Plan. The Plan will not provide any distributions on account of a Claim to the extent that such Claim has been disallowed, released, withdrawn, waived, or otherwise satisfied or paid as of the Effective Date, including, without limitation, payments by third parties. Except as specifically provided in the Plan, the Plan will not provide any distributions on account of a Claim for which the obligation to pay has been assumed by a third party.

The Plan proposes the following classification of Claims and Interests.

<u>Class</u>	<u>Claim</u>	<u>Status</u>	<u>Voting Rights</u>
1	Allowed Secured Lender Claim	Impaired	Entitled to Vote
2	Allowed Priority Claims	Unimpaired	Deemed to Accept
3	Allowed Unsecured Claims	Unimpaired	Deemed to Accept
4	Allowed Equity Interests	Impaired	Entitled to Vote

1. Treatment of Classified Claims.

Under the Plan, the Classes will receive the following treatments.

a. Class 1 (Allowed Secured Lender Claim).

The holder of the Allowed Class 1 Claim shall receive on the Effective Date Cash in the amount of any post-petition payments due and owing the Lender as of the Effective Date. Commencing on the first day of the first month after the Effective Date, the Reorganized Debtor shall make monthly payments to the Lender of consisting of principal and interest in an amount so as to fully amortize the Allowed Class 1 Claim over a term commencing on the first day of the

first month after the Effective Date and ending on March 27, 2024. Until such time as the Allowed Class 1 Claim is paid in full in accordance with the Plan, the holder of the Allowed Class 1 Claim shall retain a lien on the Assets of the Reorganized Debtor. Class 1 is impaired by the Plan.

b. Class 2 (Priority Claims).

Each holder of an Allowed Class 2 Claim shall be paid as follows: (i) in Cash in an amount equal to such Allowed Class 2 Claim, on the later of the Effective Date or thirty (30) days after any such claim becomes an Allowed Priority Claim, or (ii) upon such other less favorable terms as may be agreed to by the holder of such Allowed Priority Claim and the Reorganized Debtor. Class 2 is unimpaired by the Plan.

c. Class 3 (Unsecured Claims).

Each holder of an Allowed Class 3 Claim shall be paid as follows: (i) in Cash in an amount equal to such Allowed Class 3 Claim, on the later of the Effective Date or thirty (30) days after any such claim becomes an Allowed Unsecured Claim, or (ii) upon such other less favorable terms as may be agreed to by the holder of such Allowed Unsecured Claim and the Reorganized Debtor. Class 3 is unimpaired by the Plan.

2. Treatment of Classified Interests.

Under the Plan, on the Effective Date, provided each holder of an Allowed Class 4 Equity Interest contributes to the Equity Infusion in an amount proportionate to such holder's existing Equity Interest, each holder of an Allowed Class 4 Equity Interest shall retain such Equity Interest held in the Debtor as of the Petition Date. In the event any holder of an Allowed Class 4 Equity Interest contributes to the Equity Infusion in an amount greater than or less than the proportionate amount of such holder's Equity Interest held in the Debtor as of the Petition Date, then the Equity Interests of all holders of Allowed Class 4 Equity Interests shall be adjusted so that the amount of each holder's Equity Interest is proportionate to the total amount contributed by such holder both prior to the Petition Date and as part of the Equity Infusion. Holders of Equity Interests are not entitled to, and shall not receive, any distribution of Available Cash on account of such Equity Interests under the Plan, until holders of all Allowed Claims have been paid in full as provided under the Plan. Class 4 is impaired by the Plan.

C. Means for Implementation of the Plan.

1. Sources of Consideration.

The Plan shall be funded by the Equity Infusion and Available Cash from the operations of the Debtor's business. Evidence that the Equity Infusion is being held in an account shall be filed with the Bankruptcy Court on or before the Effective Date. In the event that the Debtor is unable to secure the Equity Infusion on or before the Effective Date, the Lender shall have the right to pursue its rights and remedies under state law, and the Debtor shall not seek to enforce the automatic stay, re-file for bankruptcy protection, or otherwise interfere with the Lender's pursuit of its rights and remedies under state law, except as permitted by state law.

2. Post-Confirmation Governance.

Until the Effective Date, the Debtor shall operate in a manner consistent with the preservation of the value of its business. As of the Effective Date, Patrick Mullane and Ben Evans, the managing members of the Debtor, shall be deemed to be the managing members of

the Reorganized Debtor. Nothing herein or in the Confirmation Order, including any releases, shall diminish or impair the enforceability of any policy of insurance that may cover claims against the Debtor or any other Entity. Each of the matters provided for under this Plan involving the business structure of the Reorganized Debtor or action to be taken by or required of the Reorganized Debtor shall, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and shall be authorized and approved in all respects without any requirement of further action by the managing members of the Reorganized Debtor. The Reorganized Debtor shall operate under its current name under the organizational documents issued by the State of Delaware.

3. Vesting of Assets in the Reorganized Debtor.

On the Effective Date, all Assets of the Debtor shall be deemed to be the property of and vest in the Reorganized Debtor, free and clear of all liens, claims, encumbrances or interests, subject only to the liens and security interests of the Lender imposed by the Allowed Secured Lender Claim. All claims and causes of action held by the Debtor shall vest in the Reorganized Debtor on the Effective Date, and the Reorganized Debtor shall have full power and authority to pursue such claims and causes of action for the benefit of its creditors. The proceeds of all claims and causes of action shall be deemed to be Available Cash and shall be administered pursuant to the provisions of the Plan. Settlements of claims and causes of action shall not be subject to approval by the Bankruptcy Court. Upon and after the Effective Date, except as otherwise provided in the Plan, the Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

4. Restructuring Transactions.

On the Effective Date or as soon as reasonably practicable thereafter, the Debtor and the Reorganized Debtor may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan, including: (a) the execution and delivery of appropriate agreements or other documents; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the Plan; and (4) all other actions that the Debtor and the Reorganized Debtor determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law.

5. Preservation of Causes of Action of the Debtor.

In accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released, the Reorganized Debtor shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, and the Reorganized Debtor's rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtor may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtor. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as any indication that the Debtor or the Reorganized Debtor, as applicable, will not pursue any and all available Causes of Action against them. Except with respect to Causes of

Action as to which the Debtor or the Reorganized Debtor has released any Person or Person on or before the Effective Date (including pursuant to the Releases by the Debtor or otherwise), the Debtor or the Reorganized Debtor, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Person, except as otherwise expressly provided in the Plan. Unless any Causes of Action against a Person are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtor expressly reserves all Causes of Action for later adjudication and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or consummation of the Plan.

D. Treatment of Executory Contracts and Unexpired Leases.

1. Assumption and Rejection of Executory Contracts and Unexpired Leases.

The Brewery Lease and Equipment Leases, to the extent not previously assumed by the Debtor, shall be assumed by Debtor as of the Effective Date pursuant to section 365 of the Bankruptcy Code, without the need for entry of any order of the Bankruptcy Court other than the Confirmation Order. All amounts required to be paid by the Debtor to the Landlord under the Brewery Lease shall be governed by that certain order entered by the Bankruptcy Court on January 31, 2017 [Docket No. 78]. All amounts required to Cure any other assumed lease agreements, if any, shall be paid (i) in full by the Reorganized Debtor on the Effective Date from the Equity Infusion and/or Available Cash or (ii) in accordance with such treatment as to which the Debtor and the contract counterparty shall have agreed upon in writing.

The Distribution Agreement between the Debtor and Hop & Wine was rejected by the Debtor pursuant to an Order entered on March 23, 2017 [Docket No. 122]. The rejection of the Distribution Agreement is deemed effective as of the Petition Date. As provided in the Order, H&W has an Allowed Unsecured Claim in the amount of \$116,000.00, which Claim is classified as a Class 3 Claim under the Plan.

The Confirmation Order shall automatically constitute an order approving the rejection, as of the Effective Date, of all other executory contracts and unexpired leases of the Debtor that existed on the Petition Date except for (i) any executory contracts or unexpired leases which the Debtor (a) rejected, (b) assumed, or (c) assumed and assigned to third parties on or before the Effective Date; or (ii) any executory contracts or unexpired leases which are the subject of a motion to (a) reject, (b) assume, or (c) assume and assign filed prior to the Effective Date that has not been ruled upon by the Bankruptcy Court as of the Effective Date

2. Claims Based on Rejection of Executory Contracts or Unexpired Leases.

With the exception of the Allowed Hop & Wine Claim, the amount of which was fixed by the Rejection Order, unless the time for filing Claims is otherwise fixed by the Bankruptcy Court, all Claims arising from the rejection of executory contracts or unexpired leases shall be filed and served upon the Reorganized Debtor and the United States Trustee within thirty (30) days after the later of (i) entry of a Final Order authorizing such rejection or (ii) the date on which the Confirmation Order becomes a Final Order. Any such claim not filed within the required time period shall be time-barred and shall not be an Allowed Claim.

3. Insurance Policies.

Notwithstanding anything herein to the contrary, as of the Effective Date, the Debtor will assume (and assign to the Reorganized Debtor if necessary to continue the Insurance Policies in full force) all of the insurance policies pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the Debtor's foregoing assumption and assignment of each of the Insurance Policies.

4. Modifications, Amendments, Supplements, Restatements, or Other Agreements.

Unless otherwise provided, each Executory Contract or Unexpired Lease that is assumed will include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to pre-Petition Date Executory Contracts and Unexpired Leases that have been executed by the Debtor during the Chapter 11 Case will not be deemed to alter the pre-Petition Date nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith, unless such Executory Contract or Unexpired Lease has been previously assumed by the Debtor.

5. Reservation of Rights.

Nothing contained in the Plan will constitute an admission by the Debtor that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtor or the Reorganized Debtor, as applicable, will have forty-five (45) days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease.

6. Contracts and Leases Entered into After the Petition Date.

Notwithstanding any other provision in the Plan, contracts and leases entered into after the Petition Date by the Debtor, including any Executory Contracts and Unexpired Leases assumed by the Debtor, will be performed by the Debtor or the Reorganized Debtor in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

E. Provisions Governing Distributions.

1. Timing and Calculation of Amounts to Be Distributed.

Except as otherwise provided in the Plan (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim, on the next Distribution Date, or as soon as reasonably practicable thereafter), each holder of an Allowed Claim against the Debtor will receive the distribution that the Plan provides for Allowed Claims in the applicable Class and in the manner provided therein. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the

making of such payment or the performance of such act may be completed on the next succeeding Business Day, but will be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims will be made pursuant to the provisions set forth in the Plan. Except as otherwise provided herein or in the Plan, Holders of Claims will not be entitled to interest, dividends, or accruals on the distributions provided for herein, regardless of whether such distributions are delivered on or at any time after the Effective Date.

2. Payments and Distributions on Disputed Claims.

Notwithstanding any other provision of the Plan to the contrary, no distribution shall be made to the holder of a Disputed Claim or Equity Interest or the holder of a Claim or Equity Interest that is the subject of a proceeding against it by the Reorganized Debtor unless and until such Disputed Claim or Equity Interest becomes an Allowed Claim or Equity Interest by Final Order. While disputes regarding Claims or Equity Interests are pending, the Reorganized Debtor shall hold for the benefit of each holder of a Disputed Claim or Equity Interest an amount equal to the distributions that would have been made to the holder of such Disputed Claim or Equity Interest if it were an Allowed Claim or Equity Interest, or, if so determined by the Bankruptcy Court, such amount as estimated by the Bankruptcy Court under section 502(c) of the Bankruptcy Code, until such Claim or Equity Interest becomes an Allowed Claim or Equity Interest.

3. Delivery of Distributions in General.

Subject to Bankruptcy Rule 9010, unless otherwise provided herein, all distributions to any holder of an Allowed Claim or Equity Interest shall be made at the address of such holder as set forth on the bankruptcy schedules filed with the Bankruptcy Court or on the books and records of the Debtor or its agents, unless the Debtor has been notified, in advance and, in writing, of a change of address, including, without limitation, by the filing of a proof of claim or interest by such holder that contains an address for such holder different from the address reflected on such schedules for such holder. In the event that any distribution to any holder is returned as undeliverable, no distribution to such holder shall be made unless and until the Reorganized Debtor has been notified of the then current address of such holder, at which time or as soon as reasonably practicable thereafter, such distribution shall be made to such holder; *provided, however*, that such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one (1) year from the later of (i) the Effective Date or (ii) the date such holder's Claim or Equity Interest is Allowed. After such date, all unclaimed property shall revert to the Reorganized Debtor. The Reorganized Debtor shall not have any obligation to attempt to locate any holder of an Allowed Claim or Equity Interest other than by reviewing its books and records (including any proofs of claim or interest filed in the Chapter 11 Case). The Reorganized Debtor may stop payment on any distribution check that has not cleared the payer bank within ninety (90) days of the date of distribution of such check. No distribution under the sum of \$10.00 is required to be made by the Reorganized Debtor.

4. Withholding and Reporting Requirements.

In connection with the Plan and all instruments issued in connection therewith, the Reorganized Debtor will comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all distributions under the Plan will be subject to any such withholding or reporting requirements.

5. Setoffs.

Except as set forth herein, the Debtor and the Reorganized Debtor may withhold (but not set off except as set forth below) from the distributions called for under the Plan on account of any Allowed Claim an amount equal to any claims, equity interests, rights, and Causes of Action of any nature that the Debtor or the Reorganized Debtor may hold against the Holder of any such Allowed Claim. In the event that any such claims, equity interests, rights, and Causes of Action of any nature that the Debtor or the Reorganized Debtor may hold against the Holder of any such Allowed Claim are adjudicated by Final Order or otherwise resolved, the Debtor may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim) the amount of any adjudicated or resolved claims, equity interests, rights, and Causes of Action of any nature that the Debtor or the Reorganized Debtor may hold against the holder of any such Allowed Claim, but only to the extent of such adjudicated or resolved amount. Neither the failure to effect such a setoff nor the allowance of any Claim under the Plan will constitute a waiver or release by the Debtor or the Reorganized Debtor of any such claims, equity interests, rights, and Causes of Action that the Debtor or the Reorganized Debtor may possess against any such holder, except as specifically provided herein. Notwithstanding the foregoing, this section shall not apply to allow the Debtor and/or the Reorganized Debtor to offset any claims, rights, and causes of action of any nature (i) against any Administrative Claim filed by the United States; or (ii) against the United States generally unless and until the Debtor or the Reorganized Debtor obtains a judgment against the United States.

6. Allocation of Distributions Between Principal and Unpaid Interest.

To the extent that any Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution will, for U.S. federal income tax purposes, be allocated on the Debtor's books and records to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to the accrued but unpaid interest.

7. Interest on Claims.

Except for Priority Tax Claims, and unless otherwise specifically provided for in the Plan, post-Petition Date interest will not accrue or be paid on Claims, and no Claim Holder will be entitled to interest accruing on or after the Petition Date on any Claim. Similarly, unless otherwise specifically provided for in the Plan, post-Petition Date interest will not accrue or be paid on any Disputed Claim in respect of the period from the Petition Date to the date a final distribution is made thereon if and after such Disputed Claim becomes an Allowed Claim.

F. Procedures for Resolving Contingent, Unliquidated, and Disputed Claims.

1. Prosecution of Objections to Claims and Estimation of Disputed Claims.

The Reorganized Debtor may file with the Bankruptcy Court an objection to the allowance of any Claim or Equity Interest, or any other appropriate motion or adversary proceeding with respect thereto. All such objections will be litigated to Final Order; provided, however, that the Reorganized Debtor may compromise and settle, withdraw or resolve by any other method approved by the Bankruptcy Court, any such objections to the allowance of such Claims or Equity Interests. In addition, the Reorganized Debtor may, at any time, request that

the Bankruptcy Court estimate any Claim under section 502(c) of the Bankruptcy Code, regardless of whether such Claim has been previously objected to or whether the Bankruptcy Court has ruled on any such objection. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount will be limited to the purposes (such as voting on this Plan) determined by the Bankruptcy Court. All of the aforementioned provisions with respect to objections to Claims or Equity Interests and the claims estimation and resolution procedures, are cumulative and are not necessarily exclusive of one another.

2. Allowance of Claims.

Except as expressly provided in the Plan or in any order entered in the Chapter 11 Case before the Effective Date (including the Confirmation Order), the Reorganized Debtor after the Effective Date will have and retain any and all rights and defenses held by the Debtor with respect to any Claim or Equity Interest as of the Petition Date. All claims of any Person against the Debtor will be disallowed unless and until such Person pays, in full, the amount it owes the Debtor.

3. Distributions After Allowance.

Thirty (30) days after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Reorganized Debtor will provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan as of the Effective Date, without any interest to be paid on account of such Claim.

G. Conditions Precedent to Confirmation of the Plan and the Effective Date.

1. Conditions Precedent to Confirmation.

It will be a condition to confirmation of the Plan that each of the following provisions, terms, and conditions will have been satisfied or waived by the Debtor or the Reorganized Debtor pursuant to the provisions of the Plan.

- (a) The Bankruptcy Court having approved the Disclosure Statement by order entered on the docket of the Chapter 11 Case and
- (b) The presentment of a Confirmation Order to the Bankruptcy Court in the Chapter 11 Case for entry to confirm the Plan.

2. Conditions Precedent to the Effective Date.

As conditions precedent to the Effective Date, the following shall have occurred: (a) the Confirmation Order, in form and substance reasonably acceptable to the Debtor, shall have been entered by the Bankruptcy Court and become a Final Order, (b) the Confirmation Order shall not be subject to any stay or subject to an unresolved request for revocation under section 1144 of the Bankruptcy Code, and (c) the Debtor shall have received the Equity Infusion.

3. Waiver of Conditions.

The conditions to confirmation and the Effective Date of the Plan set forth herein may be waived at any time by the Debtor; provided, however, that the Debtor may not waive entry of an order or orders approving the Disclosure Statement and confirming the Plan.

4. Effect of Failure of Conditions.

If the Effective Date of the Plan does not occur, the Plan will be null and void in all respects and nothing contained in the Plan or the Disclosure Statement will: (a) constitute a waiver or release of any claims by or Claims against the Debtor; (b) prejudice in any manner the rights of the Debtor, any Holders of Claims or Interests, or any other Person; or (c) constitute an admission, acknowledgment, offer, or undertaking by the Debtor, any Holders of Claims or Interests, or any other Person in any respect.

H. Modification, Revocation, or Withdrawal of the Plan.

1. Modification and Amendments.

The Debtor reserves the right in accordance with the Bankruptcy Code to amend or modify this Plan prior to the Confirmation Date; after the Debtor files such a modification with the Court, this Plan, as modified, becomes the Plan. The Reorganized Debtor may modify this Plan at any time after the Confirmation Date regardless of whether this Plan has been substantially consummated within the meaning of sections 1101(2) and 1127(b) of the Bankruptcy Code, if circumstances warrant such modification, if all required disclosure under section 1125 of the Bankruptcy Code has been given, and the Court, after notice and a hearing, confirms the Plan as modified. Before or after the Confirmation Date, or in the Confirmation Order, the Reorganized Debtor may, with the approval of the Court, so long as it does not materially and adversely affect the interests of creditors who have accepted this Plan, remedy any defect or omission, or reconcile any inconsistencies in this Plan or amend this Plan, in such a manner as may be necessary to carry out the purposes and the effect of this Plan without the necessity of re-soliciting acceptances.

2. Effect of Confirmation on Modifications.

Entry of a Confirmation Order will mean that all modifications or amendments to the Plan occurring after the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

3. Revocation or Withdrawal of the Plan.

The Debtor reserves the right to, consistent with its fiduciary duties, revoke or withdraw the Plan before the Effective Date. If the Debtor revokes or withdraws the Plan, or if Confirmation does not occur, then: (a) the Plan will be null and void in all respects; (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, will be deemed null and void; and (c) nothing contained in the Plan will: (1) constitute a waiver or release of any Claims or Interests; (2) prejudice in any manner the rights of the Debtor or any other Person; or (3) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtor or any other Person.

I. Retention of Jurisdiction.

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court will retain such jurisdiction over the

Chapter 11 Case and all matters, arising out of or related to, the Chapter 11 Case and the Plan including but not limited to jurisdiction to:

- (a) to determine the allowance and classification of any Claim or Equity Interest, the reexamination of Claims or Equity Interests which have been allowed for purposes of voting, and the determination of any objections to Claims or Equity Interests that may be or may have been filed;
- (b) to determine motions to estimate Claims at any time, regardless of whether the Claim to be estimated is the subject of a pending objection, a pending appeal, or otherwise;
- (c) to determine motions to subordinate Claims or Equity Interests at any time and on any basis permitted by applicable law;
- (d) to construe or take any action to enforce this Plan and to issue such orders as may be necessary for the implementation, execution, and consummation of this Plan;
- (e) to determine any and all applications for allowance of compensation or reimbursement of expenses of Professionals;
- (f) to determine any other requests for payment of Administrative Expense Claims;
- (g) to resolve any disputes arising under or relating to this Plan;
- (h) to modify the Plan pursuant to section 1127 of the Bankruptcy Code and applicable Bankruptcy Rules;
- (i) to take any action to correct any defect, cure any omission, or reconcile any inconsistency in this Plan or the Confirmation Order as may be necessary to carry out the purposes and intent of this Plan;
- (j) to enter any order, including injunctions, necessary to enforce the rights, title and powers of the Debtor or the Reorganized Debtor and to impose such limitations, restrictions, terms and conditions of such rights, title and powers as the Bankruptcy Court may deem necessary;
- (k) to enforce any order previously entered by the Bankruptcy Court in this case and to enter the Closing Order;
- (l) to determine pending applications for the assumption or rejection of executory contracts or unexpired leases to which a Debtor is a party or with respect to which a Debtor may be liable, and to hear and determine, and if need be to adjudicate, any and all Claims arising therefrom;
- (m) to determine applications, adversary proceedings and contested or litigated matters and all causes of action, whether pending on the Effective Date or commenced thereafter;
- (n) to issue orders in aid of execution of the Plan to the extent authorized by section 1142 of the Bankruptcy Code;
- (o) to determine such other matters as may be set forth in the Confirmation Order;
- (p) to consider and act on the compromise and settlement of any Claim against, or cause of action on behalf of, the Debtor or its Estate;

- (q) to enter such orders as may be necessary or appropriate in connection with the Debtor, Reorganized Debtor or Assets, wherever located;
- (r) to hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar and related matters with respect to the Debtor arising prior to the Effective Date or relating to the administration of the Chapter 11 Case, including, without limitation, matters involving Federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
- (s) to enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings issued or entered in connection with this Chapter 11 Case or the Plan;
- (t) to enter such orders as may be necessary or appropriate to aid confirmation of and to facilitate implementation of the Plan, including, without limitation, any orders as may be appropriate in connection with the Equity Infusion; and
- (u) to determine any matter not inconsistent with the Bankruptcy Code or the Plan.

With respect to the IRS or federal taxes, nothing in the Plan is intended to expand, nor shall it be construed as expanding, the jurisdiction of the Bankruptcy Court beyond what is provided in 28 U.S.C. § 1334, nor shall it limit the right of other courts to hear matters otherwise properly within their jurisdiction. Determination of federal tax matters are determined exclusively by federal law.

J. Miscellaneous Provisions.

1. Immediate Binding Effect.

Notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or any other Bankruptcy Rule, upon the occurrence of the Effective Date, the terms of the Plan will be immediately effective and enforceable and deemed binding upon the Debtor, the Reorganized Debtor, and any and all Holders of Claims or Interests (irrespective of whether such Claims or Interests are deemed to have accepted the Plan), all Persons that are parties to or are subject to the settlements, compromises, releases, discharges, and injunctions described in the Plan, each Person acquiring property under the Plan, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtor.

2. Additional Documents.

On or before the Effective Date, the Debtor may file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtor or the Reorganized Debtor, as applicable, and all Holders of Claims receiving distributions pursuant to the Plan and all other parties in interest will, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

3. Reservation of Rights.

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court enters the Confirmation Order. None of the Plan, any statement or provision

contained in the Plan, or any action taken or not taken by the Debtor with respect to the Plan or the Disclosure Statement will be or will be deemed to be an admission or waiver of any rights of the Debtor with respect to the holders of Claims or Interests before the Effective Date.

4. Successors and Assigns.

The rights, benefits, and obligations of any Person named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign, affiliate, officer, director, manager, agent, representative, attorney, beneficiaries, or guardian, if any, of each Person.

5. Votes Solicited in Good Faith.

Upon entry of the Confirmation Order, the Debtor will be deemed to have solicited votes on the Plan in good faith and in compliance with the Bankruptcy Code and any applicable non-bankruptcy law, and pursuant to section 1125(e) of the Bankruptcy Code, the Debtor and its affiliates, agents, representatives, members, principals, shareholders, officers, directors, employees, advisors and attorneys will be deemed to have participated in good faith and in compliance with the Bankruptcy Code, and, therefore, will have no liability for the violation of any applicable law, rule, or regulation governing the solicitation of votes on the Plan.

6. Closing of Chapter 11 Case.

The Debtor shall, as soon as reasonably practicable after the Effective Date, seek to close its Chapter 11 Case. Allowing for early closure of the Chapter 11 Case will reduce administrative expenses and increase the Plan's feasibility.

IV. RISK FACTORS IN CONNECTION WITH THE PLAN

The holders of Claims and Equity Interests in Classes 1 and 4 should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks associated with the Plan and its implementation.

A. General Considerations.

The Plan sets forth the means for satisfying the Claims against the Debtor. The reorganization of the Debtor's business and operations under the proposed Plan avoids the potentially adverse impact of a sale or liquidation of the Debtor's business on its customers, employees, and suppliers, and the Debtor believes the proposed Plan provides for a greater recovery to holders of Claims and Interests against the Debtor than a liquidation.

B. Certain Bankruptcy Considerations.

Although the Debtor believes that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will confirm the Plan as proposed. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes.

In addition, the occurrence of the Confirmation Date and the Effective Date is conditioned on the satisfaction (or waiver) of the conditions precedent set forth herein. There can be no assurance that such conditions will be satisfied or waived. If the consummation of the Plan does not occur, the Plan will be null and void in all respects and nothing contained in the Plan or this Disclosure Statement shall: (1) constitute a waiver or release of any claims by or Claims against the Debtor; (2) prejudice in any manner the rights of the Debtor, any holders of Claims or Interests, or any other Person; or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtor, any Holders of Claims or Interests, or any other Person in any respect.

Consummation of the Plan is dependent on the Debtor's Available Cash and the Equity Infusion being sufficient to satisfy all funding obligations on the Effective Date of the Plan. The Debtor believes these obligations will be satisfied, provided there are no materials changes in the amount of Allowed Claims.

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtor believes that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtor created four (4) Classes of Claims and Interests, each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims and Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

The Plan provides that certain Classes are Impaired under the Plan and are entitled to vote to accept or reject the Plan. As to each impaired Class that does not vote to accept the Plan, the Plan may be confirmed if the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to these Classes. The Debtor believes that the Plan satisfies these requirements.

The Debtor's future results are dependent upon the successful confirmation and implementation of the plan. Failure to obtain this approval in a timely manner could adversely affect the Debtor's operating results materially, as the Debtor's operations may be harmed by a protracted bankruptcy case. Furthermore, the Debtor cannot predict the ultimate amount of all settlement terms for its liabilities that will be subject to a plan.

C. No Duty to Update Disclosures.

The Debtor has no duty to update the information contained in this Disclosure Statement as of the date hereof, unless otherwise specified herein, or unless the Debtor is required to do so pursuant to an order of the Bankruptcy Court. Delivery of the Disclosure Statement after the date hereof does not imply that the information contained herein has remained unchanged.

D. Representations Outside this Disclosure Statement.

This Disclosure Statement contains representations concerning or related to the Debtor and the Plan that are authorized by the Bankruptcy Code and the Bankruptcy Court. Please be advised that any representations or inducements outside this Disclosure Statement (and any related documents) that are intended to secure your acceptance or rejection of the Plan should not be relied upon by Holders of Claims or Interests that are entitled to vote to accept or reject the Plan.

E. No Admission.

The information and representations contained herein shall not be construed to constitute an admission of, or be deemed evidence of, any legal effect of the Plan on the Debtor or Holders of Claims and Interests.

F. Class Estimations.

There can be no assurance that any estimated Claim amounts set forth in this Disclosure Statement are correct. The actual Allowed Amount of Claims might differ materially in some respect from the estimated amounts as the estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, the actual Allowed Amount of Claims may vary materially from those estimated herein.

G. Leverage.

The Debtor believes that it will have sufficient funds from Available Cash and the Equity Infusion to satisfy its obligations on the Effective Date under the Plan. The Debtor further believes that it will emerge from the Chapter 11 Case as a Reorganized Debtor with a reasonable level of debt that can be effectively serviced in accordance with its business plan. Circumstances, however, may arise that might cause the Debtor or the Reorganized Debtor to conclude that it is overleveraged, which could have significant negative consequences, including: (1) it may become more difficult for the Reorganized Debtor to satisfy its obligations; (2) the Reorganized Debtor may be vulnerable to a downturn in the markets in which it operates or a downturn in the economy in general; (3) the Reorganized Debtor may be limited in its ability to generate Available Cash or borrow additional funds.

Additionally, there may be factors beyond the control of the Reorganized Debtor that could impact its ability to meet debt service requirements. The ability of the Reorganized Debtor to meet debt service requirements will depend on its future performance, which, in turn, will depend on the Reorganized Debtor's ability to sustain sales conditions in the markets in which the Reorganized Debtor operates, the economy generally, and other factors that are beyond its control. The Debtor can provide no assurance that the business of the Reorganized Debtor will generate sufficient cash flow from operations or that future borrowings will be available in amounts sufficient to enable the Reorganized Debtor to pay its indebtedness or to fund its other needs. Moreover, the Reorganized Debtor may need to refinance all or a portion of its indebtedness on or before maturity. The Debtor cannot make assurances that the Reorganized Debtor will be able to refinance any of its indebtedness on commercially reasonable terms or at all. If the Reorganized Debtor is unable to make scheduled debt payments or comply with the other provisions of its debt instruments, its lenders will be permitted under certain circumstances

to accelerate the maturity of the indebtedness owing to them and exercise other remedies provided for in those instruments and under applicable law.

H. Adverse Publicity.

Adverse publicity or news coverage relating to the Reorganized Debtor, including but not limited to publicity or news coverage in connection with the Chapter 11 Case, may negatively impact the Debtor's efforts to establish and promote name recognition and a positive image after the Effective Date.

I. Tax and Other Related Considerations.

The contents of this Disclosure Statement are not intended and should not be construed as tax, legal, business, or other professional advice. Holders of Claims and Interests should seek advice from their own independent tax, legal, or other professional advisors based on their own individual circumstances.

V. STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

A. Elements of Confirmation.

In order for the Plan to be confirmed, the Bankruptcy Code requires that the Court determine that the Plan complies with the technical requirements of Chapter 11 of the Bankruptcy Code and that the disclosures concerning the Plan have been adequate and have included information concerning all payments made or promised in connection with the Plan and this Chapter 11 Case. The Bankruptcy Code also requires that: (1) the Plan be accepted by the requisite votes of Creditors except to the extent that confirmation despite dissent is available under section 1129(b) of the Bankruptcy Code; (2) the Plan is feasible (that is, there is a reasonable probability that the Debtor will be able to perform its obligations under the Plan without needing further financial reorganization not contemplated by the Plan); and (3) the Plan is in the "best interests" of all Creditors (that is, Creditors will receive at least as much under the Plan as they would receive in a hypothetical liquidation case under Chapter 7 of the Bankruptcy Code). To confirm the Plan, the Court must find that all of the above conditions are met, unless the applicable provisions of section 1129(b) of the Bankruptcy Code are employed to confirm the Plan, subject to satisfying certain conditions, over the dissent or deemed rejections of Classes of Claims.

B. Best Interests of Creditors.

With respect to each Impaired Class of Claims and Interests, confirmation of the Plan requires that each holder of a Claim or Interest either (a) accept the Plan, or (b) receive or retain under the Plan property of a value, as of the Effective Date, 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. To calculate the probable distribution to holders of each Impaired Class of Claims and Interests if the Debtor was liquidated under Chapter 7, the Court must first determine the respective aggregate dollar amounts that would be generated from the Debtor's assets if its Chapter 11 Case was converted to Chapter 7 of the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the Debtor's assets by a Chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced by, first, the claims of secured creditors to the extent of the value of their collateral, and second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the Chapter 7 case and the Chapter 11 Case. Costs of liquidation under Chapter 7 of the Bankruptcy Code would include the compensation of a trustee, asset disposition expenses, all unpaid expenses incurred by the Debtor in this Chapter 11 Case (such as compensation of attorneys, financial advisors, and accountants) that are allowed in the Chapter 7 case, litigation costs, and claims arising from the operations of the Debtor during the pendency of the Chapter 11 Case. The liquidation itself could trigger certain Tax and Other Priority Claims (collectively, “Priority Claims”) that otherwise would be due in the ordinary course of business. Those Priority Claims would be paid in full from the liquidation proceeds before the balance would be made available to pay General Unsecured Claims or to make any distribution in respect of equity interests. The liquidation would also prompt the rejection of most, if not all, of the Debtor’s executory contracts and unexpired leases, thereby creating a significant increase in General Unsecured Claims.

The Debtor believes that the Plan meets the “best interests of creditors” test of section 1129(a)(7) of the Bankruptcy Code. The Debtor believes that the members of the Debtor’s Impaired Classes will receive as much or more under the Plan than they would receive in a liquidation. The Liquidation Analysis for a potential Chapter 7 liquidation scenario is attached hereto as Exhibit B.

Although the Debtor believes that the Plan meets the “best interests of creditors” test of section 1129(a)(7) of the Bankruptcy Code, there can be no assurance that the Court will determine that the Plan meets this test.

C. Feasibility of the Plan.

The Bankruptcy Code requires that the Court determine that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtor. For purposes of showing that the Plan meets this feasibility standard, the Debtor has analyzed the ability of the Reorganized Debtor to meet its obligations under the Plan and retain sufficient liquidity and capital resources to conduct its business. The Debtor believes that it will be able to satisfy all of its obligations under the Plan. To this end, the Debtor has obtained commitments from its existing Holders of Equity Interest to fund the Allowed Claims in Classes 2 and 3 in full, as well as to pay Allowed Administrative Expense Claims on terms acceptable to the Holders of such Claims.

D. Confirmation of the Plan if One or More Classes Do Not Accept.

Section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if such plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. A bankruptcy court may confirm a plan at the request of the Debtor if the plan “does not discriminate unfairly” and is “fair and equitable” as to each impaired class that has not accepted the plan.

A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank. A plan is fair and equitable as to a class of claims that rejects a plan if the plan provides (a) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that

has a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (b) that the holder of any claim or interest that is junior to the claims of such class will not receive or retain on account of such junior claim or interest any property at all. A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides (a) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of: (i) the allowed amount of any fixed liquidation preference to which such holder is entitled, (ii) any fixed redemption price to which such holder is entitled, or (iii) the value of such interest; or (b) that the holder of any interest that is junior to the interests of such class will not receive or retain any property at all on account of such junior interest under the plan.

VI. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

This Disclosure Statement does not discuss any federal income tax consequences of the Plan to Creditors. Accordingly, Creditors should consult their own tax advisors regarding their ability to recognize a loss for tax purposes and any other tax consequences to them of the Plan. DUE TO A LACK OF DEFINITIVE JUDICIAL OR ADMINISTRATIVE AUTHORITY AND INTERPRETATION, SUBSTANTIAL UNCERTAINTIES EXIST WITH RESPECT TO VARIOUS TAX CONSEQUENCES OF THE PLAN. FOR THE FOREGOING REASONS CREDITORS AND INTEREST HOLDERS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS AS TO SPECIFIC TAX CONSEQUENCES (FEDERAL, STATE, AND LOCAL) OF THE PLAN.

VII. EFFECTS OF PLAN CONFIRMATION

A confirmed plan leaves the Holders of Claims with new rights as set forth in the confirmed plan. Therefore, in the event of a default after Confirmation, a Holder of a Claim may pursue its remedies under the Plan. Some rights may remain with Holders of Claims after the provisions of the confirmed Plan have been carried out. The automatic stay of section 362(a) of the Bankruptcy Code as to actions against the Debtor and the Assets remains in effect until this Chapter 11 Case is closed. Thereafter, all Persons will be enjoined from taking any action inconsistent with the Plan.

A. Compromise and Settlement of Claims, Interests, and Controversies.

On and after the Effective Date, the provisions of the Plan shall bind any holder of a Claim against, or Equity Interest in, the Reorganized Debtor and such holder's respective successors and assigns, whether or not the Claim or Equity Interest of such holder is impaired under the Plan and whether or not such holder has accepted the Plan. Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Interest, or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtor,

its Estate, and holders of Claims and Interests, and is fair, equitable and reasonable. In accordance with the provisions of the Plan, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019(a), without any further notice to, action by, or order or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtor may compromise and settle Claims against them and Causes of Action against other Persons.

B. Discharge.

Except as otherwise provided in the Plan or the Confirmation Order: (i) on the Effective Date, the Reorganized Debtor shall be deemed discharged and released pursuant to section 1141 of the Bankruptcy Code from all Claims and interests, including, but not limited to, demands, liabilities, Claims and interests that arose before the Effective Date and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (a) a proof of Claim based on such Claim or debt has been filed or deemed filed pursuant to section 501 of the Bankruptcy Code, (b) a Claim based on such Claim or debt is allowed pursuant to section 502 of the Bankruptcy Code, or (c) the holder of such a Claim has accepted the Plan; and (ii) all Persons shall be precluded from asserting against the Reorganized Debtor, its successors, or its Assets any other or further Claims based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date. Except as otherwise provided herein, confirmation of the Plan shall void any judgment against the Debtor at any time obtained to the extent that it relates to a Claim discharged hereby.

E. Injunction.

EXCEPT AS OTHERWISE PROVIDED HEREIN OR IN THE CONFIRMATION ORDER, ON AND AFTER THE EFFECTIVE DATE, ALL PERSONS WHO HAVE HELD, CURRENTLY HOLD OR MAY HOLD A DEBT OR CLAIM AGAINST THE DEBTOR OR THE REORGANIZED DEBTOR OR ITS ASSETS ARE PERMANENTLY ENJOINED FROM TAKING ANY OF THE FOLLOWING ACTIONS ON ACCOUNT OF ANY SUCH DEBT OR CLAIM: (I) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING AGAINST THE DEBTOR, THE REORGANIZED DEBTOR OR ITS SUCCESSORS OR ASSIGNS OR ITS ASSETS; (II) ENFORCING, ATTACHING, COLLECTING OR RECOVERING IN ANY MANNER ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST THE DEBTOR, THE REORGANIZED DEBTOR OR ITS SUCCESSORS OR ASSIGNS OR ITS ASSETS; (III) CREATING, PERFECTING OR ENFORCING ANY LIEN OR ENCUMBRANCE AGAINST THE DEBTOR, THE REORGANIZED DEBTOR OR ITS SUCCESSORS OR ASSIGNS OR ITS ASSETS; AND (IV) COMMENCING OR CONTINUING ANY ACTION, IN ANY MANNER, IN ANY PLACE THAT DOES NOT COMPLY WITH OR IS INCONSISTENT WITH THE PROVISIONS OF THE PLAN OR THE CONFIRMATION ORDER. PROVIDED THE REORGANIZED DEBTOR IS NOT IN MATERIAL BREACH OF ITS OBLIGATIONS UNDER THE PLAN, THE INJUNCTIVE RELIEF GRANTED HEREIN TO THE DEBTOR AND THE REORGANIZED DEBTOR IS LIKEWISE GRANTED TO ANY CO-OBLIGOR OR GUARANTOR OF ANY DEBTS OR OBLIGATIONS OF THE DEBTOR. ANY PERSON, INCLUDING BUT NOT LIMITED TO THE DEBTOR OR THE REORGANIZED DEBTOR, INJURED BY ANY WILLFUL VIOLATION OF ANY INJUNCTION IMPOSED BY THE PLAN OR CONFIRMATION ORDER SHALL RECOVER ACTUAL DAMAGES, INCLUDING COSTS AND ATTORNEYS' FEES, AND, IN APPROPRIATE

CIRCUMSTANCES, MAY RECOVER PUNITIVE DAMAGES, FROM THE WILLFUL VIOLATOR.

F. Term of Injunctions or Stays.

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Case pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and existent on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Chapter 11 Case is closed. As such, upon the Effective Date, the Confirmation Order shall serve as an injunction against Lender from pursuing any and all collection efforts against the Debtor, the Reorganized Debtor, property of the Debtor, property of the Reorganized Debtor, a non-Debtor entity or person who is a co-obligor with the Debtor, a surety with respect to a Claim against the Debtor, and/or a maker or obligor with respect to an obligation for which the Debtor is a guarantor, so long as plan payments are made and the Plan is not in default. Notwithstanding the foregoing, if the Debtor fails to make any payments to Lender as contemplated by the Plan within seven (7) days of the date of payment provided in the Plan, Lender may exercise all rights and remedies granted it (a) under its pre-Petition Date loan agreements against the Debtor, the Reorganized Debtor, property of the Debtor, property of the Reorganized Debtor, and/or (b) the guaranty agreement against a non-Debtor entity without further approval by the Bankruptcy Court, provided, however, that prior to the exercise of any right provided herein, (i) Lender shall provide, in each case, written notice of its intent to exercise such rights and remedies to the Debtor, counsel for the Debtor, and any affected non-Debtor entity; and (ii) the Debtor shall have ten (10) days from receipt of the written notice provided for by clause (i) to cure the alleged non-payment. Except as provided herein, this section shall not affect the injunction as it applies to the Debtor or the Reorganized Debtor.

H. Release of Liens.

Except as otherwise provided in the Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of the Allowed Secured Lender Claim, satisfaction in full of the Allowed Secured Lender Claim, all mortgages, deeds of trust, liens, pledges, or other security interests against any property of the Estate shall be fully released and discharged, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, liens, pledges, or other security interests shall revert to the Reorganized Debtor and its successors and assigns. For the avoidance of doubt, except as otherwise provided in the Plan, all mortgages, deeds of trust, liens, pledges, or other security interests against any property of the Estate shall be fully released and discharged on the Effective Date without any further action of any party, including, but not limited to, further order of the Bankruptcy Court or filing updated schedules or statements typically filed pursuant to the Uniform Commercial Code.

IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Liquidation Under Chapter 7.

If no Chapter 11 Plan can be confirmed, the Chapter 11 Case may be converted to Chapter 7 of the Bankruptcy Code, in which a trustee would be elected or appointed to liquidate the assets of the Debtor. The Debtor, with the assistance of its professionals, has prepared a

Liquidation Analysis, attached hereto as Exhibit B. The Liquidation Analysis is based upon a hypothetical liquidation in Chapter 7. The Debtor has taken into account the nature, status, and underlying value of its assets, the ultimate realizable value of its assets, and the extent to which such assets are subject to liens and security interests. The likely form of any liquidation would be the sale of the Debtor's assets. Based on this analysis, it is likely that a Chapter 7 liquidation of the Debtor's assets would produce less value for distribution to creditors than that recoverable under the Plan. In the opinion of the Debtor, the recoveries projected to be available in a Chapter 7 liquidation are not likely to afford the holders of Claims as great a realization potential as do the Plan.

B. Alternative Plan.

If the Plan is not confirmed, the Debtor or any other party-in-interest could attempt to formulate a different plan. During the course of negotiation of the Plan, the Debtor explored various other alternatives and concluded that the Plan represented the best alternative to protect the interests of creditors and parties-in-interest. The Debtor has not changed its conclusions.

X. CONCLUSION AND RECOMMENDATIONS

The Debtor urges all creditors entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance by immediately returning their properly completed ballots to the appropriate voting agent as set forth on the ballots within the time stated in the notice served with this Disclosure Statement.

[SIGNATURE PAGE FOLLOWS]

April 24, 2017


Respectfully submitted,

HELLBENDER BREWING COMPANY, LLC

By: /s/ 

Name: Patrick Mullane

Title: Managing Member

By: /s/ 

Name: Ben Evans

Title: Managing Member

/s/ Lawrence A. Katz

Lawrence A. Katz (D.C. Bar No. 252825)

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