

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
WEST PALM BEACH DIVISION
www.flsb.uscourts.gov

In re:

Pet Café, Inc d/b/a Caffè Martier
a Florida for profit Corporation.

Case No.: 16-26067-PGH
Chapter 11

Debtor-In-Possession.

DISCLOSURE STATEMENT IN SUPPORT OF CHAPTER 11
PLAN OF REORGANIZATION FOR PET CAFÉ, INC. D/B/A CAFFÈ MARTIER

June 19, 2017

PET CAFÉ, INC D/B/A CAFFÈ MARTIER the Debtor-In-Possession, by and through undersigned counsel files this Disclosure Statement in accordance with the provisions of 11 U.S.C. §1125, in order to provide Creditors entitled to vote on the proposed Plan of Reorganization with adequate information in order to make an informed vote upon the proposed plan.

DEBTOR:

Pet Café, Inc d/b/a Caffè Martier

By:


Eli Kamholtz

ATTORNEY FOR DEBTOR:

By:


Chad T. Van Horn, Esq.
Florida Bar No. 64500
Van Horn Law Group, P.A.
330 N. Andrews Ave., Suite 450
Fort Lauderdale, Florida 33301
(954) 765-3166
(954) 756-7103 (facsimile)
Email: Chad@cvhlawgroup.com

IMPORTANT: THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PROPOSED CHAPTER 11 PLAN. PLEASE READ THIS DOCUMENT WITH CARE.

-1-

TABLE OF CONTENTS

I. INTRODUCTION 5

A. Purpose of This Document..... 5

II. DISCLAIMER 6

III. NOTICE OF HOLDERS OF CLAIMS AND INTERESTS 7

IV. GENERAL INFORMATION..... 8

A. Brief Overview of Chapter 11 8

1. Property of the Estate. 8

2. Automatic Stay. 8

3. Voting. 8

4. Impairment..... 10

5. Confirmation Standards..... 11

V. DEFINITIONS..... 12

VI. THE DEBTOR..... 12

A. History of Debtor and Events Leading to Chapter 11 Petition. 12

B. Insiders of the Debtor..... 13

VII. DEBTOR’S OPERATIONS IN CHAPTER 11..... 13

VIII. SUMMARY OF THE PLAN..... 14

A. Classification and Treatment of Claims and Interests..... 15

1. Unclassified Claims 15

2. Classes of Secured Claims..... 17

3. Classes of Priority Unsecured Claims 18

4. General Unsecured Claims 19

5. Classes of Equity Interest Holders..... 20

B. Treatment of Unimpaired Claims..... 21

C. Vesting of the Property of the Estate 21

D.	Source of Plan Funding	21
E.	Risk Factors	22
F.	Disputed Claims	23
G.	Disallowed Claims	23
H.	Disbursing Agent.....	23
I.	Unclaimed Distributions	23
J.	Determination of Tax Liability	23
K.	Treatment of Executory Contracts and Unexpired Leases.....	24
L.	Legal Proceedings	24
1.	Potential Bankruptcy Causes of Action.....	24
2.	Preservation of Claims and Causes of Action	24
M.	Debtor’s Post-Confirmation Structure	25
IX.	CONFIRMATION REQUIREMENTS AND PROCEDURES	25
A.	Voting Requirements.....	25
1.	Claimants and Impaired Interest Holders	25
B.	Cramdown	26
C.	Confirmation Hearing	26
D.	Effects of Confirmation of the Plan	27
1.	Discharge	27
2.	Final Decree.....	27
E.	Objections to Confirmation.....	27
X.	LIQUIDATION AND FEASIBILITY ANALYSIS	28
XI.	MISCELLANEOUS	28
A.	Amendment or Modification of Plan	28
B.	Confirmation Order Controls	29
C.	Effectuating Documents and Further Transactions	29
D.	Terms of the Plan are Binding.....	29
E.	Injunction	29
XII.	RETENTION OF JURISDICTION BY THE BANKRUPTCY COURT.....	30

XIII. ALTERNATIVES TO THE PLAN 32

 A. Dismissal 32

 B. Chapter 7 Liquidation..... 32

XIV. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN..... 32

 A. U.S. Federal Income Tax Consequences to the Debtor..... 34

 1. Cancellation of Indebtedness Income..... 34

 B. U.S Federal Income Tax Consequences to an Investor Typical of the Holders of Claims and Interests. 34

 1. Gain or Loss Recognition on the Satisfaction of Claims and Character of Gain or Loss 35

 2. Holders of Disputed Claims 35

 3. Information Reporting and Backup Withholding..... 35

 C. Importance of obtaining Professional Tax Assistance 36

 D. Circular 230 Disclaimer 36

XV. CONCLUSION..... 36

EXHIBIT LIST

Exhibit “A” – Budget and Profit & Loss Statement

Exhibit “B” – Liquidation Analysis

**DISCLOSURE STATEMENT IN SUPPORT OF CHAPTER 11 PLAN OF
REORGANIZATION FOR PET CAFÉ, INC D/B/A CAFFE MARTIER**

**DEBTOR RESERVES THE RIGHT TO AMEND OR SUPPLEMENT THIS PROPOSED
DISCLOSURE STATEMENT AT OR BEFORE THE DISCLOSURE AND/OR
CONFIRMATION HEARING**

I. INTRODUCTION

Pet Café, Inc d/b/a Caffe Martier (the “Debtor”) has proposed its Plan of Reorganization (the “Plan”) under Chapter 11 of the United States Bankruptcy Code. Creditors have the opportunity to vote to accept or reject the Plan. The Plan is summarized in this Disclosure Statement (the “Disclosure Statement”).¹ The Plan provides the means for distributing the funds collected by the Debtor to creditors.

The Disclosure Statement is presented to certain holders of Claims against the Debtor in accordance with the requirements of section 1125 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 – 1330 (the “**Bankruptcy Code**”). Section 1125 of the Bankruptcy Code, requires that a disclosure statement provide information sufficient to enable a hypothetical and reasonable investor, typical of the Debtor’s Creditors, to make an informed judgment whether to accept or reject the Plan. The Disclosure Statement may not be relied upon for any purpose other than that described above. *Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.*

A. Purpose of This Document

This Disclosure Statement describes:

1. The Debtor and significant events during the bankruptcy case;
2. How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed);
3. Who can vote on or object to the Plan;
4. What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan;
5. Why the Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation; and
6. The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement

¹ Unless otherwise provided herein, capitalized terms have the same meaning ascribed to them in the Plan.

describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

II. DISCLAIMER

THE DISCLOSURE STATEMENT AND THE PLAN ARE AN INTEGRAL PACKAGE, AND THEY MUST BE CONSIDERED TOGETHER FOR THE READER TO BE ADEQUATELY INFORMED. THIS INTRODUCTION IS QUALIFIED IN ITS ENTIRETY BY THE REMAINING PORTIONS OF THIS DISCLOSURE STATEMENT, AND THIS DISCLOSURE STATEMENT IN TURN IS QUALIFIED, IN ITS ENTIRETY, BY THE PLAN.

NO REPRESENTATIONS CONCERNING THE DEBTOR (PARTICULARLY AS TO THE VALUE OF DEBTOR'S PROPERTY) ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT AND ITS EXHIBITS. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OF THE PLAN OTHER THAN AS CONTAINED IN THE DISCLOSURE STATEMENT AND ITS EXHIBITS SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR DEBTOR, WHO WILL IN TURN DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE APPROPRIATE.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT CONCERNING THE FINANCIAL CONDITION OF THE DEBTOR'S BANKRUPTCY ESTATE IS BASED UPON FINANCIAL, AND OTHER, INFORMATION DEVELOPED BY THE DEBTOR'S MANAGEMENT AND ITS PROFESSIONALS FROM THE DEBTOR'S RECORDS. THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING ANY EXHIBITS CONCERNING THE FINANCIAL CONDITION OF THE DEBTOR AND THE OTHER INFORMATION CONTAINED HEREIN, HAS NOT BEEN SUBJECT TO AN AUDIT OR INDEPENDENT REVIEW EXCEPT AS EXPRESSLY SET FORTH HEREIN. ACCORDINGLY, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONCERNING THE DEBTOR OR ITS FINANCIAL CONDITION IS ACCURATE OR COMPLETE. THE PROJECTED INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PRESENTED FOR ILLUSTRATIVE PURPOSES ONLY, AND, BECAUSE OF THE UNCERTAINTY AND RISK FACTORS INVOLVED, THE DEBTOR'S ACTUAL RESULTS MAY NOT BE PROJECTED HEREIN.

ALTHOUGH AN EFFORT HAS BEEN MADE TO BE ACCURATE, THE DEBTOR DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND ITS EXHIBITS IS CORRECT. THE DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. EACH CREDITOR IS STRONGLY URGED TO REVIEW THE PLAN PRIOR TO VOTING ON IT.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE OF THE DISCLOSURE STATEMENT UNLESS ANOTHER TIME IS SPECIFIED. THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH SINCE THE DATE OF THE DISCLOSURE STATEMENT.

A STATEMENT OF THE ASSETS AND LIABILITIES OF THE DEBTOR AS OF THE DATE OF THE COMMENCEMENT OF THE CASE IS ON FILE WITH THE CLERK OF THE BANKRUPTCY COURT AND MAY BE INSPECTED BY INTERESTED PARTIES DURING REGULAR BUSINESS HOURS.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NON-BANKRUPTCY LAW.

THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN. EACH CREDITOR SHOULD, THEREFORE, CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISERS AS TO ANY SUCH MATTERS CONCERNING THE SOLICITATION, THE PLAN OR THE TRANSACTIONS CONTEMPLATED THEREBY.

III. NOTICE OF HOLDERS OF CLAIMS AND INTERESTS

This Disclosure Statement is being transmitted to certain holders of Claims for the purpose of soliciting votes on the Plan and to others for informational purposes.

Pursuant to the Bankruptcy Code, the Plan has been filed concurrently with this Disclosure Statement with the Bankruptcy Court. The Bankruptcy Court will schedule a hearing on approval of this Disclosure Statement and on confirmation of the Plan (the “**Confirmation Hearing**”) to be held at the United States Bankruptcy Court for the Southern District of Florida, West Palm Beach Division, Flagler Waterview Building, 1515 North Flagler Drive, Courtroom A, West Palm Beach, Florida 33401. At the Confirmation Hearing, the Bankruptcy Court will consider whether this Disclosure Statement and the Plan satisfy the requirements of the Bankruptcy Code, including whether the Plan is in the best interests of the claimants. **APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT EITHER OF THE FAIRNESS OR MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.**

The Disclosure Statement is on file with the Court, and you may access it electronically or you may obtain a copy at your expense from the clerk or view a copy at the public terminals in the clerk’s office. Copies may be obtained from the plan proponent by written request. To obtain,

at your cost additional copies of this Disclosure Statement or of the Plan, please contact Van Horn Law Group, P.A., 330 N. Andrews Ave., Suite 450, Fort Lauderdale, Florida 33301, Telephone; (954) 765-3166 or Facsimile: (954) 756-7103.

This Disclosure Statement contains only a summary of the Plan. Each creditor is urged to review the Plan in its entirety prior to voting. In the event of any inconsistency between the Plan and the Disclosure Statement, the provisions of the Plan will control. It is important that creditors exercise their right to vote to accept or reject the Plan. Even if you do not vote to accept the Plan, you may be bound by it if it is accepted by the requisite holders of Claims as described below.

IV. GENERAL INFORMATION

A. Brief Overview of Chapter 11

1. Property of the Estate.

The commencement of a chapter 11 bankruptcy case creates an estate comprising all the legal and equitable interests of the debtor in property as of the date the petition is filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a “debtor in possession” unless the bankruptcy court orders the appointment of a trustee. No trustee has been appointed in this case.

2. Automatic Stay.

Pursuant to 11 U.S.C. §362, the filing of a chapter 11 petition operates as an automatic stay applicable to all entities of various actions, including actions to collect pre-petition claims from the Debtor or otherwise interfere with its property or business.

3. Voting.

a. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if any party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

(i) What is an Allowed Claim or an Allowed Equity Interest?

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either: (1) the Debtor has scheduled the claim on its schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated; or (2) the creditor has filed a proof of claim or equity

interest, and no objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless, after notice and hearing, the Court either overrules the objection or allows the claim or equity interest voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim for non-governmental entities expired on April 10, 2017. The deadline for governmental agencies to file a proof of claim was May 30, 2017.

The Debtor will file any objections to filed proofs of claim prior to the balloting process described herein.

b. What is an Impaired Claim or Impaired Equity Interest?

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is impaired under the Plan. As provided in 11 U.S.C. §1124, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

In this case, the Plan Proponent believes that Classes 1 and 3 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan.

c. Who is NOT Entitled to Vote?

The holders of the following types of claims and equity interests are not entitled to vote to accept or reject the Plan:

- Holders of claims and equity interests that have been disallowed by an order of the Court;
- Holders of other claims or equity interests that are not “allowed claims” or “allowed equity interests” (as discussed above), unless they have been allowed for voting purposes.
- Holders of claims or equity interests in unimpaired classes;
- Holders of claims entitled to priority pursuant to 11 U.S.C. §§507(a)(2), (a)(3), and (a)(8);
- Holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- Administrative expense claimants.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

d. Who Can Vote in More Than One Class?

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise holds claims in multiple classes, is entitled to accept or reject the Plan in each capacity, and should cast one ballot for each claim.

e. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless: (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by a cramdown on non-accepting classes.

f. Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

g. Treatment of Non-accepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by 11 U.S.C. §1129(b). A Plan that binds non-accepting classes is commonly referred to as a cramdown plan. The Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of 11 U.S.C. §1129(a)(8), does not discriminate unfairly, and is fair and equitable toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a cramdown confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

4. Impairment.

A class of Claims or Interests is “impaired” if the legal, equitable, or contractual rights attaching to the Claims or Interests of that class are modified. Modification for purpose of determining impairment, however, does not include curing defaults and reinstating maturity.

5. Confirmation Standards.

a. General

The proponent of the Plan must meet all applicable requirements of 11 U.S.C. §1129(a) (except 11 U.S.C. §1129(a)(8) if the proponent proposes to seek confirmation of the Plan under the provisions of 11 U.S.C. §1129(b)). These requirements include, among other things, that: (a) the Plan comply with applicable provisions of Title 11, United States Code and other applicable law; (b) the Plan be proposed in good faith; (c) at least one impaired Class of claims must accept the Plan, without counting votes of insiders; (d) the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and (e) the Plan must be feasible. These requirements are not the only requirements listed in 11 U.S.C. §1129, and they are not the only requirements for confirmation.

b. Cramdown

The Bankruptcy Court may confirm a plan of reorganization even though fewer than all the classes of impaired Claims and Interests have accepted the plan. If a plan of reorganization is to be confirmed despite the rejection of a class of impaired Claims or Interest, then the proponent of the plan must show, among other things, that the plan of reorganization does not discriminate unfairly and that the plan is fair and equitable with respect to each impaired class of Claims or Interest that has not accepted the plan of reorganization. *See* discussion below in Section IX, B.

c. Liquidation Analysis

To confirm a Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement at Exhibit B.

d. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

(i) Ability to Initially Fund Plan

Debtor believes that it will have enough cash on hand on the Effective Date of the Plan to pay all claims and expenses that are entitled to be paid on that date and, further, that the Reorganized Debtor will generate sufficient cash through operations to fund the Plan during the Plan distribution period.

(ii) Ability to Make Future Plan Payments and Operate Without Further Reorganization.

The plan proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments. The Debtor has provided financial information from operations. Those projections are detailed in Exhibit “A” and described more fully below

You should consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections Contained in Exhibit “A”.

V. DEFINITIONS

The terms used herein have the same meaning as in the Plan unless the context hereof requires otherwise.

VI. THE DEBTOR

A. History of Debtor and Events Leading to Chapter 11 Petition.

The Debtor is a Florida for-profit corporation formed on July 14, 2008. Eli Kamholtz (the “COO”) and his mother, Pnina Kamholtz (the “President”) each own 37.5% of the stock of the Debtor and Lisa Councilman owns 25% of the stock. Debtor owns and operates Caffe Martier, an upscale casual restaurant that serves Mediterranean fusion food. Beginning in 2010 and through April 2014, the Debtor operated a small sandwich shop of approximately 300 square feet. In 2014, the Debtor expanded to 7,000 square feet in the same building. The cafe opened in its present form in the spring of 2014 and is located at 411 East Atlantic Avenue, Delray Beach, Florida 33483.

On or about April 1, 2014, the Debtor and 411 Master Mind LLC (the “Landlord”) entered into a lease agreement for the rental of 411 East Atlantic Avenue, Delray Beach, Florida 33483, for the purpose of establishing a restaurant as set forth above (the “Lease”). Debtor assumed that the operation of the larger more upscale restaurant would be not much different than the sandwich shop operation. While revenues expanded significantly (\$800,000 in 2014; \$2 million in 2015 and \$2.5 million as of the filing date), so did the expenses.

The operation was underfunded and from the beginning of the new lease term for the expanded space, Debtor had difficulty paying the base rent. Landlord, through two amendments to the Lease Agreement, granted Debtor four (4) months of no rental payments (June 2014 through September 2014). Payment of the rent for the months of October through December 2014 in the total amount of \$81,000.00 was deferred until August 2014. Debtor was able to bring the Lease current and stayed “substantially” current in payment until October 2016.

Commencing in October, 2016, Debtor once again became delinquent and as of November 21, 2016, owed the Landlord a total of \$67,008.06. On November 21, 2016, the Landlord served Debtor with a Three Day Notice to Tenant, Demand for Payment or Possession Pursuant to Florida Statute Section 83.56. Not having the necessary funds to cure the

delinquency, and the Landlord being unwilling to accept less than the full amount due, the Debtor filed in Chapter 11 on December 1, 2016.

The Debtor also needed short term financing and on March 4, 2016, the Debtor and Business Financial Services, Inc. d/b/a BFS Capital (“BFS”) entered into a factoring agreement that provided for an advance of \$243,100.00 for which the Debtor would repay \$316,030.00 over a one (1) year period. The factoring agreement authorized BFS to receive fifteen (15%) of the Debtor’s daily credit card receipts, for an approximate monthly payment of \$26,335.00. The loan was secured by a UCC-1 encumbering Debtor’s assets. The onerous terms of the required repayment process of the BFS agreement also forced the Debtor into Chapter 11 bankruptcy.

At the time of filing, the Debtor was unable to cure the arrearage to the Landlord, and make the required payments to BFS. The Debtor filed this case to continue operations and preserve the going concern value of its operations for the benefit of its creditors and the estate. The Debtor hopes to restructure its existing debts with various creditors and return to operating its restaurant at a profit.

B. INSIDERS OF THE DEBTOR

As defined by §101(31) of the United States Bankruptcy Code (the "Code"), the insiders of the Debtor are Eli Kamholtz, and his mother, Pnina Kamholtz, each of whom own 37.5% of the common stock of the Debtor, and Lisa Councilman, who owns 25% of the Debtor’s common stock. **Upon the effective date of the Debtor’s Plan of Reorganization, Lisa Councilman will become the sole equity shareholder in the newly reorganized Debtor.**

In 2015, Mr. Kamholtz received no salary. In 2016, Mr Kamholtz was paid \$39,500.00 and has received a \$1,000.00 per week salary in 2017. Shareholders Pnina Kamholtz and Lisa Councilman have received no compensation from the Debtor and no insider has an outstanding claim against the Debtor.

VII. DEBTOR’S OPERATIONS IN CHAPTER 11

On December 1, 2016, (the “Petition Date”), the Debtor filed its voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §101 *et seq.* (the “Bankruptcy Code”). Debtor has continued to operate its business as a Debtor-in-Possession pursuant to 11 U.S.C. §§1107 and 1108. Since the Petition Date, numerous pleadings have been filed, all of which are of public record with the Bankruptcy Court Clerk’s Office, United States Bankruptcy Court for the Southern District of Florida, West Palm Beach Division, Flagler Waterview Building, 1515 North Flagler Drive, Suite 801, West Palm Beach, Florida 33401. The Debtor has complied with all Court orders and United States Trustee Guidelines.

On December 15, 2017, the Debtor filed its motion to authorize the Debtor’s use of cash collateral (DE 17) (the “Cash Collateral Motion”). Following a hearing on Debtor’s Cash Collateral Motion, the Court entered an order authorizing Debtor’s use of cash collateral (DE 25) and Debtor has continued to operate consistent with the provisions of the cash collateral order and the budget attached thereto.

During the early stages of its case, Debtor focused on continuing its operations without the requirement of post-petition financing. Debtor sustained operations will enable it to meet its debt obligations as set forth in the Profit & Loss Statements and Budget attached hereto as Exhibit "A".

VIII. SUMMARY OF THE PLAN

Lisa Councilman, currently a 25% owner of the Debtor, will become the sole owner and manager of the newly reorganized Debtor upon the effective date of the Debtor's Plan of Reorganization. Ms. Councilman will deposit in escrow with the Debtor's counsel the sum of \$65,000.00, of which \$62,631.93 shall be paid to the Landlord upon the effective date of the Plan to satisfy the outstanding pre-petition rent liability. BFS, the secured factoring company, was owed approximately \$274,799.00 at the time of filing. As of the date of this Disclosure Statement, Debtor has repaid \$55,281.38 in accordance with agreed upon Adequate Protection payments, leaving a balance due of approximately \$219,518.00.

DEBTOR PROPOSES TO PAY BFS AT TOTAL OF \$120,000.00 (\$2000.00 PER MONTH) UNDER THE PLAN (CLASS1) IN EXCHANGE FOR BFS WAIVING ITS FUTURE PURSUIT OF THE OFFICERS OF THE DEBTOR FOR ANY DEFICIENCY, SAID WAIVER TO BE ENFORCED THROUGH A PERMANENT INJUNCTION ISSUED AT THE TIME OF CONFIRMATION.

Taxing authorities are owed approximately \$141,592.00, with the exact balances yet to be resolved. In several instances, estimated assessments have been issued. Upon the filing of missing returns, these amounts will be changed (we anticipate a reduction). As of now the balances are as follows and will be paid over sixty (60) months:

IRS	\$70,430.54	POC – 1	Class 3
Florida Department of Revenue	\$12,152.16	POC – 7	Class 4
Florida Department of Revenue	\$55,170.61	POC 8-1	Class 5
Palm Beach County Tax Collector	\$3,840.10	POC 2 – 1	Class 6

Additionally there is a secured claim for \$14,616.00 (Class 2) for the lease of several pieces of kitchen appliances at the rate of \$1044.00 per month for fourteen (14) months.

The unsecured class (Class 8) has eighteen (18) members and is owed a total of \$76,446.25. Class 8 claimants shall receive a pro rata distribution of \$10,000.00 over a period of five (5) years beginning on the Effective Date in twenty (20) quarterly payments totaling \$500.00 per payment. The total payment to each creditor equals 13.08% of each claim.

The Landlord, 411 Master Mind LLC, is owed \$62,631.93 for pre-petition rent (POC 6-1). Upon the effective date of the Plan, the Debtor will pay in the arrearage in one (1) payment of the total amount due (Class 8).

The members of the Class of Equity Interest Holders (Class 9) will change with the confirmation of the Plan. Lisa Councilman will become the sole owner and manager of the reorganized Debtor. The Debtor does not believe the absolute priority rule applies. The Debtor waived its right to Plan exclusivity. However, if a successful objection is timely raised regarding the absolute priority rule, Lisa Councilman reserves the right to have the amount of money she is contributing to fund payment to the Landlord (\$65,000.00) under the Debtor's Plan to be deemed "new value", and the absolute priority rule will not bar confirmation of the Debtor's Plan. Any new value received by the Debtor shall be used to fund the Plan.

The following is a brief summary of certain of the more significant matters contemplated by or in connection with the confirmation of the Plan. Thus, the following summary is qualified in its entirety by the Plan. This summary only highlights certain substantive provisions of the Plan. Consideration of this summary will not, nor is it intended to, yield a thorough understanding of the Plan. Such consideration is not a substitute for a full and complete reading of the Plan. All holders of claims and interests are urged to review the plan carefully. The Plan, if confirmed, will be binding on the Debtor and all holders of claims and interests.

A. Classification and Treatment of Claims and Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan.

1. Unclassified Claims

a. Allowed Administrative Claims

Each holder of an Allowed Administrative Claim shall receive, in full satisfaction, settlement, release and discharge of such Allowed Administrative Claim, either (A) an amount equal to the unpaid amount of such Allowed Administrative Claim in cash commencing on the later of (i) the Effective Date, (ii) the date that such Claim becomes an Allowed Administrative Claim by a Final Order, or (iii) a date agreed to by the Claimholder and the Debtor; or (B) such other treatment (i) as may be agreed upon in writing by the Claimholder and the Debtor, or (ii) as the Bankruptcy Court has ordered or may order. Notwithstanding the foregoing, Allowed Administrative Claims representing (a) liabilities, accounts payable or other Claims or obligations incurred in the ordinary course of business of the Debtor consistent with past practices subsequent to the Petition Date, shall be paid or performed by the Debtor in accordance with the terms and conditions of the particular transactions relating to such liabilities and any agreements or contracts relating thereto; provided, notwithstanding any contract provision, applicable law or otherwise, that entitles a holder of an Allowed Administrative Claim to post-petition interest, no holder of an Allowed Administrative Claim shall receive post-petition interest, on account of such Claim.

Compensation of professionals and reimbursement of expenses incurred by professionals are Administrative Claims pursuant to sections 503(b)(2), 503(b)(3), 503(b)(4) and 503(b)(5) of the Code (the "**Professional Fees and Expenses Claims**"). All payments to Professionals for Professional Fees and Expenses Claims will be made in accordance with the procedures

established by the Code, the Rules and the Court relating to the payment of interim and final compensation for services rendered and reimbursement of expenses. The Court will review and determine all applications for compensation for services rendered and reimbursement of expenses.

All entities seeking an award by the Court of Professional Fees and Expenses shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred through the Effective Date pursuant to section 330 if the Code and Rule 2016 by the date that is ten (10) days after the Effective Date or such other date as may be fixed by the Court.

b. United States Trustee's Fees

All fees required to be paid by 28 U.S.C. §1930(a)(6) ("U.S. Trustee Fees") will accrue and be timely paid until the case is closed, dismissed, or converted to another chapter of the Code. Specifically, the Debtor will pay the U.S. Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6), through the date of confirmation of this Plan, within fourteen (14) business days of the entry of an order confirming this Plan. Furthermore, the Reorganized Debtor will file with the Court post-confirmation Quarterly Operating Reports and pay the U.S. Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6) for post-confirmation periods within the time period set forth in 28 U.S.C. §1930(a)(6), based upon all post-confirmation disbursements, until the earlier of the closing of this case by the issuance of a Final Decree by the Bankruptcy Court, or upon the entry of an Order by the Bankruptcy Court dismissing this case or converting this case to another Chapter under the U.S. Bankruptcy Code.

c. Priority Tax Claims

Each holder of an Allowed Priority Tax Claim shall receive, at the sole discretion of the Debtor, and in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claim, (A) an amount equal to the unpaid amount of such Allowed Priority Tax Claim in cash commencing on the later of (i) the Effective Date, (ii) the date that such Claim becomes an Allowed Priority Tax Claim by a Final Order, or (iii) a date agreed to by the Claimholder and the Debtor; (B) as provided in section 1129(a)(9)(C) of the Bankruptcy Code, cash payments made in equal monthly installments beginning on the Effective Date, with the final installment payable not later than the sixtieth (60th) month following the Petition Date, together with interest (payable in arrears) on the unpaid portion thereof at 18% from the Effective Date through the date of payment thereof; or (C) such other treatment as to which the Debtor and such Claimholder shall have agreed in writing or the Bankruptcy Court has ordered or may order; provided, however, that the Debtor reserves the right to pay any Allowed Priority Tax Claim, or any remaining balance of any Allowed Priority Tax Claim, in full at any time on or after the Effective Date without premium or penalty; and, provided further, that no holder of an Allowed Priority Tax Claim shall be entitled to any payments on account of any pre-Effective Date interest accrued on or penalty arising before or after the Petition Date with respect to or in connection with such Allowed Priority Tax Claim.

The following chart lists the Debtor's estimated Administrative expenses and their proposed treatment under the Plan:

TYPE	ESTIMATED AMOUNT OWED	PROPOSED TREATMENT
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$0.00 (Paid in Regular Course of Business)	Paid in full on the Effective Date of the Plan, or according to terms of obligation, if later. The Debtor has been paying post-petition expenses in the normal course, and does not believe that any amounts are due and owing.
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	\$0.00	N/A
Professional Fees, as approved by the Court	Est. \$30,000.00	Paid in full on the Effective Date of the Plan, or according to a separate agreement, or according to Court order if such fees have not been approved by the Court on the Effective Date of the Plan.
Clerk's Office Fees	\$0.00	N/A
Other Administrative Expenses	\$0.00	N/A
Office of the U.S. Trustee Fees	Est. \$1,250.000	Paid in full on the Effective Date of the Plan.
TOTAL	Est. \$31,250.00	

2. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under 11 U.S.C. §506. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim.

The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

Class	Impairment	Treatment
<p>Class 1 - Business Financial Services, Inc. d/b/a BFS Capital ("Claimant"),</p> <p>(No Proof of Claim Filed)</p> <p>Total claim amount: \$219,518.00</p> <p>Repayment Terms:</p> <p>60 months; 0.00% Interest</p> <p>Monthly Payment: \$2000.00</p>	Impaired	<p>Class 1, Business Financial Services, Inc. d/b/a BFS Capital ("Claimant"). The Class 1 claim is secured by substantially all of Debtor's assets.</p> <p>Debtor proposes to pay Claimant a total of \$120,000 in full satisfaction of its claim, at the rate of \$2000.00 per month. <u>The Claimant shall waive its future pursuit of the officers of the Debtor for any deficiency, said waiver to be enforced through a permanent injunction set forth in the confirmation order.</u></p> <p>Payment will be made at the regular payment address or such other address as required by Claimant upon notice to the Debtor.</p> <p>Within thirty (30) days of completion of the aforementioned payments totaling \$120,000.00 Claimant shall file and record in the public records, a termination statement, or any other document necessary to release the liens in favor of Claimant against the Debtor that are encumbering any assets of the Debtor.</p>

Class	Impairment	Treatment
Class 2 - North Star Leasing Company (No Proof of Claim Filed) Total claim amount: \$14,616.00 Lease # 40706 Repayment Terms: 14 months Monthly lease Payment: \$1,044.00	unimpaired	Class 2, North Star Leasing Company. The lease, on various pieces of kitchen equipment and appliance, is current, and will be assumed.

Classes of Priority Unsecured Claims

Certain priority claims that are referred to in 11 U.S.C. §§507(a)(1), (4), (5), (6) and (7) are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the Effective Date of the Plan equal to the Allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

The following chart lists all classes containing Debtor's priority unsecured claims and their proposed treatment under the Plan:

Class	Impairment	Treatment
Class 3 - Priority Claim of IRS (POC1-1) Total Priority Claim \$67,475.54	Impaired	The IRS has filed a total claim in the amount of \$70,430.54. Of that sum, \$67,475.54 is a priority claim and the balance of the Claim in the amount of \$2,954.46 is a general unsecured claim which shall be treated pursuant to Class 8 of the Plan. The IRS will be paid in full, over 60 months from the Effective Date, in 20 equal quarterly payments, which will begin on the first day of the month following the Effective Date of the Plan, and continue on the first day of every quarter.

Class	Impairment	Treatment
Class 4 - Priority Claim of Florida Department of Revenue for reemployment taxes (POC7-1) Total Priority Claim: \$10,480.60	Impaired	The FDOR has filed a total claim in the amount of \$12,152.16 Of that sum, \$10,480.60 is a priority claim and the balance of the Claim in the amount of \$1,645 is a general unsecured claim which shall be treated pursuant to Class 8 of the Plan. The DOR will be paid in full over 60 months from the Effective Date, in 20 equal quarterly payments, which will begin on the first day of the month following the Effective Date of the Plan, and continue on the first day of every quarter.

Class	Impairment	Treatment
<p>Class 5 - Priority Claim of Florida Department of Revenue for sales taxes (POC8-1)</p> <p>Total Priority Claim: \$48,290.46</p>	Impaired	<p>The DOR has filed a total claim for sales taxes in the amount of \$55,170.61. Of that sum, \$48,290.49 is a priority claim and the balance of the Claim in the amount of \$6,880.12 is a general unsecured claim which shall be treated pursuant to Class 8 of the Plan.</p> <p>The DOR will be paid in full over 60 months from the Effective Date, in 20 equal quarterly payments, which will begin on the first day of the month following the Effective Date of the Plan, and continue on the first day of every quarter.</p>
Class	Impairment	Treatment
<p>Class 6 - Priority Claim of Palm Beach County Tax Collector for Tangible Personal Property Tax (POC2-1)</p> <p>Total Priority Claim: \$3840.11</p>	Impaired	<p>The PBTC has filed a priority claim for tangible personal property taxes in the amount of \$3840.11 plus 18% interest.</p> <p>The DOR will be paid in full over 60 months from the Effective Date, in 20 equal quarterly payments, which will begin on the first day of the month following the Effective Date of the Plan, and continue on the first day of every quarter. Interest at the rate of 18% per annum will be paid.</p>

Class	Impairment	Treatment
<p>Class7 - Special Unsecured Class-Claim of 411 Mastermind,LLC (POC6-1)</p> <p>Claim Amount: \$62,631.93</p> <p>Plan Payment Term: lump sum on effective date of Plan</p>	Impaired	<p>Class 7 consists of the Special Unsecured claim of 411Mastermind, LLC, the landlord, for \$62,631.93 (DE) for pre-petition rents. This sum shall be paid in a lump sum payment upon the effective date of the Plan.</p>

General Unsecured Claims

General unsecured claims are not secured by property of the estate and are not entitled to priority under 11 U.S.C. §507(a). The following chart identifies the Plan's proposed treatments of Class 3, which contains general unsecured claims against the Debtor.

Class	Impairment	Treatment
<p>Class 8 – General Unsecured Class</p> <p>Total Claims Amount: \$76,446.25</p> <p>Plan Payment Term: 5 years</p> <p>Total Plan Payments: \$10,000.00</p> <p>Quarterly Plan Payment Amount: \$500</p>	Impaired	<p>Class 8 consists of the Allowed General Unsecured Claims.</p> <p>Class 8 claimants shall receive a pro rata distribution of \$10,000 over a period of five (5) years beginning on the Effective Date in 20 quarterly payments totaling \$500.00 per payment.</p> <p>Notwithstanding the above, any claimant scheduled to receive a total Class 8 distribution of \$250.00 or less shall</p>

Dividend to Unsecured Creditors: 13.08%		be paid in a lump sum on the Effective Date. The specific creditors to be paid pursuant to the terms of Class 8 are set forth below. The Class 8 claimants will receive a distribution of approximately 13.08% of their allowed claim(s).
--	--	--

Summary of General Unsecured Claims

<u>Creditor</u>	<u>Amount Owed</u>	<u>Total Plan Payments</u>	<u>20 Plan Payments</u>
ADT	6,285.00	822.15	41.11
All County Produce	6,640.05	868.59	43.43
Aramark	5,153.20	674.09	33.70
Carbons Golden Market	837.00	109.49	5.47
Ecolab	1,308.33	171.14	8.56
Emmaculate Reflections	7,336.71	959.72	47.99
Independent Seafoods	1,697.89	222.10	11.11
Mac's Produce	3,931.50	514.28	25.71
Marky's	95.32	12.47	0.62
Mr. Greens Product	20,469.98	2,677.70	133.88
Orkin	2,067.00	270.39	13.52
Southcoast Fish Company	2,466.11	322.59	16.13
Sysco Southeast Florida	11,878.70	1,553.86	77.69
IRS - General Unsecured	2,954.46	386.48	19.32
State of Florida - General Unsecured	<u>3,325.00</u>	<u>434.95</u>	<u>21.75</u>
	76,446.25	10,000.00	500.00

The aggregate amount of claims included in Class 8 is \$76,446.25

Based upon the distribution amount of \$10,000.00, allowed unsecured claimants will receive a distribution of approximately 13.08%. This distribution is higher than what allowed general unsecured claimants would receive in a hypothetical Chapter 7, in which case the Debtors estimates that such claimants would receive a distribution of 0.00%.

9. Classes of Equity Interest Holders

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder. The Debtor is a Florida corporation.

The following chart sets forth the Plan's proposed treatment of the class of equity interest holders:

Class	Impairment	Treatment
<p>Class 9– Allowed Equity Interests</p> <p>Equity Interest Holders: Pnina Kamholtz-37.5% Eli Kamholtz-37.5% Lisa Councilman-25%</p> <p>(No insider claims)</p>	<p>Impaired</p>	<p>Class 9 consists of Equity Interests. Equity Interests consist of any share of preferred stock, common stock or other instrument evidencing an ownership interest in the Debtor, whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such interest.</p> <p><u>Equity interest holders Pnina Kamholtz and Eli Kamholtz will not retain their pre-petition equity interest in the Debtor post petition. Lisa Councilman will assume 100% of the equity interest in the reorganized Debtor.</u></p>

The Debtor does not believe the absolute priority rule applies. The Debtor waived its right to Plan exclusivity. However, if a successful objection is timely raised regarding the absolute priority rule, Lisa Councilman reserves the right to have the amount of money she is contributing to fund payments (\$65,000.00) under the Debtor's Plan to be deemed "new value", and the absolute priority rule will not bar confirmation of the Debtor's Plan. Any new value received by the Debtor shall be used to fund the Plan.

B. Treatment of Unimpaired Claims

Certain types of claims are automatically entitled to specific treatment under the Bankruptcy Code. These claims are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code.

C. Vesting of the Property of the Estate

Except as otherwise provided in the Plan and the Confirmation Order, on the Effective Date, Reorganized Debtor shall be vested with all of the property of the Estate free and clear of all Claims, liens, encumbrances, charges, and other interests, including but not limited to that of holders of Claims and holders of Equity Interests. The Reorganized Debtor shall assume all of the Debtor's rights, obligations and liabilities under the Plan, and will continue to use all property of the Estate in the ordinary course of business.

D. Source of Plan Funding

Funds to be used to make cash payments under the Plan will be derived from the operations of Debtor prior to and after the Effective Date. A cash infusion of \$65,000.00 from Lisa Councilman (to be held in escrow by the Debtor's counsel) shall be used on the Effective Date to pay the outstanding pre-petition rent liability. Going forward, the reorganized Debtor, with new management, anticipates improving the bottom line by reducing its overhead costs. One significant savings will be the substitution of non-kosher meat for kosher meat currently being use. This will save the Debtor approximately \$12,000.00 per month. Also, Debtor during

the administration of the Estate has been paying BFS an average of \$11,000.00 per month in adequate protection payments. Under the Plan, this amount will be reduced to \$2000.00 per month which will create approximately \$9,000.00 in savings which is more than sufficient to fund the Debtor's Plan of Reorganization and increase the bottom line. Throughout the Debtor's bankruptcy case, the Debtor has been inconsistent in its cash flow and profits (on an accrual basis), which is evidenced in the Debtor's monthly operating reports, and as shown on the attached Exhibit "A". However for the reasons stated immediately above, the Debtor believes that with the anticipated savings in expenses of approximately \$21,000.00 per month, that it can operate profitably. To the extent that the Debtor wishes to prepay any amounts due under the Plan from exempt assets or other third party sources, the Debtor reserves the right to do so without penalty and to seek the entry of a final decree closing this case.

In order to assist in funding the Debtor's business operations under the Plan, the Debtor may retain any cash on hand, any funds in its bank accounts, and may retain amounts received from accounts receivable to pay accounts payable. Accordingly, Debtor asserts that it is able to perform all of its obligations under the Plan, and as such, the Plan satisfies section 1129(a)(11) of the Code.

E. Risk Factors

Assuming that the Plan is confirmed, the Plan's success going forward depends almost entirely on a combination of the ability of Reorganized Debtor's ability to continue its operations on a cash-flow positive basis. Both of these variables depend, in turn, on the stability and recovery of the economy in and around Palm Beach County, the State of Florida generally, and the United States.

The proposed Plan has the following risks:

- (i) There is no guarantee that the projected income will remain as proposed for the next five (5) years. The Debtor has provided its best estimate based on historical income and current factors.
- (ii) Natural hazards, including extreme weather conditions, such as hurricanes, could have an impact on the Debtor's ability to maintain the cash flow projected herein.
- (iii) Failure to satisfy vote requirement – the Debtor is seeking the affirmative vote of at least one class of creditors. If the Plan does not receive sufficient votes for confirmation pursuant to 11 U.S.C. §1129(a), then the Plan cannot be confirmed.
- (iv) The Plan may not be accepted or confirmed – while the Debtor believes that the Plan is confirmable under the standards set forth in 11 U.S.C. §1129, there is no assurance that the Bankruptcy Court will find the Plan to be confirmable. If the Plan is not confirmed, it is possible that an alternative plan can be negotiated and presented to the Bankruptcy Court for approval, but there is also no assurance that an alternative plan would be confirmed, that the case will not be converted to a Chapter 7 proceeding, or that any alternative plan of reorganization could or would be

formulated on terms as favorable to the creditors and the Debtor as the terms of the Plan.

F. Disputed Claims

Notwithstanding any other provision of the Plan, if any portion of a Claim is disputed, the full amount of such Claim shall be treated as a Disputed Claim for purposes of this Plan, and no payment or Distribution provided under the Plan shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim or Allowed Equity Interest (in whole or in Part). Debtor has indicated no disputed claims on its Schedules filed at [DE 1].

G. Disallowed Claims

All Claims held by Persons against whom the Debtor or Reorganized Debtor has commenced an Action under sections 542, 543, 544, 545, 547, 548, 549, and/or 550 of the Code, shall be deemed “disallowed” Claims pursuant to section 502(d) of the Code and holders of such Claims shall not be entitled to vote to accept or reject the Plan. Claims that are deemed disallowed shall continue to be disallowed for all purposes until the avoidance action against such party has been settled or resolved by Final Order and any sums due to the Estate from such party have been paid. Debtor has not commenced any action, nor has Debtor identified any actions to be commenced under sections 542, 543, 544, 545, 547, 548, 549, and/or 550 of the Code.

H. Disbursing Agent

The Reorganized Debtor or such Person(s) as the Reorganized Debtor may designate with approval of the Court, will act as Disbursing Agent under the Plan with respect to all Distributions to holders of Claims and Equity Interests, and will make all distributions required to be distributed under the applicable provisions of the Plan.

I. Unclaimed Distributions

Upon return of any plan distribution, Debtor shall issue letter correspondence to the last known address indicated on Debtor’s schedules or applicable proof of claim. Debtor’s correspondence shall include a check for the applicable Plan Payment and provide all necessary case information to enable Creditor’s determination of the applicability of Debtor’s plan payment. Any payments made pursuant to Plan that are unclaimed for a period of six (6) months shall be forfeited by the holder and will be re-deposited in the Disbursing Agent’s account in accordance with 11 U.S.C. §347(b).

J. Determination of Tax Liability

The Debtor reserves its right to seek determination of any tax liabilities pursuant to 11 U.S.C. §505.

K. Treatment of Executory Contracts and Unexpired Leases

The Bankruptcy Code gives the Debtor the power, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. Rejection or assumption may be effected pursuant to a plan of reorganization.

Pursuant to sections 365(a) and 1123(b)(2) of the Code, all Executory Contracts and unexpired leases between the Debtor and any Person, as set forth in the table below, shall be deemed assumed by the Reorganized Debtor as of the Effective Date, except for any Executory Contract or unexpired lease (i) which previously has been assumed or rejected pursuant to an order of the Court entered prior to the Effective Date or (ii) as to which a motion for approval of the assumption or rejection of such Executory Contract or unexpired lease has been filed and served prior to the Effective Date.

Party to Executory Contract or Unexpired Lease	Description	Cure Payment(s)
Northstar Leasing Company	Various kitchen equipment and appliances	Current

TO THE EXTENT THERE ARE ANY EXECUTORY CONTRACTS OR LEASES REJECTED BY THE DEBTOR PROOF OF CLAIM FOR DAMAGES ARISING FROM THE REJECTION OF AN EXECUTORY CONTRACT OR LEASE MUST BE FILED WITH THE COURT WITHIN THIRTY DAYS AFTER THE ENTRY OF THE ORDER CONFIRMING THE PLAN.

L. Legal Proceedings

1. Potential Bankruptcy Causes of Action

Except as otherwise provided expressly in Debtor's Plan of Reorganization, including, without limitation, subsection (b) below, or in any contract, instrument, release or other agreement entered into in connection with the Plan or by Order of the Court, in accordance with §1123(b) of the Bankruptcy Code, the Reorganized Debtor shall retain and may enforce any claims, rights, and causes of action under §§ 544 through 550, inclusive, of the Bankruptcy Code or any other applicable law. Debtor may pursue any such claims, rights and causes of action in accordance with what it determines to be in its best interests. Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

2. Preservation of Claims and Causes of Action

The Plan provides that the Debtor shall retain the right to prepare, file, pursue, prosecute, and settle the causes of action, whether or not such causes of action have been asserted or commenced as of the Effective Date, as a representative of the estate pursuant to 11 U.S.C. §1123(b)(3)(B).

To the extent that certain causes of action are filed by the Debtor, and are not resolved prior to the Effective Date, such causes of action will re-vest in the Debtor pursuant to the terms of the Plan. At the present time, Debtor has not identified any other causes of action to pursue.

M. Debtor's Post-Confirmation Management

Upon the Effective Date, Debtor shall continue operations and shall be owned and operated 100% by Lisa Councilman.

IX. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in 11 U.S.C. §1129(a) or (b). These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a Chapter 7 liquidation case, unless the creditor or equity interest holder would receive in a Chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in §1129, and they are not the only requirements for confirmation.

A. Voting Requirements

1. Claimants and Impaired Interest Holders

Claimants and Interest Holders entitled to vote under the Plan must affirmatively act in order for the Plan to be confirmed by the Court. According to the Debtor's Plan, Classes 1 and 3 are "impaired" classes within the meaning of 11 U.S.C. §1124. These classes, accordingly, must vote to accept the Plan in order for the Plan to be confirmed without a cramdown. A Claimant who fails to vote to either accept or reject the Plan will not be included in the calculation regarding acceptance or rejection of the Plan.

The Plan will be confirmed by the Bankruptcy Court and made binding upon all Claimants and Interest holders if: (a) with respect to impaired classes of Claimants, the Plan is accepted by holders of two-thirds (2/3) in amount and more than one-half (1/2) in number of Claims in each such class voting upon the Plan, and (b) with respect to classes of Interest Holders, if the Plan is accepted by the holders of at least two-thirds (2/3) in amount of the allowed interests of such class held by holders of such interests. In the event the requisite acceptances are not obtained, the Bankruptcy Court may, nevertheless, confirm the Plan if it finds that the Plan accords fair and equitable treatment to any class rejecting it. Your attention is directed to 11 U.S.C. §1129 for details regarding the circumstances of such "cramdown" provisions.

Any vote by a holder of a Claim or Interest shall not be counted if such Claim or Interest has been disallowed or is the subject of an unresolved objection, absent an order of the Bankruptcy Court allowing such claim for voting purposes pursuant to Bankruptcy Code § 502 Code and Federal Rule of Bankruptcy Procedure 3018.

After carefully reviewing this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed ballot or ballots and return them in the postage-paid envelope provided.

TO BE SURE YOUR BALLOT IS COUNTED, IT MUST BE COMPLETELY FILLED IN, SIGNED, AND RECEIVED AT:

**Clerk of the U.S. Bankruptcy Court
Flagler Waterview Building, Suite 801
1515 North Flagler Drive,
West Palm Beach, Florida 33401**

with a courtesy copy to:

Van Horn Law Group, P.A.
330 N. Andrews Avenue, Suite 450
Fort Lauderdale, Florida 33301

If your ballot is not signed and returned to the Clerk of Court as described, it will not be counted. Failure to provide Debtor's counsel with a courtesy copy will not invalidate your ballot. If your ballot is damaged or lost, or if you do not receive a ballot, you may request a replacement by addressing a written request to the Debtor's attorney, Van Horn Law Group, P.A., 330 N. Andrews Avenue, Suite 450; Fort Lauderdale, Florida, 33301. Please follow the directions contained on the enclosed ballot carefully.

B. Cramdown

In the event that any impaired Class of creditors with claims against the Debtor's Estate fails to accept the Plan in accordance with section 1129(a) of the Bankruptcy Code, the Debtor will request the Bankruptcy court to confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code (the "**Cramdown Provisions**") For purposes of seeking confirmation of the Plan under the Cramdown Provisions, the Debtor reserves the right to modify or vary the terms of the Plan or the treatment of the Claims of those Classes that rejected the Plan so as to comply with the requirements of the Cramdown Provisions.

C. Confirmation Hearing

The Bankruptcy Court shall schedule the Confirmation Hearing to consider confirmation of the Plan before the Honorable Paul J. Hyman, Judge for the United States Bankruptcy Court for the Southern District of Florida, West Palm Beach Division, located at the United States Bankruptcy Court, Courtroom A, Flagler Waterview Building, 1515 North Flagler Drive, West Palm Beach, Florida 33401.

The Confirmation Hearing may be adjourned from time to time without notice except as given at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing. The

Bankruptcy Court shall set forth a deadline to file objections, if any, to the approval of this Disclosure Statement or the confirmation of the Plan.

D. Effects of Confirmation of the Plan

1. Discharge

This Plan provides that upon the Effective Date, Debtor shall be discharged of liability for payment of debts incurred before confirmation of the Plan, to the extent specified in 11 U.S.C. §1141. However, any liability imposed by the Plan will not be discharged.

2. Final Decree

Once the estate has been fully administered as referred to in Bankruptcy Rule 3022, the Debtor, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case.

E. Objections to Confirmation

Any objection to the confirmation of the Plan must be made within the time period set forth on the Order Approving Disclosure Statement and Setting Confirmation Hearing to:

CLERK OF THE U.S. BANKRUPTCY COURT

Flagler Waterview Building, Suite 801
1515 North Flagler Drive,
West Palm Beach, Florida 33401

with copies to:

VAN HORN LAW GROUP, P.A.

330 N. Andrews Avenue, Suite 450
Fort Lauderdale, Florida 33301

and

OFFICE OF THE UNITED STATES TRUSTEE

51 SW First Avenue, #1204
Miami, Florida 33130

Objections to confirmation of the Plan are governed by Federal Rule of Bankruptcy Procedure 9014. Unless an objection to confirmation is timely served and filed it may not be considered by the Bankruptcy Court.

X. LIQUIDATION AND FEASIBILITY ANALYSIS

A Plan proponent must demonstrate as a condition of confirmation, that each impaired Class of Creditors will receive as much as it would receive in a Chapter 7 proceeding. A Plan proponent must also demonstrate that the Plan is “feasible,” i.e., that confirmation of the Plan is not likely to be followed by the liquidation or need for further financial reorganization of the Debtor. The Debtor has prepared and has attached a Liquidation Analysis as Exhibit “B”.

If no plan can be confirmed, the Debtor’s Chapter 11 Case may be converted to a case under Chapter 7, in which a trustee would be elected or appointed to liquidate the assets of the Debtor for distribution to its creditors in accordance with the priorities established by the Bankruptcy Code. The Debtor believes that a Chapter 7 liquidation represents an alternative inferior to the Plan in all material respects. The Debtor believes that at this time liquidation under Chapter 7 would result in diminution of the value of his Estate because of additional administrative expenses involved in the appointment of a trustee and attorneys, accountants, and other professionals to assist a trustee.

Debtor believes that it will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on that date and, further, that the Reorganized Debtor will generate sufficient cash through operations to fund the Plan during the Plan distribution period. The Budget demonstrates the Debtor’s ability to make all payments required under this Plan. These projections make certain assumptions and take into account Debtor’s plans for the future. Accordingly, Debtor asserts that it is able to perform all of its obligations under the Plan, and as such, the Debtor’s Plan satisfies §1129(a)(11) of the Code. See the Budget and Profit & Loss Statement, attached as **Exhibit “A”** demonstrating the Debtor’s ability to make payments required under this Plan.

XI. MISCELLANEOUS

A. Amendment or Modification of Plan

Alterations, amendments or modifications of the Plan may be proposed in writing by the Debtor at any time prior to the Confirmation Date in conformity with section 1127(a) of the Code, provided that the Plan, as altered, amended or modified, satisfies the conditions of sections 1122, 1123 and 1129 of the Code, and the Debtor shall have complied with section 1125 of the Code. The Plan may be altered, amended or modified by the Debtor at any time after the Confirmation Date in conformity with section 1127(b) of the Code, provided that the Plan, as altered, amended or modified, satisfies the requirements of sections 1122 and 1123 of the Code and the Court, after notice and a hearing, confirms the Plan, as altered, amended or modified, under section 1129 of the Code and the circumstances warrant such alterations, amendments or modifications. A holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder. Prior to the Effective Date, the Debtor, and without the approval of the Bankruptcy Court, and without notice to all holders of Claims and Interests, insofar as it does not materially adversely affect the interests of holders of Claims and Interests, may correct any defect, omission or inconsistency in

this Plan in such manner and to such extent as may be necessary to expedite the execution of this Plan.

B. Confirmation Order Controls

To the extent the Disclosure Statement is inconsistent with the Plan, the Plan shall control. To the extent that the Plan, the Disclosure Statement or any agreement entered into between or among the Debtor and any third party is inconsistent with the Confirmation Order, the Confirmation Order shall control.

C. Effectuating Documents and Further Transactions

The Debtor or Reorganized Debtor, as the case may be, is authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to implement, effectuate and further evidence the terms and conditions of the Plan and any notes or securities issued pursuant to the Plan.

D. Terms of the Plan are Binding

Pursuant to Section 1141 of the Bankruptcy Code, the Plan and all of its terms, when approved and confirmed by the Bankruptcy Court, shall be binding upon, including, without limitation, the Debtor, the Debtor's Estate, the Reorganized Debtor, all holders of Claims, Allowed or not, and their respective successors and assigns.

If, after the Confirmation Date, any term or provision of this Plan is determined to be unenforceable, the remaining terms and provisions of this Plan shall nonetheless continue in full force and effect.

E. Injunction

Upon the Effective Date of the Plan, all Persons who have been, are or may be holders of Claims (including Late Filed Claims) against the Debtor, shall be enjoined from taking any actions against or affecting the Debtor, or the Reorganized Debtor, on account of such Claims or Equity Security Interest (other than actions brought to enforce any rights or obligations under the Plan), including without limitation:

1. Against the filing, commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtor, with respect to any property of any of the foregoing or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing, or any property of any such transferee or success except as specifically authorized in the Plan;

2. Enforcing, levying, attaching (including, without limitation, any prejudgment attachment), collecting or otherwise recovering by any means or in any manner, whether directly or indirectly, any judgment award, decree or other Order against the Debtor, with respect to any

property of any of the foregoing or any of the direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing, or any property of any such transferees or successor, except as specifically authorized in the Plan;

3. Creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any liens or encumbrances against the Debtor, with respect to any property of any of the foregoing or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing, or any property of any such transferee or successor except as specifically authorized in the Plan;

4. Setting-off, seeking reimbursement or contribution from or subrogation against or otherwise recouping in any manner, directly or indirectly, any amount against any liability owed to the Debtor, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing except as specifically authorized in the Plan; or

5. Proceeding in any manner and any place with regard to liquidating any Claim in any forum other than United States Bankruptcy Court for the Southern District of Florida or, if that Court does not have jurisdiction thereon, in the United States District Court for the Southern District of Florida, or in such forum deemed appropriate by the Debtor.

6. THE DEBTOR'S PLAN PROPOSES AN INJUNCTION AGAINST BFS

SPECIFICALLY, THE PLAN PROVIDES THAT THE CLASS 1 CREDITOR, BUSINESS FINANCIAL SERVICES, INC. D/B/A BFS CAPITAL, BE ENJOINED FROM INSTITUTING ANY CLAIM OR PURSUING ANY LAW SUIT AGAINST THE DEBTOR'S OFFICERS AND/OR THEIR HEIRS AND ASSIGNS FOR PRE-PETITION CLAIMS, INCLUDING ANY DEFICIENCY IN CONNECTION WITH ANY LOAN MADE TO THE DEBTOR BY CREDITOR.

XII. RETENTION OF JURISDICTION BY THE BANKRUPTCY COURT

The Bankruptcy Court shall retain jurisdiction of these proceedings after the Confirmation Date of this Plan until the entry of the final decree pursuant to Bankruptcy Rule 3022 for the following purposes:

A. To hear and determine pending applications for the assumption or rejection of executory contracts or unexpired leases, if any are pending, and the allowance of Claims resulting, therefrom;

B. To determine any and all adversary proceedings, motions, applications and contested matters, and other litigated matters pending on the Confirmation Date;

C. To hear and determine any objections to or the allowance, classification, priority, compromise, estimation or payments of any Administrative Claims or Claims;

D. To ensure that Distribution to holders of Allowed Claims are accomplished as

provided in the Plan;

E. To enter and implement such order as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;

F. To issue such orders in aid of execution and consummation of the Plan, to the extent authorized by section 1142 of the Code;

G. To consider any amendments to or modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in the Plan, the Plan supplement, or any order of the Court, including, without limitation, the Confirmation Order;

H. To hear and determine all applications for compensation and reimbursement of expenses of Professionals under sections 330, 331, and 503(b) of the Code;

I. To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;

J. To recover all Assets of the Debtor and Property of the Estate, wherever located;

K. To determine any Claim of or any liability to a governmental unit that may be asserted as a result of the transactions contemplated herein;

L. To enforce the Plan, the Confirmation Order and any other order, judgment, injunction or ruling entered or made in the Case, including, without limitation, the discharge, injunction, exculpation and releases provided for in the Plan;

M. To take any action and issue such order as may be necessary to construe, enforce, implement, execute, and consummate the Plan or to maintain the integrity of the Plan following consummation;

N. To hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Code (including, but not limited to, an expedited determination under section 505(b) of the Code of the tax liability of the Debtor for all taxable periods through the Effective Date for all taxable periods of the Debtor through the liquidation and dissolution of such entity);

O. To hear any other matter not inconsistent with the Code; and

P. To enter a final decree closing the Case; provided however, that nothing in the Plan shall divest or deprive any other court or agency of any jurisdiction it may have over the Reorganized Debtor under applicable environmental laws.

XIII. ALTERNATIVES TO THE PLAN

All payments by the Debtor as provided for in the Plan shall be financed by the operation of Debtor's business.

There are three possible consequences if the Plan is rejected or if the Bankruptcy Court refuses to confirm the Plan: (a) the Bankruptcy Court could dismiss the Debtor's Chapter 11 Bankruptcy Case, (b) the Debtor's Chapter 11 Bankruptcy Case could be converted to a liquidation case under Chapter 7 of the Bankruptcy Code, or (c) the Bankruptcy Court could consider an alternative plan of reorganization proposed by the Debtor or by some other party.

A. Dismissal

If the Debtor's Bankruptcy Case was to be dismissed, the Debtor would no longer have the protection of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. Dismissal would force a race among creditors to take over and dispose of the Debtor's available assets. In this case, *BUSINESS FINANCIAL SERVICES, INC. D/B/A BFS CAPITAL*, holds a first priority lien on all assets of the Debtor. Thus, the Debtor's assets could be sold and no creditors, other than *BUSINESS FINANCIAL SERVICES, INC. D/B/A BFS CAPITAL*, would likely receive consideration.

B. Chapter 7 Liquidation

If the Plan is not confirmed, it is possible that the Debtor's Bankruptcy Case will be converted to a case under Chapter 7 of the Bankruptcy Code, in which case a trustee would be appointed to liquidate the Debtor's assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. Whether a bankruptcy case is one under Chapter 7 or Chapter 11, Secured Claims, Administrative Claims, and Priority Unsecured Claims are entitled to be paid in full before unsecured creditors receive any funds. The Chapter 7 trustee would be entitled to receive the compensation allowed under 11 U.S.C. §326. The trustee's compensation is based on 25% of the first \$5,000 or less; 10% of any amount in excess of \$5,000 but not in excess of \$50,000; 5% of any amount in excess of \$50,000 but not in excess of \$1,000,000; and reasonable compensation not to exceed 3% of any amount in excess of \$1,000,000, upon all moneys disbursed or turned over in the case by the trustee to parties in interest, excluding the debtor, but including holders of secured claims.

Attached hereto as Exhibit "B" is the Debtor's liquidation analysis.

XIV. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A summary description of certain United States federal income tax consequences of the Plan is provided below. The description of tax consequences below is for informational purposes only and, due to lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various U.S. federal income tax consequences of the Plan as discussed herein. Only the potential material U.S. federal income tax consequences of the Plan to the Debtor and to a typical holder of claims and interests who are entitled to vote or to

accept or reject the Plan are described below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan, and no tax opinion is being given in the Disclosure Statement. No rulings or determination of the Internal Revenue Service (the "IRS") or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtor or to any holder of claims or interests. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

The discussion of the U.S. federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations promulgated and proposed thereunder, judicial authorities, and administrative rulings and pronouncements of the IRS and other applicable authorities, all as in effect on the date of this document. Legislative, judicial, or administrative changes or interpretations enacted or promulgated in the future could alter or modify the analyses and conclusions set forth below. It cannot be predicted at this time whether any tax legislation will be enacted or, if enacted, whether any tax law changes contained therein would affect the tax consequences to the holders of claims and interests (the "Claimants"). Any such changes or interpretations may be retroactive and could significantly affect the U.S. federal income tax consequences discussed below.

THIS DISCUSSION DOES NOT ADDRESS FOREIGN, STATE, OR LCOAL TAX CONSEQUENCES OF THE PLAN, NOR DOES IT PURPORT TO ADDRESS THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO SPECIAL CLASSES OF TAXPAYERS (SUCH AS FOREIGN ENTITIES, NONRESIDENT ALIEN INDIVIDUALS, PASS-THROUGH ENTITIES SUCH AS PARTNERSHIPS AND HOLDERS THROUGH SUCH PASS-THROUGH ENTITIES, S CORPORATIONS, MUTUAL FUNDS, INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, SMALL BUSINESS INVESTMENT COMPANIES, REGULATED INVESTMENT COMPANIES, CERTAIN SECURITIES TRADERS, BROKER-DEALERS AND TAX-EXEMPT ORGANIZATIONS). FURTHERMORE, ESTATE AND GIFT TAX ISSUES ARE NOT ADDRESSED AND TAX CONSEQUENCES RELATING TO THE ALTERNATIVE MINIMUM TAX ARE GENERALLY NOT DISCUSSED.

NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT A TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

A. U.S. Federal Income Tax Consequences to the Debtor

1. Cancellation of Indebtedness Income

Generally, the discharge of a debt obligation owed by a debtor for an amount less than the “adjusted issue price” (in most cases, the amount the debtor received on incurring the obligation, with certain adjustments) gives rise to cancellation of indebtedness (“COD”) incomes to the debtor, subject to certain rules and exceptions. However, when the discharge of indebtedness occurs pursuant to a plan approved by the Bankruptcy Court in a case under title 11 of the Bankruptcy Code (e.g., chapter 11 case), there is a special rule under the Tax Code that specifically excludes from a debtor’s income the amount of such discharged indebtedness (the so-called “bankruptcy exception”). Instead, certain of the debtor’s tax attributes otherwise available generally must be reduced by the amount of the COD income that is excluded from the debtor’s income. Such reduction of tax attributes generally occurs in the following order: (i) net operating losses and net operating loss carryovers (collectively, “NOLs”), (ii) general business credits, (iii) minimum tax credits, (iv) capital loss carryovers, (v) the tax basis of debtor’s property (both depreciable and non-depreciable), (vi) passive activity loss and credit carryovers, and (vii) foreign tax credit carryovers (although there is a special rule in the Tax Code which allows the debtor to elect to first reduce the tax basis of depreciable property before having to reduce NOLs and other attributes).

Under current Income Tax Regulations, the availability of the “bankruptcy exception” in the context of an affiliated group is made on a “separate entity” basis and not on an “affiliated group” basis. In addition, with regard to tax attribute reduction in the context of an affiliated group, recently adopted Income Tax Regulations (§1.1502-28) suggest a “hybrid” method of attribute reduction. Under the current Tax Regulations only member corporations can file on a consolidated tax basis.

Under these regulations, the tax attributes of the separate corporate member having excluded COD income is first reduced, followed by a reduction of the tax attributes of the subsidiary members (to the extent of any stock basis reduction). Then, to the extent a corporate member’s excluded COD income exceeds that corporate member’s separate entity tax attributes, the consolidated tax attributes allocated to the other corporate members are proportionately reduced.

B. U.S. Federal Income Tax Consequences to an Investor Typical of the Holders of Claims and Interests.

The U.S. federal income tax consequences of the implementation of the Plan to the Claimants, typical of the holders of claims and interests who are entitled to vote to confirm or reject the Plan, will depend on a number of factors, including: (i) whether the Claim constitutes a “security” for U.S. federal income tax purposes, (ii) the nature and origin of the Claim, (iii) the manner in which the holder acquired the Claim, (iv) the length of time the Claim has been held, (v) whether the Claim was acquired at a discount, (vi) whether the holder has taken a bad debt deduction or loss with respect to the Claim (or any portion thereof) in the current year or in any prior year, (vii) whether the holder has previously included in its taxable income accrued but

unpaid interest with respect to the Claim; (viii) the Holder's method of tax accounting, (ix) whether the Claim is an installment obligation for U.S. federal income tax purposes, and (x) the timing of any distributions under the Plan.

1. Gain or Loss Recognition on the Satisfaction of Claims and Character of Gain or Loss

Claimants will generally not recognize gain, but may recognize loss, with respect to the amount in which the Claimants receive on their claims (generally, the amount of cash and the fair market value of any other property received in satisfaction of the Debtor's obligations) that either exceeds, on one hand, or is less than, on the other hand, the Claimant's basis in the Claim. Thus, it is possible that certain Claimants may recognize a gain or loss as a result of distributions under the Plan.

In general, gain or loss is recognized by any such Claimant is either capital or ordinary in character. The character is dependent upon the underlying nature of the claim and whether such claim in the hands of the Claimant, constitutes a capital asset. To the extent that a debt instrument is acquired after its original issuance for less than the issue price of such instrument, it will have market discount. A holder of a claim with market discount must treat any gain recognized on the satisfaction of such Claim as ordinary income to the extent that it does not exceed the market discount that has already been accrued with respect to such claim. There may also be state, local or foreign tax considerations applicable to particular holders of claims, none of which are discussed herein. **Claimants should consult their own tax advisors for information that may be relevant to their particular situations and circumstances and the particular tax consequences to them of the transactions contemplated by the Plan.**

2. Holders of Disputed Claims

Although not free from doubt, holders of disputed claims should only be required to report their gain or loss on the cash or other property that is ultimately distributed out to the Claimant free from any further restrictions. **Holders of disputed claims are urged to consult their own tax advisors regarding the taxation of their disputed claims and the timing and amount of income or loss recognized relating to the Disputed Claims Reserve.**

3. Information Reporting and Backup Withholding

Certain payments, including payments in respect of accrued interest or market discount, are generally subject to information reporting by the payor to the IRS. Moreover, such reportable payments may be subject to backup withholding. Under the Tax Code's backup withholding rules, a U.S. claimant may be subject to backup withholding. Under the Tax Code's backup withholding rules, a U.S. claimant may be subject to backup withholding at the applicable rate with respect to certain distributions or payments pursuant to the Plan, unless the Claimant: (i) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact; or (ii) provides a correct U.S. taxpayer identification number and certifies under penalty of perjury that the holder is a U.S. person, the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to

report all dividend and interest income. Payments made to Foreign Claimants may also be subject to withholding, which may be reduced under an applicable Treaty.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's U.S. federal income tax liability, and the Claimant may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

C. Importance of obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. 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 CLAIMHOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, CLAIMHOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING REQUIREMENTS.

D. Circular 230 Disclaimer

THE IRS REQUIRES WRITTEN ADVICE REGARDING ONE OR MORE U.S. FEDERAL TAX ISSUES TO MEET CERTAIN STANDARDS. THOSE STANDARDS INVOLVE A DETAILED AND CAREFUL ANALYSIS OF THE FACTS AND APPLICABLE LAW WHICH WE EXPECT WOULD BE TIME CONSUMING AND COSTLY. WE HAVE NOT MADE AND HAVE NOT BEEN ASKED TO MAKE THAT TYPE OF ANALYSIS IN CONNECTION WITH ANY ADVICE GIVEN IN THE FOREGOING DISCUSSION. AS A RESULT, WE ARE REQUIRED TO ADVISE YOU THAT ANY U.S. FEDERAL TAX ADVICE RENDERED IN THE FOREGOING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED AND CANNOT BE USED FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED BY THE IRS.

XV. CONCLUSION

THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN IS DESIRABLE AND IN THE BEST INTERESTS OF CREDITORS AND INTEREST HOLDERS. The Plan provides for equitable distributions to all Classes of the Debtor's creditors. Any alternative to confirmation of the Plan, such as liquidation under Chapter 7 of the Bankruptcy Code or attempts by another party in interest to file a plan, would result in significant delays, litigation and cost. More importantly, the Plan proposes a distribution to unsecured creditors substantially greater than such creditors would receive in the absence of this Plan. Debtor believes that a plan filed by another party in interest could only be confirmed over objection of one or more impaired Classes, and would generate costly and time-consuming

litigation. Any delays in the confirmation of this Plan would jeopardize the viability of the Debtor as a going concern, and therefore diminish the probability of distributions to unsecured creditors. As illustrated in Debtor's "Liquidation Analysis" attached hereto, Debtor believes that its creditors will receive greater recoveries under the Plan than those which could otherwise be achieved. **FOR THESE REASONS, THE DEBTOR URGES YOU TO RETURN YOUR BALLOT ACCEPTING THE PLAN.**

Dated: June 19, 2017.

Van Horn Law Group, P.A.
Counsel to the Debtor in Possession
330 N. Andrews Ave., Suite 450
Fort Lauderdale, Florida 33301
(954) 765-3166
(954) 756-7103 (facsimile)
Chad T. Van Horn, Esq.
Email: Chad@cvhlawgroup.com

By: /s/ Chad T. Van Horn, Esq.
Chad T. Van Horn (FBN 64500)

EXHIBIT "A"

BUDGET

PROFIT & LOSS ON ACCRUAL BASIS

	DEC	JAN	FEB	MAR	APRIL	MAY
Income*	\$256,653.86	\$327,297.90	\$305,832.88	\$339,006.82	\$271,662.23	\$256,900.11
Expenses*	\$262,922.67	\$281,465.30	\$315,540.15	\$348,609.93	\$291,364.92	\$163,995.74
net income	-\$6,268.81	\$45,832.60	-\$9,707.27	-\$9,603.11	-\$19,702.69	\$52,123.98

*Numbers are taken from the monthly operating reports.

BUDGET - CASH FLOW

	DEC	JAN	FEB	MAR	APRIL	MAY
Beginning Balance*		\$250.00	\$55,865.15	\$48,348.14	\$23,012.31	\$28,613.04
Income*		\$283,098.13	\$296,358.16	\$317,127.83	\$254,390.85	\$259,407.27
Expenses*		\$227,482.98	\$303,875.17	\$342,463.66	\$248,790.12	\$260,507.37
Monthly Cash Flow*	\$0.00	\$55,615.15	-\$7,517.01	-\$25,335.83	\$5,600.73	-\$1,100.10
Ending Balance*	\$0.00	\$55,865.15	\$48,348.14	\$23,012.31	\$28,613.04	\$27,512.94

EXHIBIT B**LIQUIDATION ANALYSIS**

SOURCE OF FUNDS FROM NON-EXEMPT ASSETS²:	VALUE:
Cash on Hand/ deposits	\$109,512.00
AR/furniture/ supplies of business (reduced by 50% for liquidation value)	\$ <u>70,000.00</u>
TOTAL:	<u>\$179,512.94</u>
LESS:	
1) Chapter 7 Trustee Fee	\$17,476.60 ³
2) Chapter 7 Administrative Expenses	\$10,000.00 ⁴
3) Chapter 11 Administrative Expenses	\$ 0.00
A. Chapter 11 Debtor Professional Fees (estimated after application of retainer paid to Debtor's bankruptcy counsel)	\$20,000.00est
B. US Trustee Fees	\$ <u>1,250.00</u> ⁵
TOTAL:	\$ <u>48,726.60</u>
BALANCE:	\$130,786.94
4) Allowed Secured Claims	
A. BFS per UCC-1 on all property	\$ <u>219,518.00</u>
TOTAL:	\$<u>219,518.00</u>
BALANCE:	\$0.00
TOTAL DOLLAR AMOUNT AVAILABLE TO UNSECURED CLAIMS	\$0.00
Percentage of Claims to which Unsecured Creditors would Receive or Retain in a Chapter 7 Liquidation	0%
Debtor's Plan of Reorganization Yield to General Unsecured Creditors Class 8	13.08%

² The value of partially exempted assets = value minus applicable exemption.

³Chapter 7 Trustee Fees are calculated in accordance with 11 U.S.C. § 326, which provides: "In a case under chapter 7 or 11, the court may allow reasonable compensation under section 330 of this title of the trustee for the trustee's services, payable after the trustee renders such services, not to exceed 25 percent on the first \$5,000 or less, 10 percent on any amount in excess of \$5,000 but not in excess of \$50,000, 5 percent on any amount in excess of \$50,000 but not in excess of \$1,000,000, and reasonable compensation not to exceed 3 percent of such moneys in excess of \$1,000,000, upon all moneys disbursed or turned over in the case by the trustee to parties in interest, excluding the debtor, but including holders of secured claims."

⁴Chapter 7 Administrative Costs are difficult to quantify as they vary based on whether the Trustee employs professionals who could include attorneys, accountants, appraisers and liquidators. Therefore, the \$10,000.00 value is arbitrary and for use in this analysis only.

⁵US Trustee Fees are calculated in accordance with 28 U.S.C. §§ 1930(3) and (6), which provides: "For a case commenced under chapter 11 of title 11 that does not concern a railroad, as defined in section 101 of title 11, \$1,000. . . In addition to the filing fee paid to the clerk, a quarterly fee shall be paid to the United States trustee, for deposit in the Treasury, in each case under chapter 11 of title 11 for each quarter (including any fraction thereof) until the case is converted or dismissed, whichever occurs first. The fee shall be \$325 for each quarter in which disbursements total less than \$15,000; [and] \$650 for each quarter in which disbursements total \$15,000 or more but less than \$75,000. . . The fee shall be payable on the last day of the calendar month following the calendar quarter for which the fee is owed."