UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF FLORIDA
PENSACOLA DIVISION

In re:	**Chapter 11**
OCEAN CLUB OF WALTON COUNTY, INC.,	**Case No. 17-31019-HAC**
Debtor.	
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DISCLOSURE STATEMENT FOR PLAN OF REORGANIZATION OF OCEAN CLUB OF WALTON COUNTY, INC. UNDER CHAPTER 11 OF TITLE 11, UNITED STATES CODE

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Pensacola, Florida
Dated as of June 20, 2018

THIS DISCLOSURE STATEMENT (THE "**DISCLOSURE STATEMENT**") MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN OF REORGANIZATION OF OCEAN CLUB OF WALTON COUNTY, INC. UNDER CHAPTER 11 OF TITLE 11, UNITED STATES CODE (THE "**PLAN OF REORGANIZATION**" OR THE "**PLAN**"), AND NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT WILL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS AGAINST OR INTERESTS IN THE DEBTOR.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

THE DESCRIPTION OF THE DEBTOR'S PLAN OF REORGANIZATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INTENDED AS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN ITSELF. **EACH CREDITOR AND HOLDER OF AN INTEREST SHOULD READ, CONSIDER AND CAREFULLY ANALYZE THE TERMS AND PROVISIONS OF THE PLAN.**

THE SOLICITATION OF ACCEPTANCES OF THE PLAN OR THE GIVING OF ANY INFORMATION OR THE MAKING OF ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS OR DOCUMENTS ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN IS NOT AUTHORIZED BY THE PLAN PROPONENTS, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTORS. SUCH ADDITIONAL REPRESENTATIONS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR, WHO IN TURN WILL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR ACTION AS MAY BE DEEMED APPROPRIATE. THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCES IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME

SUBSEQUENT TO THE DATE HEREOF. CREDITORS AND HOLDERS OF INTERESTS ARE ENCOURAGED TO REVIEW THE BANKRUPTCY DOCKET IN THE LEAD CASE IN ORDER TO EVALUATE EVENTS WHICH OCCUR BETWEEN THE DATE OF THIS DISCLOSURE STATEMENT AND THE DATE OF THE CONFIRMATION HEARING. **ALL CREDITORS THAT ARE ENTITLED TO VOTE ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN OF REORGANIZATION AND THE MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT, PRIOR TO SUBMITTING A BALLOT PURSUANT TO THIS SOLICITATION.**

IN THE EVENT THAT ANY OF THE CLASSES OF HOLDERS OF IMPAIRED CLAIMS VOTE TO REJECT THE PLAN (1) THE DEBTOR MAY ALSO SEEK TO SATISFY THE REQUIREMENTS FOR CONFIRMATION OF THE PLAN WITH RESPECT TO THAT CLASS UNDER THE SO-CALLED "CRAMDOWN" PROVISIONS OF SECTION 1129(b) OF THE BANKRUPTCY CODE (11 U.S.C. §1129(b)) AND, IF REQUIRED, MAY FURTHER AMEND THE PLAN TO CONFORM TO SUCH REQUIREMENTS OR (2) THE PLAN MAY BE OTHERWISE MODIFIED OR WITHDRAWN AS PROVIDED THEREIN. THE REQUIREMENTS FOR CONFIRMATION, INCLUDING THE VOTE OF HOLDERS OF IMPAIRED CLAIMS TO ACCEPT THE PLAN AND CERTAIN OF THE STATUTORY FINDINGS THAT MUST BE MADE BY THE BANKRUPTCY COURT, ARE SET FORTH UNDER THE CAPTION "VOTING ON AND CONFIRMATION OF THE PLAN."

APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT INDICATE THAT THE BANKRUPTCY COURT RECOMMENDS EITHER ACCEPTANCE OR REJECTION OF THE PLAN, NOR DOES SUCH APPROVAL CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT OF THE FAIRNESS OR MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND HOLDERS OF INTERESTS. ALL CREDITORS AND HOLDERS OF INTERESTS ARE THEREFORE URGED TO VOTE IN FAVOR OF THE PLAN. TO BE COUNTED, YOUR BALLOT MUST BE COMPLETED AND EXECUTED AND RECEIVED BY NO LATER THAN THE TIME SET BY THE COURT.

INDEX TO EXHIBITS TO DISCLOSURE STATEMENT

DISCLOSURE STATEMENT FOR PLAN OF REORGANIZATION OF OCEAN CLUB OF WALTON COUNTY, INC. UNDER CHAPTER 11 OF TITLE 11, UNITED STATES CODE

OCEAN CLUB OF WALTON COUNTY, INC. (the "**Debtor**" or "**Ocean Club**"), the Debtor and Debtor in Possession in this Bankruptcy Case, submits this Disclosure Statement pursuant to Section 1125 (11 U.S.C. §1125) of the Bankruptcy Code, 11 U.S.C. §101, *et seq.* (the **"Bankruptcy Code"**), in connection with the solicitation of votes on the Plan from holders of impaired Claims against the Debtor and the hearing on confirmation of the *Plan of Reorganization for Ocean Club of Walton County, Inc., under Chapter 11 of Title 11, United States Code* (the "**Plan**"), as scheduled by the Bankruptcy Court.

This Disclosure Statement is subject to the approval of the Bankruptcy Court in accordance with Section 1125(b) of the Bankruptcy Code as containing information of a kind and in sufficient detail adequate to enable a hypothetical reasonable investor typical of the holders of Claims of the relevant Voting Classes (as defined below) to make an informed judgment whether to accept or reject the Plan. Effort has been made to provide meanings of capitalized and other terms used in this Disclosure Statement. Reference is made to the Plan, however, for the actual meanings of all capitalized and other terms used in this Disclosure Statement and in the Plan and for controlling language with respect to any provision referenced in this Disclosure Statement or in the Plan. Terms used in this Disclosure Statement and in the Plan are defined in Article I of the Plan. In the event of a conflict between the definition of any term or any other provision contained in this Disclosure Statement and the corresponding definition or provision contained in the Plan, the definition or provision contained in the Plan shall control.

In the opinion of the Debtor, the treatment of Claims and Interests under the Plan contemplates a substantially greater recovery than that which is likely to be achieved under other alternatives for the reorganization or liquidation of the Debtor. If the Plan is not confirmed, there is a substantial likelihood that unsecured creditors will be left with no recovery at all.

The Debtor believes that confirmation of the Plan is clearly in the best interests of Creditors and Holders of Equity Interests, and strongly recommend that Creditors holding Allowed Claims in the Voting Classes vote to accept the Plan.

PURPOSE OF DISCLOSURE STATEMENT

The purpose of this Disclosure Statement is to provide the Creditors of the Debtor with adequate information to make an informed judgment about the Plan. This information includes, among other things, the history of the Debtor prior to the filing of the Bankruptcy Case under Chapter 11, the events leading to the filing of the Bankruptcy Case, a brief summary of significant events to date in the Bankruptcy Case, and a summary explanation of how the Plan will function.

This Disclosure Statement contains important information about the Plan and considerations pertinent to a vote for or against the confirmation of the Plan. All holders of Claims and Equity Interests are encouraged to carefully review this Disclosure Statement and the Plan.

VOTING INSTRUCTIONS

Who May Vote

Only the holders of Claims and Equity Interests that are deemed "allowed" under the Bankruptcy Code and that are "impaired" under the terms and provisions of the Plan (the **"Voting Classes"**) are permitted to vote to accept or reject the Plan. For purposes of the Plan, only the holders of Allowed Claims in the Voting Classes are impaired under the Plan and thus may vote to accept or reject the Plan. Under the Plan, the Claims classified in Classes 2 through 4 are impaired under the Plan and are entitled to vote to accept or reject the Plan and thus constitute the "Voting Classes" thereunder.

How to Vote

Each holder of a Claim in a Voting Class should read this Disclosure Statement, together with the Plan and other exhibits, in their entirety. After carefully reviewing the Plan and this Disclosure Statement and their respective exhibits, please complete the enclosed Ballot, including indicating your vote thereon with respect to the Plan, and return the Ballot as provided below. Please note that your vote and election cannot count unless you return the enclosed Ballot.

If you are a member of a Voting Class and did not receive a Ballot, if your Ballot is damaged or lost, or if you have any questions concerning voting procedures, please contact Leigh Hathaway at (850) 637-1836.

Completed Ballots should be sent by regular mail, hand delivery, or overnight delivery, **SO AS TO BE RECEIVED NO LATER THAN THE BALLOT DEADLINE,** to:

Jodi Daniel Cooke, Esquire
Stichter Riedel Blain & Postler, PA
41 N. Jefferson St., Ste. 111
Pensacola, FL 32502

Acceptance of Plan and Vote Required for Class Acceptance

As the holder of an Allowed Claim in the Voting Classes, your vote on the Plan is extremely important. In order for the Plan to be accepted and thereafter confirmed by the Bankruptcy Court without resorting to the "cramdown" provisions of Section 1129(b) of the Bankruptcy Code as to other classes of Allowed Claims, votes representing at least two-thirds in amount and more than one-half in number of Allowed Claims of each impaired Class of Claims that are voted must be cast for the acceptance of the Plan. The Debtor is soliciting acceptances only from members of the Voting Classes. The Debtor or its agent may contact you with regard to your vote on the Plan.

To meet the requirement for confirmation of the Plan under the "cramdown" provisions of the Bankruptcy Code with respect to any impaired Class of Claims or Equity Interests which votes to reject the Plan (a "**Rejecting Class**"), the Debtor would have to show that all Classes junior to the Rejecting Class will not receive or retain any property under the Plan unless all holders of Claims in the Rejecting Class receive, under the Plan, property having a value equal to the full amount of their Allowed Claims.

Confirmation Hearing

The Bankruptcy Court will schedule a hearing to consider confirmation of the Plan (the "**Confirmation Hearing**"), which may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. The Bankruptcy Court has directed that any objection to confirmation of the Plan must be in writing and specify in detail the name and address of the objector, the basis for the objection and the specific grounds for the objection, and the amount of the Claim held by the objector. Consistent with Rule 3020(b) of the Federal Rules of Bankruptcy Procedure and

Local Rule 3020-1(a), any such objection must be filed with the Bankruptcy Court and served upon each of the following parties, so as to be actually received on or before the deadline set by the Court:

Debtor:	Jodi Daniel Cooke, Esquire Stichter Riedel Blain & Postler, PA 41 N. Jefferson St., Ste. 111 Pensacola, FL 32502
U.S. Trustee:	Charles F. Edwards, Esquire Assistant United States Trustee 110 East Park Avenue, Suite 128 Tallahassee, Florida 32301

HISTORY OF THE DEBTORS

The Debtor is a Florida corporation that owns and operates the Ocean Club, a fine dining restaurant and full service bar. The Debtor was incorporated in June 1989. The Ocean Club is located in the Tops'l Resort, near the Sandestin Golf and Beach Resort. The menu features the freshest seafood and finest steaks and has been a favorite of locals and tourists for over twenty years. Though employee turnover is common in the restaurant industry, half of the Debtor's employees have worked for the Debtor for over 20 years, which further speaks to the special culture at the Ocean Club. The Ocean Club is open daily for dinner and is rated on Tripadvisor as a 4 on a scale of 5 with 58% of the reviews as "Excellent."

During the entirety of its operation, the Ocean Club has been owned and operated by Cary Shahid ("**Shahid**"). Shahid was the President of the Debtor pre-petition and served as its general operations manager. There were no other officers or directors.

The physical address of the Ocean Club is 8955 U.S. Highway 98 West, Destin, Florida (the "**Real Property**"). The Debtor owns this Real Property subject to a pre-petition foreclosure judgment in favor of Hancock Bank.

EVENTS LEADING TO THE FILING OF THE BANKRUPTCY CASES

The Hancock foreclosure judgment was entered on October 5, 2017. Prior to the chapter 11 filing, the Debtor and Hancock engaged in negotiations to reach a resolution of the judgment and/or the underlying debt. The chapter 11 filing was necessary to allow the Debtor to continue its dialogue with Hancock, to protect the employees who depend on continued operation of the Ocean Club, to restructure and pay its debt obligations, and to achieve a commercially reasonable solution to maximize recoveries for its creditors, including Hancock.

SUMMARY OF DEBTOR'S PREPETITION FINANCIAL PERFORMANCE

The Debtor's gross revenues for the year ending December 31, 2015, were $1,896,134.00. The Debtor's gross revenues for the year ending December 31, 2016, were $2,177,356.03.

SUMMARY OF DEBTOR'S POSTPETITION FINANCIAL PERFORMANCE

For the period of November 14, 2017, through May 31, 2018, the Debtor generated gross receipts of $443,581.28 and net cash flow of $475,562.65.

SIGNIFICANT EVENTS TO DATE IN THE BANKRUPTCY CASES

On November 14, 2017, the Debtor filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (Doc. No. 1). On November 15, 2017, the Debtor filed emergency motions regarding its utility service, authority to use cash collateral, and the payment of prepetition wages, salaries, and other employee benefits (Doc. Nos. 7, 12, 15). On November 16, 2017, the Court entered orders granting the Debtor's emergency motion to pay prepetition wages, salaries, and other employee benefits; continuing the Debtor in Possession and authorizing the continuation of the Debtor's business; and transferring the Bankruptcy Case to a new judge, the Honorable Henry A. Callaway (Doc. Nos. 18, 24, 25). On November 20, 2017, the Court entered interim orders granting the Debtor's emergency motions regarding utility service and authority to use cash collateral (Doc. Nos. 41-42). On December 6, 2017, the Court entered a final order granting the Debtor's emergency motion for authority to use cash collateral (Doc. No. 63).

On November 16, 2017, the Debtor filed its Chapter 11 Case Management Summary (Doc. No. 22).

On November 17, 2017, the Debtor filed its Debtor's Application and Amended Application for Authorization to Employ Stichter Riedel Blain & Postler, PA, as Counsel for Debtor in Possession *nunc pro tunc* to Petition Date (Doc. Nos. 30 & 31). On December 6, 2017, the Court entered an order granting the Debtor's application (Doc. No. 64).

On November 22, 2017, the Debtor filed a Notice of Designation as Small Business Case (Doc. No. 45).

On November 28, 2017, the Debtor filed its Application to Employ Jeffrey C. Patrick CPA, LLC as Certified Public Accountant (Doc. No. 52). On December 15, 2017, the Court entered an order granting the Debtor's application (Doc. No. 75).

On November 30, 2017, the Debtor filed a motion for authority to pay post-petition affiliate compensation (Doc No. 54). On December 6, 2017, the Court entered an order granting the Debtor's motion (Doc. No. 67).

On December 8, 2017, the Debtor filed its Schedules, Statement of Financial Affairs, and Rule 2016(b) statement (Doc. No. 70). On January 8, 2018, the Debtor filed amended Schedules E-F and an amended Statement of Financial Affairs (Doc. No. 84). On January 18, 2018, the Debtor filed amended Schedules E-F (Doc. No. 88).

On January 16, 2018, the Debtor filed a motion for order directing the parties to mediation (Doc. No. 87). On January 16 and 26, 2018, the Court entered an order and a revised order, respectively, granting the mediation motion and ordering the parties to mediate on or before March 27, 2018 (Doc. Nos. 92 and 96). The parties mediated the Bankruptcy Case on February 26, 2018. Such mediation ultimately resulted in the settlement of a dispute over Shahid's ownership of the stock in the Debtor, which settlement was approved by the Court on June 15, 2018 (Doc. Nos. 128, 143).

On April 16, 2018, the Debtor filed an interim application for payment of professional fees and costs to Stichter Riedel Blain & Postler, PA (Doc. No. 110). On May 24, 2018, the Court entered an order granting the Debtor's application (Doc. No. 137).

On May 8, 2018, Hancock Bank filed a Motion for Relief from Stay (Doc. No. 115). Such motion is currently pending and a preliminary hearing has been set on July 23, 2018.

SUMMARY OF PLAN OF REORGANIZATION

Introduction

The Plan provides for the continued operation of the Debtor pursuant to a compromise and settlement of Hancock Bank's secured claim against the Debtor's Real Property. The Plan provides for Cash payments to Holders of Allowed Claims, except Holders of Equity Interests, all as more particularly described in Articles 3 and 5 of the Plan.

A summary of the principal provisions of the Plan is set forth below. This summary is qualified in its entirety by reference to the provisions of the Plan and, to the extent there is any conflict between this summary and the Plan, the language of the Plan will govern. All terms stated in initial capital letters in this summary are defined in the Plan.

Claims and Equity Interests will be treated under the Plan in the manner set forth in Article 5 of the Plan. Except as otherwise specifically provided in the Plan, the treatment of, and the consideration to be received by, Holders of Allowed Claims and Holders of Allowed Equity Interests pursuant to the Plan will be in full and final satisfaction, settlement, release, extinguishment and discharge of their respective Allowed Claims (of any nature whatsoever) and Allowed Equity Interests.

TREATMENT OF ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS

Administrative Expenses. Except as otherwise provided in Articles 3.1.2 – 3.1.4 of the Plan, each Holder of an Allowed Administrative Expense Claim (including Allowed Administrative Expense Claims of Professionals) shall be paid from the assets of the Estate as supplemented under the Plan (a) on the Distribution Date, an amount, in Cash, by the Debtor equal to the Allowed Amount of its Administrative Expense Claim, in accordance with § 1129(a)(9)(A) of the Bankruptcy Code, (b) under such other terms as may be agreed upon by both the Holder of such Allowed Administrative Expense Claim and the Debtor, or (c) as otherwise ordered by a Final Order of the Bankruptcy Court.

All fees and charges assessed against the Estate under Chapter 123 of title 28, United States Code, 28 U.S.C. §§ 1911-1930, for any calendar quarter ending prior to the Effective Date shall be paid to the United States Trustee by the Debtor by no later than thirty (30) days following the Effective Date. Following the Effective Date, any such fees required pursuant to 28 U.S.C. § 1930(a)(6) arising or accruing from distributions made by the Debtor shall be paid by the Debtor.

All Allowed Administrative Expense Claims with respect to liabilities incurred by the Debtor in the ordinary course of business during the Bankruptcy Case shall be paid by the Debtor, as applicable, in the ordinary course of business in accordance with contract terms or as may be otherwise agreed upon by both the Holder of such Allowed Administrative Expense Claim and the Debtor.

All Allowed Administrative Expense Claims representing Cure Clams shall be paid upon (a) the later to occur of (i) the Distribution Date or (ii) the time period identified in Article 7.3 of the Plan as to any disputed Cure Claim or (b) under such other terms as may be agreed upon by both the Holder of such Allowed Administrative Expense Claim and the Debtor.

Priority Tax Claims. Each Holder of an Allowed Priority Tax Claim shall receive from the Reorganized Debtor, on account of such Allowed Priority Tax Claim, regular installment payments in Cash in accordance with Section 1129(a)(9)(C) of the Bankruptcy Code. Notwithstanding the above, each Holder of an Allowed Priority Tax Claim may be paid under such other terms as may be agreed upon by both the Holder of such Allowed Priority Tax Claim and the Debtor or the Reorganized Debtor, as the case may be.

TREATMENT OF CLASSIFIED CLAIMS AND MEMBERSHIP INTERESTS

In General. Claims and Equity Interests will be treated under the Plan in the manner set forth in Article 5 of the Plan. Except as otherwise specifically provided in the Plan, the treatment of, and the consideration to be received by, Holders of Allowed Claims and Holders of Allowed Equity Interests pursuant to the Plan will be in full and final satisfaction, settlement, release, extinguishment, and discharge of their respective Allowed Claims, of any nature whatsoever, and Allowed Equity Interests.

Unclassified Claims. Holders of Allowed Administrative Expense Claims and Allowed Priority Tax Claims shall receive the treatment set forth in Article 3 of the Plan.

Class 1: Class 1: Allowed Secured Tax Claims.

Class 1 consists of all Allowed Secured Tax Claims of the Walton County Tax Collector. Each Holder of an Allowed Secured Tax Claim shall be paid on the Effective Date an amount, in Cash, by the Reorganized Debtor equal to the Allowed Amount of its Secured Tax Claim. Class 1 is Unimpaired by the Plan. Each Holder of an Allowed Secured Tax Claim conclusively is presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

Class 2: Allowed Hancock Bank Secured Claim.

Class 2 consists of the Allowed Hancock Bank Secured Claim. Pursuant to an agreement between Hancock Bank and the Debtor, such Claim shall be deemed an Allowed Claim that is Impaired under the Plan, and shall be subject to the following treatment:

a. The Debtor and Hancock Bank agree that if the Debtor timely complies with the terms and conditions set forth in this Article 5.3 and is not otherwise in default of its obligations to Hancock Bank hereunder, then Hancock Bank will accept payment of the Hancock Bank Plan Claim Amount in full and complete satisfaction of the Allowed Hancock Bank Secured Claim.

b. On or before the Effective Date, the Debtor shall pay to Hancock Bank the sum of $200,000.00 in Cash (the "**Initial Hancock Distribution**"), which payment shall reduce the balance owed to Hancock Bank on account of the Allowed Hancock Bank Secured Claim to $910,000.00 (the "**Hancock Claim Balance**").

c. Hancock Bank will retain its lien on the Hancock Bank Collateral in order to secure repayment of the Allowed Hancock Bank Secured Claim.

d. The Debtor will maintain sufficient hazard, flood and general liability and casualty insurance with respect to the Hancock Collateral. All such policies of insurance: (i) shall be with an insurer and in such amounts that are acceptable to Hancock Bank; (ii) shall reflect that Hancock Bank is an additional insured or loss payee; and (iii) shall contain provisions that ensure Hancock Bank is given not less

than 30 days' notice of cancellation of any such insurance. A failure to maintain such insurance shall be a default under the Plan.

e. The Hancock Claim Balance shall be amortized over twenty (20) years at five and one-half percent (5.5%) interest.

f. Beginning on the date that is thirty-one (31) days after the Effective Date, the Debtor shall make monthly payments of interest only to Hancock Bank for a period of twelve (12) months.

g. Beginning on the twentieth day of the fourteenth (14th) month following the Effective Date, the Debtors shall make monthly payments of principal and interest to Hancock Bank in accordance with the amortization terms set forth above. There shall be a balloon payment due to Hancock Bank on the twentieth day of the thirty-seventh (37th) month after the Effective Date (the "**Hancock Maturity Date**") equal to all unpaid interest and principal outstanding on account of the Hancock Claim Balance as of such date.

h. There shall be no prepayment penalties with respect to the Hancock Claim Balance. In the event the Debtor pays the entire outstanding Hancock Claim Balance then owed to Hancock Bank on or before the twentieth day of the twenty-fifth (25th) month following the Effective Date, Hancock Bank shall discount such outstanding Hancock Claim Balance then owed by fifty thousand dollars ($50,000.00).

i. In order to implement the provisions of the Plan with respect to the treatment of the Allowed Hancock Bank Secured Claim, the Debtor and Hancock Bank agree that they will enter into a Forbearance Agreement that will include the following terms and conditions:

(i) There shall be a five (5) day grace period with respect to all payments due to Hancock Bank under this Article 5.3 (including the tax escrow payments described below), except for the Hancock Maturity Date payment, for which there shall be no grace period. All payments subject to the grace period must be received by Hancock Bank and the tax escrow holder not later than the end of such grace period. In the event a payment is not received by the end of such grace period, Hancock Bank may assert a default under the terms of the agreement set forth herein (which terms shall also be memorialized in the Forbearance Agreement) by providing written notice via email or facsimile to the Debtor and to the Debtor's

counsel. Such notice shall be deemed to have been given immediately upon its being sent. The Debtor shall then have seventy-two (72) hours from the time such notice is sent within which to cure the default by delivering the required payment, in full, to Hancock Bank via good and collectible funds. Such right to cure shall not apply with respect to the Hancock Maturity Date payment, and Hancock Bank shall not be required to provide any notice to the Debtor nor any opportunity to cure with respect to a default arising from a failure to make the Hancock Maturity Date payment.

(ii) The Debtor shall establish an escrow account to hold deposits of funds necessary to pay the estimated 2018 real and personal property taxes due to Walton County, Florida, on March 31, 2019. The first deposit for such tax escrow shall be due on the Effective Date in the amount of $2194.68 and deposits of $548.67 per month shall be made thereafter on a monthly basis provided that sufficient deposits have been made to such account not later than March 24, 2019 to ensure that the 2018 taxes are timely paid in full. Thereafter, the Debtor shall continue to make monthly deposits into such escrow (equivalent to 1/12 of the actual taxes due for the preceding year) to ensure that the real and personal property taxes due in subsequent years are timely paid in full. This tax escrow obligation shall continue until such time as the Debtor continues to be obligated to Hancock Bank.

(iii) In the event the Debtor fails to timely cure any default, Hancock Bank may, in its sole and absolute discretion, file an appropriate motion, paper, application or other paper in the State Court Foreclosure Action and seek, on an ex parte basis, entry of appropriate orders or rulings to amend the Hancock Bank Foreclosure Judgment in order to (a) adjust such judgment to take into account the amounts remaining due to Hancock Bank based on the Allowed Hancock Bank Secured Claim, less a credit for any payments actually made to Hancock Bank pursuant to the Plan, and (b) set a foreclosure sale date for the Hancock Collateral in accordance with Florida law. The Debtor agrees that if it fails to timely make any payment(s) due under this Plan to or for the benefit of Hancock Bank, it will be deemed to have waived any and all equitable defenses to Hancock Bank's resumption of the foreclosure action including, but not limited to, a foreclosure sale.

(iv) The Forbearance Agreement contemplated herein shall be drafted by counsel for Hancock Bank and contain such other terms and conditions that Hancock Bank typically requires; provided, however, that such terms and conditions shall expressly include the terms for repayment of the Hancock Bank Plan Claim Amount as set forth above.

(v) The Debtor will also cooperate with Hancock Bank to the extent requested in order to abate the State Court Foreclosure Case subsequent to confirmation of the Plan.

(vi) The Debtor shall place a deed in lieu of foreclosure in escrow. Such deed shall not be released unless an uncured default occurs under the Plan. In order to reduce risk for Hancock Bank, in the event of a default that is not timely cured, the Debtor will not contest the release of the deed in lieu of foreclosure or, alternatively, will consent to foreclosure in the event that Hancock Bank elects to foreclose.

j. The Equity Holder(s) in the Reorganized Debtor shall not pledge or encumber their Equity Interest(s) in the Reorganized Debtor unless and until the Claim Balance is paid in full pursuant to the terms of this Plan.

k. Upon payment in full of the Allowed Hancock Bank Secured Claim pursuant to the terms of the Plan, and provided that the Debtor is not otherwise in default of its obligations to Hancock Bank under the Plan, the Holder(s) of the Allowed Hancock Bank Secured Claim shall be deemed to have been paid in full on account of such Claim, shall release its lien against any Hancock Bank Collateral securing such Claim, and shall issue a satisfaction of the Hancock Bank Foreclosure Judgment, as appropriate.

Class 2 is Impaired by the Plan. The Holder(s) of the Allowed Hancock Bank Secured Claim is entitled to vote to accept or reject the Plan.

Class 3: Unsecured Claims.

Class 3 consists of all Allowed Unsecured Claims. Holders of Allowed Class 3 Unsecured Claims will receive payment of their Allowed Claims through a Distribution of their Pro Rata Share of the Debtor's net income over the life of the Plan. Such payments to Allowed Unsecured Claims shall be payable in five (5) annual payments, commencing one year from the Effective Date. Class 3 is Impaired by the Plan. Each Holder of a Class 3 Claim is entitled to vote to accept or reject the Plan.

Class 4: Equity Interests.

Class 4 consists of all Equity Interests. The Equity Holder(s) will retain their Equity Interests, but shall not receive any distribution under the Plan on account of any prepetition capital contribution(s) to the Debtor. Class 4 is Impaired by the Plan. Each Holder of a Class 4 Claim is entitled to vote to accept or reject the Plan.

ACCEPTANCE OR REJECTION OF PLAN

Each Impaired Class Entitled to Vote Separately. Except as otherwise provided in Article 6.4 of the Plan, the Holders of Claims or Equity Interests in each Impaired Class of Claims or Impaired Class of Equity Interests shall be entitled to vote separately to accept or reject the Plan.

Acceptance by Impaired Classes. Classes 2 through 4 are Impaired under the Plan, and Holders of Claims in such Classes are entitled to vote to accept or reject the Plan. Pursuant to Section 1126(c) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted the Plan if (a) the Holders (other than any Holder designated pursuant to Section 1126(e) of the Bankruptcy Code) of at least two-thirds in dollar amount of the Allowed Claims actually voting in such Class have voted to accept the Plan and (b) the Holders (other than any Holder designated pursuant to Section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims actually voting in such Class have voted to accept the Plan. If a Holder of a Claim holds more than one Claim in any one Class, all Claims of such Holder in such Class shall be aggregated and deemed to be one Claim for purposes of determining the number of Claims in such Class voting on the Plan. Pursuant to Section 1126(d) of the Bankruptcy Code, an Impaired Class of Equity Interests shall have accepted the Plan if the Holders (other than any Holder designated pursuant to Section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Equity Interests actually voting in such Class have voted to accept the Plan.

Presumed Acceptance of Plan by Unimpaired Classes. Class 1 is unimpaired under the Plan. Pursuant to Section 1126(f) of the Bankruptcy Code, such Classes and the Holders of Claims in such Classes are conclusively presumed to have accepted the Plan and, thus, are not entitled to vote on the Plan. Accordingly, votes of Holders of Claims in Class 1 are not being solicited by the Debtor. Except as otherwise expressly provided in the Plan, nothing contained herein or otherwise shall

affect the rights and legal and equitable claims or defenses of the Debtor or the Reorganized Debtor in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to setoffs or recoupments against Unimpaired Claims.

***Impairment Controversies*.** If a controversy arises as to whether any Claim or Equity Interest, or any Class of Claims or Class of Equity Interests, is Impaired under the Plan, such Claim, Equity Interest or Class shall be treated as specified in the Plan unless the Bankruptcy Court shall determine such controversy upon motion of the party challenging the characterization of a particular Claim or Equity Interest, or a particular Class of Claims or Class of Equity Interests, under the Plan.

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, (i) all executory contracts and unexpired leases that currently exist between the Debtor and another Person or Entity and that are listed on **Exhibit A** to the Plan shall be deemed assumed by the Debtor as of the Effective Date, and (ii) all other executory contracts and unexpired leases that currently exist between the Debtor and another Person or Entity and that are not listed on **Exhibit B** to the Plan shall be deemed assumed by the Debtor as of the Effective Date (collectively, the "**Assumed Contracts**"); provided, however, that the Debtor reserves the right, on or prior to the Confirmation Date, to amend **Exhibit B** to add any executory contract or unexpired lease thereto or to delete any executory contract or unexpired lease therefrom, in which event such executory contract(s) or unexpired lease(s) shall be deemed to be rejected (if added) or assumed (if deleted). The Debtor shall provide notice of any amendments to **Exhibits A or B** to the parties to the executory contracts and unexpired leases affected thereby. The listing of a document on **Exhibits A or B** shall not constitute an admission by the Debtor that such document is an executory contract or an unexpired lease or that the Debtor has any liability thereunder. Any executory contract or unexpired lease that exists between the Debtor and another Person or Entity and that is listed on **Exhibit B** attached to the Plan shall be deemed rejected by the Debtor as of the Confirmation Date (collectively, the "**Rejected Contracts**"), unless there is pending before the Bankruptcy Court on the Confirmation Date a motion to assume such executory contract or unexpired lease.

Approval of Assumption or Rejection of Executory Contracts and Unexpired Leases. Entry of the Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute (i) the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed pursuant to Article 7.1 hereof, (ii) the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to Article 7.1 hereof, and (iii) the extension of time, pursuant to Section 365(d)(4) of the Bankruptcy Code, within which the Debtor may assume, assume and assign, or reject any unexpired lease of nonresidential real property through the date of entry of an order approving the assumption, assumption and assignment, or rejection of such unexpired lease. The assumption by the Debtor of an Assumed Contract shall be binding upon any and all parties to such Assumed Contract as a matter of law, and each such Assumed Contract shall be fully enforceable by the Reorganized Debtor in accordance with its terms, except as modified by the provisions of the Plan or an order of the Bankruptcy Court.

Inclusiveness. Unless otherwise specified on **Exhibit A** or **Exhibit B**, each executory contract and unexpired lease listed or to be listed on **Exhibit A** or **Exhibit B** shall include all modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affect such executory contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on **Exhibit A** or **Exhibit B**.

Cure of Defaults. Any lessor, lessee, or other party to an Assumed Contract (except those lessors, lessees, or other parties whose unexpired leases or executory contracts have been previously assumed by a Final Order of the Bankruptcy Court) asserting a Cure Claim in connection with the assumption of any unexpired lease or executory contract under Article 7.1 of the Plan, as contemplated by Section 365(b) of the Bankruptcy Code, must file such Cure Claim with the Bankruptcy Court on or before the Cure Claim Submission Deadline asserting all alleged amounts accrued or alleged defaults through the Effective Date. Any lessor or other party to an Assumed Contract failing to file a Cure Claim by the Cure Claim Submission Deadline shall be forever barred from asserting, collecting or seeking to collect any amounts or defaults relating thereto against the Debtor or the Reorganized Debtor. The Reorganized Debtor shall have ninety (90) days from the Effective Date to file an objection to any Cure Claim. Any disputed Cure Claims shall be resolved either

consensually or by the Bankruptcy Court. Except as may otherwise be agreed to by the parties, by no later than one hundred eighty (180) days following the Effective Date, the Reorganized Debtor shall cure any and all undisputed Cure Claims. All disputed Cure Claims shall be cured either within one hundred twenty (120) days after the entry of a Final Order determining the amount, if any, of the Debtor's liability with respect thereto or as may otherwise be agreed to by the parties. As of the date of the Plan, the Debtor does not believe there will be any Cure Claims.

Claims under Rejected Executory Contracts and Unexpired Leases. Unless otherwise ordered by the Bankruptcy Court, any Claim for damages arising by reason of the rejection of any executory contract or unexpired lease must be filed with the Bankruptcy Court on or before the Bar Date for rejection damage Claims in respect of such rejected executory contract or unexpired lease or such Claim shall be forever barred and unenforceable against the Debtor or the Reorganized Debtor. With respect to the Rejected Contracts, the Bar Date for filing rejection damage and other Claims with the Bankruptcy Court shall be thirty (30) days after the Confirmation Date. The Plan and any other order of the Bankruptcy Court providing for the rejection of an executory contract or unexpired lease shall constitute adequate and sufficient notice to Persons or Entities which may assert a Claim for damages from the rejection of an executory contract or unexpired lease of the Bar Date for filing a Claim in connection therewith.

All Claims for damages from the rejection of an executory contract or unexpired lease, once fixed and liquidated by the Bankruptcy Court and determined to be Allowed Claims, shall be Allowed Unsecured Claims in Class 3 of the Plan.

Insurance Policies. All of the Debtor's insurance policies and any agreements, documents, or instruments relating thereto are treated as executory contracts under the Plan. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or the Reorganized Debtors may hold against any Person or Entity, including the insurers under any of the Debtor's insurance policies.

MEANS OF IMPLEMENTATION OF THE PLAN

General Overview of the Plan. The Plan provides for the continued operation of the Debtor as the Reorganized Debtor. The Plan provides for Cash payments to

Holders of Allowed Claims, except Holders of Equity Interests, all as more particularly described in Articles 3 and 5 of the Plan.

The Plan shall be implemented on the Effective Date, and the primary sources of the funds necessary to implement the Plan will be funds from operations and loans from third parties. At the present time, the Debtor believes that the Reorganized Debtor will have sufficient funds, as of the Effective Date, to pay in full the expected payments required under the Plan.

***Effective Date Actions*.** Subject to the approval of the Bankruptcy Court and the satisfaction or waiver of the conditions precedent to the occurrence of the Effective Date contained in Article 10.2 of the Plan, on or as of the Effective Date, the Plan shall be implemented and the following actions shall thereafter immediately occur: (a) the Reorganized Debtor shall make Distribution(s) to the Holders of Allowed Secured Tax Claims as provided in Article 5.2 of the Plan; (b) the Reorganized Debtor shall make the Initial Hancock Distribution as provided in Article 5.3 of the Plan; and (c) the Reorganized Debtor shall carry out their other Effective Date responsibilities under the Plan, including the execution and delivery of all documentation contemplated by the Plan.

***Vesting of Property of the Estate in the Reorganized Debtors*.** On the Effective Date, except as otherwise expressly provided in the Plan, in the event that Option 1 applies, all Property of the Estate (including the Causes of Action and any net operating losses) shall vest in the Reorganized Debtor free and clear of any and all Liens, Debts, obligations, Claims, Cure Claims, Liabilities, Equity Interests, and all other interests of every kind and nature, and the Confirmation Order shall so provide. The Reorganized Debtor intends to preserve net operating losses to the maximum extent permitted under applicable law. As of the Effective Date, the Reorganized Debtor may operate its business and use, acquire, and dispose of its Property, free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order. All privileges with respect to the Property of the Debtor's Estate, including the attorney/client privilege, to which the Debtor is entitled shall automatically vest in, and may be asserted by or waived on behalf of, the Reorganized Debtor.

Continued Corporate Existence; Dissolution. Unless otherwise provided, the Debtor will continue to exist after the Effective Date, pursuant to its organizational documents in effect prior to the Effective Date, except to the extent such organizational documents are amended or amended and restated as provided in the Plan or the Confirmation Order, without prejudice to any right to terminate such existence (whether by merger, dissolution or otherwise) under applicable law after the Effective Date.

Corporate Action. All matters provided for under the Plan involving the corporate structure of the Debtor or the Reorganized Debtor, or any corporate action to be taken by or required of the Debtor or 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 for further action by the Equity Holder(s), manager and president of the Debtor or the Reorganized Debtor.

Management of the Reorganized Debtor. Subject to any requirement of Bankruptcy Court approval pursuant to Section 1129(a)(5) of the Bankruptcy Code, as of the Effective Date, Shahid, the manager and president of the Debtor immediately prior to the Effective Date, shall be deemed to be the manager and president of the Reorganized Debtor without any further action by any party.

On and after the Effective Date, the operations of the Reorganized Debtor shall continue to be the responsibility of Shahid. Shahid shall serve from and after the Effective Date until his successor is duly appointed and qualified or until his earlier resignation or removal in accordance with the organizational documents of the Reorganized Debtor.

From and after the Confirmation Date, Shahid shall have all powers accorded by law to put into effect and carry out the Plan and the Confirmation Order on behalf of the Reorganized Debtor.

Section 1146 Exemption. Pursuant to Section 1146(a) of the Bankruptcy Code, the issuance, distribution, transfer or exchange of any Security, or the making, delivery or recording of any instrument of transfer, pursuant to, in implementation of or as contemplated by the Plan or any Plan Document, or the vesting, re-vesting, transfer or sale of any Property of, by or in the Debtor or the Estate or the Reorganized Debtor pursuant to, in implementation of or as contemplated by the

Plan or any Plan Document, or any transaction arising out of, contemplated by or in any way related to the foregoing, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangible or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or governmental assessment, and the appropriate state or local governmental officials or agents shall be, and hereby are, directed to forego the collection of any such tax or governmental assessment and to accept for filing and recording any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

***Pursuit of Causes of Action*.** On the Effective Date, the Causes of Action shall be vested in the Reorganized Debtor, except to the extent a Creditor or other third party has been specifically released from any Cause of Action by the terms of the Plan or by a Final Order of the Bankruptcy Court. The Reorganized Debtor will have the right, in its sole and absolute discretion, to pursue, not pursue, settle, release or enforce any Causes of Action without seeking any approval from the Bankruptcy Court except as provided in Article 8.9. The Debtors are currently not in a position to express an opinion on the merits of any of the Causes of Action or on the recoverability of any amounts as a result of any such Causes of Action. For purposes of providing notice, the Debtor states that any party in interest that engaged in business or other transactions with the Debtor Prepetition or that received payments from the Debtor Prepetition may be subject to litigation to the extent that applicable bankruptcy or non-bankruptcy law supports such litigation. The Reorganized Debtor will fund the costs and expenses (including legal fees) to pursue the Causes of Action.

No Creditor or other party should vote for the Plan or otherwise rely on the Confirmation of the Plan or the entry of the Confirmation Order in order to obtain, or on the belief that it will obtain, any defense to any Cause of Action. No Creditor or other party should act or refrain from acting on the belief that it will obtain any defense to any Cause of Action. ADDITIONALLY, EXCEPT AS SET FORTH IN THE PLAN, THE PLAN DOES NOT, AND IS NOT INTENDED TO, RELEASE ANY CAUSES OF ACTION OR OBJECTIONS TO CLAIMS, AND ALL SUCH RIGHTS ARE SPECIFICALLY RESERVED IN FAVOR OF REORGANIZED DEBTOR. Creditors are advised that legal rights, claims and rights of action the Debtor may have against them, if they exist, are retained under the Plan for prosecution unless the Plan provides otherwise. As such, Creditors are cautioned not to rely on (i) the absence of the listing of any legal right, claim or right of action against a particular Creditor in the Disclosure Statement, the Plan, or the Schedules,

or (ii) the absence of litigation or demand prior to the Effective Date of the Plan as any indication that the Debtor or Reorganized Debtor do not possess or do not intend to prosecute a particular claim or Cause of Action if a particular Creditor votes to accept the Plan. It is the expressed intention of the Plan to preserve rights, objections to Claims, and rights of action of the Debtor, whether now known or unknown, for the benefit of the Reorganized Debtor. A Cause of Action shall not, under any circumstances, be waived as a result of the failure of the Debtor to describe such Cause of Action with specificity in the Plan or in the Disclosure Statement; nor shall the Reorganized Debtor, as a result of such failure, be estopped or precluded under any theory from pursuing such Cause of Action. Nothing in the Plan operates as a release of any of the Causes of Action, except as expressly provided otherwise.

The Debtor does not presently know the full extent of the Causes of Action and, for purposes of voting on the Plan, all Creditors are advised that Reorganized Debtors will have substantially the same rights that a Chapter 7 trustee would have with respect to the Causes of Action. Accordingly, neither a vote to accept the Plan by any Creditor nor the entry of the Confirmation Order will act as a release, waiver, bar or estoppel of any Cause of Action against such Creditor or any other Person or Entity, unless such Creditor, Person or Entity is specifically identified by name as a released party in the Plan, in the Confirmation Order, or in any other Final Order of the Bankruptcy Court. Confirmation of the Plan and entry of the Confirmation Order is not intended to and shall not be deemed to have any *res judicata* or collateral estoppel or other preclusive effect that would precede, preclude, or inhibit prosecution of such Causes of Action following Confirmation of the Plan.

The Debtor and the Reorganized Debtor reserve all rights under Section 506(c) of the Bankruptcy Code with respect to any and all Secured Claims.

The Estate shall remain open, even if the Bankruptcy Case shall have been closed, as to any and all Causes of Action until such time as the Causes of Action have been fully administered and the Causes of Action Recoveries have been received by the Reorganized Debtor.

Prosecution and Settlement of Claims and Causes of Action. The Reorganized Debtor (a) may commence or continue in any appropriate court or tribunal any suit or other proceeding for the enforcement of any Cause of Action which the Debtor had or had power to assert immediately prior to the Effective Date, and (b) may settle or adjust such Cause of Action. From and after the Effective Date, the Reorganized Debtor shall be authorized, pursuant to Bankruptcy Rule 9019 and

Section 105(a) of the Bankruptcy Code, to compromise and settle any Cause of Action or objection to a Claim in accordance with the following procedures, which shall constitute sufficient notice in accordance with the Bankruptcy Code and the Bankruptcy Rules for compromises and settlements: (i) if the resulting settlement provides for settlement of a Cause of Action or objection to a Claim originally asserted in an amount equal to or less than $25,000.00, then the Reorganized Debtor may settle the Cause of Action or objection to Claim and execute necessary documents, including a stipulation of settlement or release, subject to notifying the United States Trustee and the Notice Parties of the terms of the settlement agreement; provided, however, that if the United States Trustee or the Notice Parties indicate their approval or do not provide the Reorganized Debtor with an objection to the proposed settlement within ten (10) days after it receives notice of such settlement in writing, then the Reorganized Debtor shall be authorized to accept and consummate the settlement; and provided further, however, that if a timely written objection is made by the United States Trustee or the Notice Parties to the proposed settlement, then the settlement may not be consummated without approval of the Bankruptcy Court in accordance with Bankruptcy Rule 9019; and (ii) if the resulting settlement involves a Cause of Action or objection to a Claim originally asserted in an amount exceeding $25,000.00, then the Reorganized Debtor shall be authorized and empowered to settle such Cause of Action or objection to Claim only upon Bankruptcy Court approval in accordance with Bankruptcy Rule 9019 and after notice to the Notice Parties.

Effectuating Documents; Further Transactions. Prior to the Effective Date, each of the chief executive officer, president, chief financial officer, or secretary of the Debtor (and, on and after the Effective Date, each of the chief executive officer, president, chief financial officer, or secretary of the Reorganized Debtor) shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, mortgages, and other agreements or documents and take such actions as may be necessary or appropriate, to effectuate and further evidence the terms and conditions of the Plan or to otherwise comply with applicable law.

Loans from Third Parties. In order to generate the amount(s) necessary to (i) enable any transaction contemplated by the Plan; (ii) satisfy an Allowed Administrative Expense Claim, a Priority Claim, or an Allowed Secured Tax Claim as required by the Plan; and/or (iii) make the Initial Hancock Distribution as required by the Plan, the Debtor and/or the Reorganized Debtor may borrow funds from third parties under such terms as the Debtor and/or the Reorganized Debtor may deem prudent, in their sole discretion, and in connection therewith may encumber and/or

sell or transfer an interest in the accounts receivable of the Reorganized Debtor and/or in any other Property of the Estate that is vested in and retained by the Reorganized Debtor under the Plan (collectively, the "**Retained Property**").

PROVISIONS GOVERNING DISTRIBUTIONS

Initial Distribution. Before or on the Effective Date, the Reorganized Debtor shall make the Distribution(s) required under the Plan to Holders of Allowed Administrative Expense Claims (including Allowed Administrative Expense Claims of Professionals) and Allowed Claims in Class 1, and shall also make the Initial Hancock Distribution required under the Plan to the Holder of the Allowed Claim in Class 2 (collectively, the "**Initial Distribution**"). Thereafter, the Reorganized Debtor shall make additional Distributions to Holders of Allowed Claims as and when required by the terms of the Plan.

Determination of Claims. From and after the Effective Date, the Reorganized Debtor shall have the exclusive authority to, and shall, file, settle, compromise, withdraw, or litigate to judgment all objections to Claims. Except as to any late-filed Claims and Claims resulting from the rejection of executory contracts or unexpired leases, if any, all objections to Claims shall be filed with the Bankruptcy Court by no later than ninety (90) days following the Effective Date (unless such period is extended by the Bankruptcy Court upon motion of the Debtor or Reorganized Debtor), and the Confirmation Order shall contain appropriate language to that effect. Holders of Unsecured Claims that have not filed such Claims on or before the Bar Date shall serve the Notice Parties with any request to the Bankruptcy Court for allowance to file late Unsecured Claims. If the Bankruptcy Court grants the request to file a late Unsecured Claim, such Unsecured Claim shall be treated in all respects as a Class 3 Unsecured Claim. Objections to late-filed Claims and Claims resulting from the rejection of executory contracts or unexpired leases shall be filed on the later of (a) ninety (90) days following the Effective Date or (b) the date sixty (60) days after Reorganized Debtor receives actual notice of the filing of such Claim.

Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the Holder of the Claim if the Debtor or Reorganized Debtor, as the case may be, effect service in any of the following manners: (a) in accordance with Federal Rule of Civil Procedure 4, as modified and made applicable by Bankruptcy Rule 7004, (b) to the extent counsel for the Holder of a Claim is unknown, by first class mail, postage prepaid, on the signatory on the Proof of Claim or other representative identified on the Proof of Claim or any attachment thereto,

or (c) by first class mail, postage prepaid, on any counsel that has filed a notice of appearance in the Bankruptcy Case on behalf of the Holder of a Claim.

Disputed Claims shall be fixed or liquidated in the Bankruptcy Court as core proceedings within the meaning of 28 U.S.C. § 157(b)(2)(B) unless the Bankruptcy Court orders otherwise. If the fixing or liquidation of a contingent or unliquidated Claim would cause undue delay in the administration of the Bankruptcy Case, such Claim shall be estimated by the Bankruptcy Court for purposes of allowance and Distribution. The Debtor or Reorganized Debtor may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether the Debtor or Reorganized Debtor previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. The Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, such estimated amount will constitute either the Allowed Amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtor or Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate allowance of such Claim. The determination of Claims in Estimation Hearings shall be binding for purposes of establishing the maximum amount of the Claim for purposes of allowance and Distribution. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not exclusive of one another. Procedures for specific Estimation Hearings, including provisions for discovery, shall be set by the Bankruptcy Court giving due consideration to applicable Bankruptcy Rules and the need for prompt determination of the Disputed Claim.

Distributions as to Allowed Claims in Class 3. Each Holder of an Allowed Unsecured Claim in Class 3 shall receive a Cash Distribution, on the applicable Distribution Date, in the amount provided for in Article 5 of the Plan.

Notwithstanding any provision herein to the contrary, no Distribution shall be made to the Holder of a Disputed Claim in Class 3 unless and until such Disputed Claim becomes an Allowed Claim. At such time that such Disputed Claim becomes an Allowed Class 4 Claim, the Holder of such Allowed Class 4 Claim shall receive the Distribution to which such Holder is then entitled under the Plan.

Notwithstanding any provision herein to the contrary, if, on any applicable Distribution Date, the Holder of a Class 3 Claim is subject to a proceeding against it by the Reorganized Debtor under Section 502(d) of the Bankruptcy Code, then the Reorganized Debtor (in their sole discretion) may withhold a Distribution to such Holder until the final resolution of such proceeding.

Distributions to a Holder of an Allowed Claim in Class 3 shall be made at the address of such Holder set forth in the Schedules or on the books and records of the Debtor or Reorganized Debtor at the time of the Distribution, unless the Reorganized Debtor has been notified in writing of a change of address, including by the filing of a Proof of Claim or statement pursuant to Bankruptcy Rule 3003 by such Holder that contains an address for such Holder different than the address for such Holder as set forth in the Schedules. The Reorganized Debtor shall not be liable for any Distribution sent to the address of record of a Holder in the absence of the written change thereof as provided herein.

Unclaimed Distributions. If the Holder of an Allowed Claim fails to negotiate a check for a Distribution issued to such Holder within sixty (60) days of the date such check was issued, then the Reorganized Debtor shall provide written notice to such Holder stating that, unless such Holder negotiates such check within thirty (30) days of the date of such notice, the amount of Cash attributable to such check shall be deemed to be unclaimed, such Holder shall be deemed to have no further Claim in respect of such check, such Holder's Allowed Claim shall no longer be deemed to be Allowed, and such Holder shall not be entitled to participate in any further Distributions under the Plan in respect of such Claim.

If a check for a Distribution made pursuant to the Plan to any Holder of an Allowed Claim is returned to the Reorganized Debtor due to an incorrect or incomplete address for the Holder of such Allowed Claim, and no claim is made in writing to the Reorganized Debtor as to such check within sixty (60) days of the date such Distribution was made, then the amount of Cash attributable to such check shall be deemed to be unclaimed, such Holder shall be deemed to have no further Claim in respect of such check, such Holder's Allowed Claim shall no longer be deemed to be Allowed, and such Holder shall not be entitled to participate in any further Distributions under the Plan in respect of such Claim.

Any unclaimed Distribution as described above sent by the Reorganized Debtor shall become the property of Reorganized Debtor.

Transfer of Claim. In the event that the Holder of any Claim shall transfer such Claim on and after the Effective Date, such Holder shall immediately advise the Reorganized Debtor in writing of such transfer and provide sufficient written evidence of such transfer. The Reorganized Debtor shall be entitled to assume that no transfer of any Claim has been made by any Holder unless and until the Reorganized Debtor shall have received written notice to the contrary. Each transferee of any Claim shall take such Claim subject to the provisions of the Plan and to any request made, waiver or consent given or other action taken hereunder and, except as otherwise expressly provided in such notice, the Reorganized Debtor shall be entitled to assume conclusively that the transferee named in such notice shall thereafter be vested with all rights and powers of the transferor under the Plan.

One Distribution Per Holder. If the Holder of a Claim holds more than one Claim in any one Class, all Claims of such Holder in such Class shall be aggregated and deemed to be one Claim for purposes of Distribution hereunder, and only one Distribution shall be made with respect to the single aggregated Claim.

Effect of Pre-Confirmation Distributions. Nothing in the Plan shall be deemed to entitle the Holder of a Claim that received, prior to the Effective Date, full or partial payment of such Holder's Claim, by way of settlement or otherwise, pursuant to an order of the Bankruptcy Court, provision of the Bankruptcy Code, or other means, to receive a duplicate payment in full or in part pursuant to the Plan; and all such full or partial payments shall be deemed to be payments made under the Plan for purposes of satisfying the obligations of the Debtor or Reorganized Debtor to such Holder under the Plan.

No Interest on Claims. Except as expressly stated in the Plan or otherwise Allowed by a Final Order of the Bankruptcy Court, no Holder of an Allowed Claim shall be entitled to the accrual of Postpetition Interest or the payment of Postpetition Interest, penalties, or late charges on account of such Allowed Claim for any purpose. Additionally, and without limiting the foregoing, interest shall not accrue or be paid on any Disputed Claim in respect of the period from the Effective Date to the date a Disputed Claim becomes an Allowed Claim.

Compliance with Tax Requirements. In connection with the Plan, the Reorganized Debtor shall comply with all tax withholding and reporting requirements imposed by federal, state, local and foreign taxing authorities, and all Distributions hereunder shall be subject to such withholding and reporting requirements. Notwithstanding the above, each Holder of an Allowed Claim that is

to receive a Distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any Governmental Unit, including income, withholding, and other tax obligations, on account of such Distribution.

De Minimus Distributions on Account of Allowed Class 3 Unsecured Claims. De Minimis Distributions on Account of Allowed Class 3 Unsecured Claims. To avoid the disproportionate expense and inconvenience associated with making de minimis distributions, the Reorganized Debtor will not be required to make, and will be excused from making, distributions in amounts of less than twenty-five dollars ($25.00) each to Holders of Allowed Class 3 Claims.

CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN AND THE EFFECTIVE DATE

Conditions Precedent to Confirmation of the Plan. The following is a condition precedent to Confirmation of the Plan, which may be waived by the Debtor:

> The Bankruptcy Court shall have made such findings and determinations regarding the Plan as shall enable the entry of the Confirmation Order in a manner consistent with the provisions of the Plan.

Conditions Precedent to the Effective Date. The Plan shall not be consummated and the Effective Date shall not occur unless each of the following conditions has been satisfied following the Confirmation Date or waived by the Debtor: (a) the Bankruptcy Court has entered the Confirmation Order, in form and substance satisfactory to the Debtor, on the Docket of the Reorganization Case; (b) no stay of the Confirmation Order is in effect; and (c) fourteen (14) days have passed following the entry of the Confirmation Order and, if the fourteenth (14th) day following entry of such order is not a business day, the business day following the passage of fourteen (14) days has passed.

Notice of the Effective Date. Promptly following the satisfaction, or the waiver by the Debtor, of all of the conditions set forth in Article 10.2, the Debtor shall file a notice (the "**Effective Date Notice**") with the Bankruptcy Court designating the Effective Date. The Debtor shall serve the Effective Date Notice on all of the Notice Parties.

DISCHARGE, EXCULPATION FROM LIABILITY, RELEASE, AND GENERAL INJUNCTION

Discharge of Claims.

Except as otherwise expressly provided in the Plan or in the Confirmation Order, the Confirmation Order shall operate as a discharge, pursuant to Section 1141(d) of the Bankruptcy Code, to the fullest extent permitted by applicable law, as of the Effective Date, of the Debtor and its Estate and the Reorganized Debtor from any and all Debts of and Claims of any nature whatsoever against the Debtor that arose at any time prior to the Effective Date, including any and all Claims for principal and interest, whether accrued before, on or after the Petition Date. Except as otherwise expressly provided in the Plan or in the Confirmation Order, but without limiting the generality of the foregoing, on the Effective Date, the Debtor and the Estate and the Reorganized Debtor, and their respective successors or assigns, shall be discharged, to the fullest extent permitted by applicable law, from any Claim or Debt that arose prior to the Effective Date and from any and all Debts of the kind specified in Section 502(g), 502(h), or 502(i) of the Bankruptcy Code, whether or not (a) a Proof of Claim based on such Debt was filed pursuant to Section 501 of the Bankruptcy Code, (b) a Claim based on such Debt is an Allowed Claim pursuant to Section 502 of the Bankruptcy Code, or (c) the Holder of a Claim based on such Debt has voted to accept the Plan. As of the Effective Date, except as otherwise expressly provided in the Plan or in the Confirmation Order, all Persons and Entities, including all Holders of Claims or Equity Interests, shall be forever precluded and permanently enjoined to the fullest extent permitted by applicable law from asserting directly or indirectly against the Debtor or the Estate or the Reorganized Debtor, or any of their respective successors and assigns, or the assets or Properties of any of them, any other or further Claims, Debts, rights, causes of action, remedies, or Liabilities based upon any act, omission, document, instrument, transaction, event, or other activity of any kind or nature that occurred prior to the Effective Date or that occurs in connection with implementation of the Plan, and the Confirmation Order shall contain appropriate injunctive language to that effect. As of the Effective Date, Holders of Equity Interests shall have no rights arising from or relating to such Equity Interests, except as otherwise expressly provided in the Plan. In accordance with the foregoing, except as otherwise expressly provided in the Plan or in the Confirmation Order, the Confirmation Order shall be a judicial determination of the discharge or termination of all such Claims and other

Debts and Liabilities against the Debtor, pursuant to Sections 524 and 1141 of the Bankruptcy Code, to the fullest extent permitted by applicable law, and such discharge shall void any judgment obtained against the Debtor, at any time, to the extent that such judgment relates to a discharged or terminated Claim, Liability, or Debt. Notwithstanding the foregoing, the Reorganized Debtor shall remain obligated to make payments to Holders of Allowed Claims as required pursuant to the Plan.

Exculpation from Liability.

The Debtor and its respective Postpetition officers, including Cary Shahid and the Professionals for the Debtor (collectively, the "Exculpated Parties") shall neither have nor incur any liability whatsoever to any Person or Entity for any act taken or omitted to be taken in good faith in connection with or related to the formulation, preparation, dissemination, or confirmation of the Plan, the Disclosure Statement, any Plan Document, or any contract, instrument, release, or other agreement or document created or entered into, or any other act taken or omitted to be taken, in connection with the Plan or the Bankruptcy Case, in each case for the period on and after the Petition Date and through the Effective Date; provided, however, that this exculpation from liability provision shall not be applicable to any liability found by a court of competent jurisdiction to have resulted from fraud or the willful misconduct or gross negligence of any such party. With respect to Professionals, the foregoing exculpation from liability provision shall also include claims of professional negligence arising from the services provided by such Professionals during the Bankruptcy Case. Any such claims shall be governed by the standard of care otherwise applicable to the standard of negligence claims outside of bankruptcy. The rights granted under this Article 11.2 are cumulative with (and not restrictive of) any and all rights, remedies, and benefits that the Exculpated Parties have or obtain pursuant to any provision of the Bankruptcy Code or other applicable law. In furtherance of the foregoing, the Exculpated Parties shall have the fullest protection afforded under Section 1125(e) of the Bankruptcy Code and all applicable law from liability for violation of any applicable law, rule or regulation governing the solicitation of acceptance or rejection of a plan. This exculpation from liability provision is an integral part of the Plan and is essential to its implementation. Notwithstanding anything to the contrary contained herein, the provisions of this Article 11.2 shall not release, or be deemed a release of, any of the Causes of Action.

General Injunction.

Pursuant to Sections 105, 1123, 1129 and 1141 of the Bankruptcy Code, in order to preserve and implement the various transactions contemplated by and provided for in the Plan, as of the Effective Date, except as otherwise expressly provided in the Plan or in the Confirmation Order, all Persons or Entities that have held, currently hold or may hold a Claim, Debt, or Liability that is discharged or terminated pursuant to the terms of the Plan are and shall be permanently enjoined and forever barred to the fullest extent permitted by law from taking any of the following actions on account of any such discharged or terminated Claims, Debts, or Liabilities, other than actions brought to enforce any rights or obligations under the Plan or the Plan Documents: (a) commencing or continuing in any manner any action or other proceeding against the Debtor or the Reorganized Debtor or their respective Properties; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtor or the Reorganized Debtor or their respective Properties; (c) creating, perfecting or enforcing any Lien or encumbrance against the Debtor or the Reorganized Debtor or their respective Properties; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtor or the Reorganized Debtor; (e) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order; or (f) interfering with or in any manner whatsoever disturbing the rights and remedies of the Debtor or the Reorganized Debtor under the Plan and the Plan Documents and the other documents executed in connection therewith. The Debtor and the Reorganized Debtor shall have the right to independently seek enforcement of this general injunction provision. This general injunction provision is an integral part of the Plan and is essential to its implementation. Notwithstanding anything to the contrary contained herein, the provisions of this Article 11.3 shall not release, or be deemed a release of, any of the Causes of Action.

Term of Certain Injunctions and Automatic Stay. All injunctions or automatic stays for the benefit of the Debtor pursuant to Sections 105, 362 or other applicable provisions of the Bankruptcy Code, or otherwise provided for in the Bankruptcy Case, and in existence on the Confirmation Date, shall remain in full force and effect following the Confirmation Date and until the Final Decree Date, unless otherwise ordered by the Bankruptcy Court.

With respect to all lawsuits pending in courts in any jurisdiction (other than the Bankruptcy Court) that seek to establish the Debtor's liability on Prepetition Claims asserted therein and that are stayed pursuant to Section 362 of the Bankruptcy Code, such lawsuits shall be deemed dismissed as of the Effective Date, unless the Debtor affirmatively elects to have the Debtor's liability established by such other courts, and any pending motions seeking relief from the automatic stay for purposes of continuing any such lawsuits in such other courts shall be deemed denied as of the Effective Date, and the automatic stay shall continue in effect, unless the Debtor affirmatively elects to have the automatic stay lifted and to have the Debtor's liability established by such other courts; and the Prepetition Claims at issue in such lawsuits shall be determined and either Allowed or disallowed in whole or part by the Bankruptcy Court pursuant to the applicable provisions of the Plan, unless otherwise elected by the Debtor as provided herein.

No Liability for Tax Claims. Unless a taxing Governmental Unit has asserted a Claim against the Debtor before the Governmental Unit Bar Date or Administrative Expense Claim Bar Date established therefor, no Claim of such Governmental Unit shall be Allowed against the Debtor, the Reorganized Debtor or their respective officers, employees or agents for taxes, penalties, interest, additions to tax or other charges arising out of (i) the failure, if any, of the Debtor, its Affiliates, or any other Person or Entity to have paid tax or to have filed any tax return (including any income tax return) in or for any prior year or period, or (ii) an audit of any return for a period before the Petition Date.

MISCELLANEOUS PROVISIONS

Retention of Jurisdiction. The Plan provides for the retention of jurisdiction by the Bankruptcy Court following the Effective Date to, among other things, determine all disputes relating to Claims, Equity Interests, and other issues presented by or arising under the Plan. The Bankruptcy Court will also retain jurisdiction under the Plan for any actions brought in connection with the implementation and consummation of the Plan and the transactions contemplated thereby. See Article 12 of the Plan for a more detailed description.

Confirmation Order and Plan Control. To the extent the Confirmation Order or the Plan is inconsistent with the Disclosure Statement or any agreement entered into between the Debtors and any third party, unless otherwise expressly provided in the Plan or the Confirmation Order, the Plan controls the Disclosure Statement

and any such agreements, and the Confirmation Order (any and other orders of the Court) will be construed together and consistent with the terms of the Plan.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

The tax consequences of the Plan to the Debtor and to Holders of Claims and Equity Interests are discussed below. This discussion of the federal income tax consequences of the Plan to the Debtor and Holders under U.S. federal income tax law, including the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), is provided for informational purposes only. While this discussion addresses certain of the material tax consequences of the Plan, it is not a complete discussion of all such consequences and is subject to substantial uncertainties. Moreover, the consequences to a Holder may be affected by matters not discussed below (including, without limitation, special rules applicable to certain types of persons, such as persons holding non-vested stock or otherwise subject to special rules, nonresident aliens, life insurance companies, and tax-exempt organizations) and by such Holders' particular tax situations. In addition, this discussion does not address any state, local, or foreign tax considerations that may be applicable to particular Holders.

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING STATE, LOCAL AND FOREIGN TAX CONSEQUENCES.

THE DEBTOR'S GENERAL BANKRUPTCY COUNSEL HAS NO TAX EXPERTISE AND HAS NOT RESEARCHED OR ANALYZED TAX CONSEQUENCES RESULTING FROM THE PLAN.

SOME OF THE ISSUES DISCUSSED BELOW ARE COMPLEX, AND THERE CAN BE NO ASSURANCE OF THE ACCURACY OF THIS INFORMATION.

General Federal Income Tax Consequences to Holders

In General. The following discussion addresses certain of the material consequences of the Plan to Holders. Under the Plan, the tax consequences of the

Plan to a Holder will depend, in part, on the type of consideration received in exchange for the Claim or Equity Interest and the tax status of the Holder, such as whether the Holder is an individual, corporation or other entity, whether the Holder is a resident of the United States, the accounting method of the Holder, and the tax classification of the Holder's particular Claim or Equity Interest. **HOLDERS ARE STRONGLY ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT UNDER THE PLAN OF THEIR PARTICULAR CLAIM OR EQUITY INTEREST**.

Tax Consequences to Holders of Claims and Equity Interests. The Holders of Claims against and Equity Interests in the Debtor are urged to consult with their tax advisors as to the consequences of the Plan to them. Among the issues the Holders of Claims and/or Equity Interests and their advisors may wish to consider are:

(1) The extent to which the Holder of a Claim and/or Equity Interest is entitled to a bad debt deduction or a worthless securities loss.

(2) The extent to which the Holder of a Claim or Equity Interest recognizes gain or loss on the exchange of its Claim or Equity Interest for property, debt, and stock of the Debtor and the character of that gain or loss.

(3) The basis and the holding period for any property, debt, and stock received by the Holder of a Claim or Equity Interest.

(4) Whether the original issue discount rules, market discount rule, and amortizable bond premium rules apply to any debt received by the Holder of a Claim or Equity Interest.

(5) The treatment of property, stock, or debt, if any, received by the Holder of a Claim or Equity Interest in satisfaction of accrued interest.

(6) The effect of a Holder of a Claim or Equity Interest receiving a deferred distribution or distribution that is contingent in amount.

Certain Federal Income Tax Consequences to the Debtor

Cancellation of Indebtedness Income. Generally, cancellation of indebtedness triggers ordinary income to a debtor equal to the adjusted issue price (as determined for federal income tax purposes) of the indebtedness cancelled. If debt is discharged in a Chapter 11 case, however, a debtor does not recognize cancellation of indebtedness income. Instead, certain tax attributes otherwise available to the debtor are reduced by the amount of the indebtedness cancelled. Tax attributes subject to reduction include: (i) net operating losses (NOL) and NOL carryforwards; (ii) most credit carryforwards; (iii) capital losses and carryforwards; (iv) the tax basis of the debtor's depreciable and non-depreciable assets; (v) passive activity loss and credit carryovers; and (vi) foreign tax credit carryforwards.

Under Sections 108(b) and 1017 of the Tax Code, attributes are reduced in the following order: first, net operating loss carryover; second, general business credit carryovers; third, capital loss carryovers; and fourth, tax basis. In lieu of reducing net operating loss and carryovers, the taxpayer can elect to reduce tax basis first. Such an election shall not apply to an amount greater than the aggregate adjusted bases of depreciable property held by the taxpayer as of the beginning of the taxable year following the taxable year in which the discharge occurs.

Therefore, any cancellation of indebtedness income realized by the Debtor would require a reduction in their NOLs or other tax attributes. Because attribute reduction is calculated only after the tax for the year of discharge has been determined, however, the realization of substantial amounts of cancellation of indebtedness income as a result of implementation of the Plan should not diminish the NOLs and NOL carry forwards otherwise available to offset other income recognized in the year in which the Plan is consummated.

Additionally, any sale of the Debtor's assets pursuant to the Plan may result in taxable income to the Debtor if the tax basis in the assets sold is less than the sales price.

The Debtor does not believe that a principal purpose of the Plan is the avoidance of federal income tax within the meaning of Section 269 of the Internal Revenue Code.

Importance of Obtaining Professional Tax Assistance

This discussion is intended only as a summary of certain federal income tax consequences of the Plan and is not a substitute for careful tax planning with a tax professional. The tax consequences are in many cases uncertain and may vary depending on a Holder's individual circumstances. Accordingly, Holders are urged to consult with their tax advisors about the federal, state, local and foreign tax consequences of the Plan.

VOTING ON AND CONFIRMATION OF THE PLAN

Confirmation and Acceptance by All Impaired Classes

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan if all of the requirements of Bankruptcy Code Section 1129 are met. Among the requirements for confirmation of a plan are that the Plan be accepted by all impaired classes of claims and equity interests, and satisfaction of the matters described below.

Feasibility. A plan may be confirmed only if it is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor. The Debtor believes that it has the ability to perform its obligations under the Plan without further financial reorganization and the Projections attached hereto support this. The Projections support feasibility.

The Plan basically provides for payment to Holders of Allowed Claims, including contingent, unliquidated, and Disputed Claims to the extent they become Allowed Claims, in the order of their priority. Accordingly, the Debtor believes that the Plan is *per se* feasible.

The obligations under the Plan to Holders of contingent, unliquidated, and Disputed Claims cannot be ascertained without the determination of the validity and amount of those Claims by the Bankruptcy Court. Until the Claim determination process is complete, the exact amount to be received by Unsecured Creditors cannot be ascertained.

Best Interests Standard. The Bankruptcy Code requires that the Plan meet the "best interest" test, which requires that members of a Class must receive or retain under the Plan, property having a value not less than the amount which the Class

members would have received or retained if the Debtor was liquidated under Chapter 7 on the same date. The Debtor believes, and the liquidation analyses attached hereto demonstrate, that distributions to all Impaired Classes of Claims in accordance with the terms of the Plan would exceed the net distribution that would otherwise take place in Chapter 7.

Confirmation Without Acceptance by All Impaired Classes

If one or more of the Impaired Classes of Claims or Equity Interests does not accept the Plan, the Plan may nevertheless be confirmed and be binding upon the non-accepting Impaired Class under the "cram-down" provisions of the Bankruptcy Code, if the Plan does not "discriminate unfairly" and is "fair and equitable" to the non-accepting Impaired Classes under the Plan.

Discriminate Unfairly. The Bankruptcy Code requirement that a plan not "discriminate unfairly" means that a dissenting class must be treated equally with respect to other classes of equal rank. The Debtors believe that the Plan does not "discriminate unfairly" with respect to any Class of Claims or Equity Interests because no class is afforded treatment which is disproportionate to the treatment afforded other Classes of equal rank.

Fair and Equitable Standard. The "fair and equitable" standard, also known as the "absolute priority rule," requires that a dissenting class receive full compensation for its allowed claims or interests before any junior class receives any distribution. The Debtor believes the Plan is fair and equitable to all Classes pursuant to this standard.

With respect to an Impaired Classes of Unsecured Claims that votes against the Plan, Bankruptcy Code Section 1129(b)(2)(B) provides that a plan is "fair and equitable" if it provides that (i) each Holder of a claim of such a class receives or retains on account of such claim, property of a value as of the effective date of the plan equal to the allowed amount of such claim; or (ii) the Holder of any claim or interest that is junior to the claims of such class will not receive or retain any property under the plan on account of such junior claim or interest. The Debtor believes that the Plan meets these standards.

The Debtor intends to evaluate the results of the balloting and determine whether to seek Confirmation of the Plan in the event that less than all the Impaired Classes of Claims vote to accept the Plan. The determination as to whether to seek

Confirmation under such circumstances will be announced before or at the Confirmation Hearing.

Non-Confirmation of the Plan

If the Plan is not confirmed by the Bankruptcy Court, the Court may permit the filing of an amended plan, dismiss the case, or convert the case to Chapter 7. In a Chapter 7 case, the Debtor's assets would be sold and distributed to the Unsecured Creditors after the payment of all Secured Claims, costs of administration, and the payment of priority claims.

The cost of distributing the Plan and this Disclosure Statement, as well as the costs, if any, of soliciting acceptances, will be borne by the Estate.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed, the potential alternatives include (a) alternative plans under Chapter 11 (including a liquidation plan), (b) dismissal of the case, or (c) conversion of the case to a case under Chapter 7 of the Bankruptcy Code.

Alternative Plans of Reorganization

If the Plan is not confirmed, the Debtor could attempt to formulate and propose a different plan or plans. The Debtor believes that the Plan will enable Creditors to be paid the maximum amount possible for their Allowed Claims.

Liquidation under Chapter 7 or Chapter 11

If a plan is not confirmed, the Bankruptcy Case may be converted to a Chapter 7 liquidation case. In a Chapter 7 case, a trustee would be appointed to liquidate the assets of the Debtor. Converting the case to Chapter 7 would simply add an additional layer of administrative expense to the Estate, which would greatly reduce or eliminate any funds available for distribution to Unsecured Creditors. The proceeds of the liquidation would be distributed to the Creditors of the Debtor in accordance with the priorities established by the Bankruptcy Code.

In general, the Debtor believes that liquidation under Chapter 7 would result in diminution of the value of the interests of the Creditors because of (a) additional

administrative expenses involved in the appointment of a trustee and attorneys, accountants, and other professionals to assist such trustee; (b) additional expenses and claims, some of which might be entitled to priority, which would arise by reason of the liquidation; (c) failure to realize the full value of the Debtor's assets; (d) the inability to utilize the work-product and knowledge of the Debtor and its Professionals; (e) the substantial delay which would elapse before Creditors would receive any distribution in respect of their Claims; and (f) the loss to Unsecured Creditors.

The Debtor believes that the Plan is superior to liquidation under Chapter 7.

SUMMARY, RECOMMENDATION AND CONCLUSION

The Debtor believes that the Plan is in the best interests of all Creditors. In the event of a liquidation of the Debtor's assets under Chapter 7 of the Bankruptcy Code, the Debtors believe there would be little or no distribution to Unsecured Creditors. For these reasons, the Debtor urges that the Plan is in the best interests of all Creditors and that the Plan be accepted.

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OCEAN CLUB OF WALTON COUNTY, INC.

By: _____
Cary Shahid
President

/s/ Jodi D. Cooke
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Counsel for Debtor and Debtor in Possession

EXHIBIT A

PROJECTIONS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
REVENUE					
Gross Revenue	1,720,000.00	1,850,000.00	1,900,000.00	1,900,000.00	1,900,000.00
Cost of Goods	653,600.00	703,000.00	722,000.00	722,000.00	722,000.00
TOTAL NET REVENUE	$ 2,373,600.00	$ 2,553,000.00	$ 2,622,000.00	$ 2,622,000.00	$ 2,622,000.00
EXPENSE					
Labor	516,000.00	518,000.00	513,000.00	513,000.00	513,000.00
CC Fees	51,600.00	55,500.00	57,000.00	57,000.00	57,000.00
Utilities & Elec	55,040.00	59,200.00	57,000.00	57,000.00	57,000.00
Entertainment	68,800.00	64,750.00	64,600.00	64,600.00	64,600.00
Janitorial	25,800.00	25,900.00	26,600.00	26,600.00	26,600.00
Legal & Acc	17,200.00	15,500.00	19,000.00	19,000.00	19,000.00
Supplies	34,400.00	33,300.00	32,300.00	32,300.00	32,300.00
Taxes & License	8,600.00	9,250.00	9,500.00	9,500.00	9,500.00
Water & Sewer	8,600.00	9,250.00	9,500.00	9,500.00	9,500.00
Depreciation	25,800.00	18,500.00	19,000.00	19,000.00	19,000.00
Insurance	17,200.00	18,500.00	19,000.00	19,000.00	19,000.00
Gas Service	8,600.00	9,250.00	9,500.00	9,500.00	9,500.00
Rent/Mortgage*	25,800.00	59,280.00	74,100.00	74,100.00	74,100.00
Maintenance	34,400.00	33,300.00	34,200.00	34,200.00	34,200.00
Misc.	25,800.00	22,200.00	22,800.00	22,800.00	22,800.00
CAM	8,600.00	9,250.00	9,500.00	9,500.00	9,500.00
TOTAL EXPENSE	$ 932,240.00	$ 960,930.00	$ 976,600.00	$ 976,600.00	$ 976,600.00
EXPENSE + COG	$ 1,585,840.00	$ 1,666,850.00	$ 1,698,600.00	$ 1,698,600.00	$ 1,698,600.00
NET INCOME	**$134,160.00**	**$183,150.00**	**$201,400.00**	**$201,400.00**	**$201,400.00**

*The Debtor's mortgage with Hancock Bank will balloon at the end of Year 3. Projections for Years 4 & 5 are therefore based on the known expense of Year 3.

EXHIBIT B

LIQUIDATION ANALYSIS IN CONNECTION WITH DISCLOSURE STATEMENT FOR PLAN OF REORGANIZATION OF OCEAN CLUB OF WALTON COUNTY, INC. UNDER CHAPTER 11 OF TITLE 11, UNITED STATES CODE

	Chapter 11 Plan Value	Liquidation Value	Note
Assets			
Cash/Cash Equivalents	$24,447.29	$24,447.29	1
Perishable Inventory	$58,816.88	Undetermined	2
Machinery/Furniture/Fixtures/ Equipment	$85,000.00	28,050.00	3
Real Property	$493,605.00	Undetermined	4
Intangibles/Intellectual Property	$150,000.00	$0	5
Causes of Action	Undetermined	Undetermined	6
Total Assets	**$811,869.17**	**$52,497.29**	

Liabilities	**Value**	
Administrative Claims		
Professional Fees	$57,000.00	7
Trustee Fees	0.00	8
Estimated Liquidation Costs	$5,000.00	9
Total Administrative Claims	**$62,000.00**	
Secured Claims		
Secured Tax Claims	$20,135.41	10
Hancock Bank	$1,100,000.00	11
Total Secured Claims	**$1,120,135.41**	
Priority Claims	**0.00**	
General Unsecured Claims	**$166,507.48**	12

AMOUNT PAYABLE TO UNSECURED CREDITORS

IN CHAPTER 7: $0

ASSUMPTIONS IN THE PREPARATION OF THE LIQUIDATION ANALYSIS IN CONNECTION WITH DEBTOR'S PLAN OF REORGANIZATION

1. This Liquidation Analysis was prepared in accordance with the requirements of §1129 of the Bankruptcy Code to establish that the Plan of Reorganization is in the best interest of each holder of a claim or interest.

2. The Liquidation Analysis is based upon certain estimates and assumptions that, although developed and considered reasonable by the Debtor, are inherently subject to significant economic factors, market conditions, uncertainties, and contingencies beyond the control of the Debtor. The Liquidation Analysis is also based on assumptions with regard to liquidation decisions that are subject to change. Accordingly, there can be no assurance that the values reflected in this Liquidation Analysis would be realized if the Debtor were in fact to undergo such liquidation and actual results could vary materially and adversely from those contained herein. The liquidation and reorganization values represent the Debtor's best estimate of those values based on available information. Where appropriate, the Debtor rounded values to the nearest $1,000.00.

3. This analysis assumes the conversion of the current Chapter 11 case to a Chapter 7 case with the liquidation of the Debtor's assets by a Chapter 7 Trustee within a significantly abbreviated timeframe. A Chapter 7 Trustee would be initially appointed by the Bankruptcy Court to administer the estates. The Chapter 7 Trustee is independent and would be entitled to make all of his or her own decisions regarding the liquidation of the estates' assets, the hiring of professionals, the pursuit of claims or litigation and the payment of or objection to claims. The distribution of any ultimate dividend would be made in accordance with the priorities established by the Bankruptcy Code. The Chapter 7 Trustee would be compensated in accordance with the Bankruptcy Code.

4. The Liquidation Analysis uses the Debtor's unaudited financial information, and other figures estimated by the Debtor's management and professionals.

5. There can be no assurances made that all of the Debtor's assets will be completely liquidated during the shortened liquidation period in a Chapter 7.

6. This Liquidation Analysis is the Debtor's best estimate of the net value of assets available to distribution to creditors after deducting amounts owed to the holders of claims under the Perishable Agricultural Commodities Act and the value of secured and administrative claims. To the extent the Debtor's estates are comprised of assets that had no value as set forth in the Debtor's bankruptcy schedules, those assets were excluded from this analysis.

7. This Liquidation Analysis is without prejudice to the Debtor's ability to object to the characterization, amount, secured status or classification of any claim or asset. The Debtor reserves all rights and objections to any filed or scheduled claim, and any application or motion seeking an administrative expense claim. Reference to any filed or scheduled claim or any pleading seeking a claim shall not constitute a waiver of any kind.

NOTES TO LIQUIDATION ANALYSIS IN CONNECTION WITH DISCLOSURE STATEMENT FOR DEBTOR'S PLAN OF REORGANIZATION

1. Cash on hand and in the Debtor's bank accounts as of May 31, 2018. The Debtor's Cash willfluctuate prior to the Confirmation Hearing.

2. On any given day, the Debtor may have up to $75,000.00 in unsold perishable food and drink inventory stored at its real property pending sale to customers. If this case were converted to Chapter 7 and a trustee were appointed, the food would likely perish before a trustee could retain a broker and sell it. The Debtor is not currently in a position to express an opinion on the fair market value or the liquidation value of the drink inventory.

3. The Debtors own various pieces of machinery, furniture, fixtures, and equipment which they utilize in their restaurant operations. The net book value of the equipment as of the Petition Date was approximately $85,000.00. The Debtors estimate that a quick sale of the equipment would result in the Chapter 7 trustee recovering approximately 33% of the book value, or approximately $28,050.00.

4. The Debtor owns commercial property (7,000 sq. ft.) located at 8955 Highway 98 in the Tops'l Commerical Center in Destin, Florida. As of 2017, the Walton County Property Appraiser had assessed a tax value of approximately $493,605.00. The real property is subject to a judgment lien in favor of Hancock Bank in the principal amount of $1,030,938.72. The Debtor is not currently in a position to express an opinion on the fair market value or the liquidation value of the real property.

5. The Debtor owns certain intellectual property and intangible assets related to its restaurant operations, including goodwill, the website www.theoceanclub.com, a 6COP alcoholic beverage retail license, a food service occupancy license, and a customer email list. As of the Petition Date, the estimated value of such assets, to the extent the Debtor can value them, was $150,000.00. The liquidation value of such assets is $0.00, because they either are not marketable or are contingent upon operation of the restaurant by current management.

6. Any party in interest that engaged in business or other transactions with the Debtor prepetition or that received payments from the Debtor prepetition may be subject to litigation to the extent that applicable bankruptcy or non-bankruptcy law supports such litigation. The Debtor is not currently in a position to express an opinion on the merits of any of the Causes of Action or on the recoverability of any amounts as a result of any such Causes of Action.

7. The Debtor retained Stichter, Riedel, Blain & Postler, P.A. as bankruptcy counsel and Jeffrey C. Patrick CPA, LLC, as its accountant.

8. Total disbursements of compensation to a Chapter 7 Trustee would be calculated pursuant to 11 U.S.C. §326 and are computed as follows:

25% of first $5,000 ($1,250 Maximum)
\+ 10% of Next $45,000 ($4,500 Maximum)
\+ 5% of Next $950,000 ($47,500 Maximum)
\+ 3% of Balance
Total Compensation Requested

The Debtor does not believe that there would be assets available for administration in a Chapter 7. To the extent that funds are available, any disbursements would be based on the calculations above.

9. The Debtor anticipates that the administrative costs of a Chapter 7, including preparation of any final tax returns, could be approximately $5,000.00.

10. Based upon Claim Nos. 5 & 6 filed by the Walton County Tax Collector.

11. Based upon Claim No. 7 filed by Hancock Bank, as limited by the agreed Allowed Claim Amount listed in the Plan and this Disclosure Statement. Hancock Bank has a first priority lien on the Debtor's real property as set forth in its judgment.

12. Estimated unsecured claims, subject to any objection to claims as set forth in Assumption No. 7 above.