

B25B (Official Form 25B) (12/08)

United States Bankruptcy Court

Southern District of Florida

In re **Steve's Frozen Chillers, Inc.**

Debtor(s)

Case No. **17-13690-EPK**

Chapter **11**

SECOND AMENDED DISCLOSURE STATEMENT FOR STEVE'S FROZEN CHILLERS
CHAPTER 11 PLAN OF REORGANIZATION DATED 18 DECEMBER 2017

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I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of Steve's Frozen Chillers, Inc. (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the FIRST AMENDED CHAPTER 11 PLAN OF REORGANIZATION (the "Plan") filed by Steve's Frozen Chillers, Inc. (the "Plan Proponent") on 18 DECEMBER 2017. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. *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.*

The proposed distributions under the Plan are discussed at pages 5-8 of this Disclosure Statement. In support of the ongoing feasibility of the enterprise, the reorganization plan restructures secured obligations held by major creditor **BFG Investment Holdings, LLC** and other secured creditors. The Debtor is wholly secured by Creditor BFG Investment Holdings, LLC, and this creditor is paid through Class 1 and Class 4. In a liquidation, the General unsecured creditors in Class 4, will receive distributions of \$300 per month paid pro rata on a quarterly basis during the 60-month duration of the plan. This distribution is less than 1% of claims and exceeds the amount creditors would receive through a current liquidation of the company, in other words, the payout is greater than what they would receive within a Chapter 7.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- 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),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
- Why 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
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. *Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan*

The Court has conditionally approved this Disclosure statement. The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the plan will take place on _____ at _____ p.m., in Courtroom B, at the Flagler Waterview Building, 1515 North Flagler Drive, 8th Floor, West Palm Beach, FL 33401.

The Court has not yet ordered the plan confirmation hearing, and associated deadlines. These deadlines will appear in the Court's served order, and will be included with this document. (The confirmation hearing will be held on _____, 2013 at _____ p.m.)

2. *Deadline for Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Clerk of the Bankruptcy Court, Flagler Waterview Building, 1515 North Flagler Drive, Room 801, West Palm Beach, FL 33401. See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received on or before _____ as specified in the Court's Order, or it will not be counted.

3. *Deadline for Objecting to the Adequacy of Disclosure and Confirmation of the Plan*

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon Angelo A. Gasparri, Esq., by _____ in compliance with the deadlines contained within the Court's Order.

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact Angelo A. Gasparri, Esq., 1080 South Federal Highway, Boynton Beach, FL 33435 or by phone at (561) 826-8986.

C. Disclaimer

The Court has conditionally approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed by _____ in compliance with the deadline set with the Court's Order.

II. BACKGROUND

A. Description and History of the Debtor's Business

The Debtor is a Corporation organized under the laws of Florida and with its primary place of business in Boynton Beach, Florida. The Debtors operations consist of providing Machines and Frozen Drink Mixes to various restaurant, quick service, convenient store entities, and primary and secondary schools throughout the country. The Corporation leases space in Boynton Beach, FL and has been opened since January of 2001. The Corporation's primary revenue stream is generated from requirements contracts with the various restaurant, quick service, convenient store entities, and primary and secondary schools which make up their clientele.

B. Insiders of the Debtor

Stephen Schoenberg is the founder and CEO of Steve's Frozen Chillers, Inc. David Schoenberg is the President of Steve's Frozen Chillers, Inc. Susan Schoenberg is the Chief Financial Officer of Steve's Frozen Chillers, Inc. Brian Schoenberg is the Vice President of Steve's Frozen Chillers, Inc. The remaining shareholders are not employed by the Debtor, and include John Fernando and Norma Blecker, both of whom provide board support, strategic leadership, advice and counsel to the Debtor.

C. Management of the Debtor Before and During the Bankruptcy

During the two years prior to the date on which the bankruptcy petition was filed, the officers, directors, managers or other persons in control of the Debtor (collectively the "Managers") were Stephen Schoenberg, David Schoenberg, Susan Schoenberg, and Brian Schoenberg with their individual duties and responsibilities. Two outside directors and investors also participated in the management of the enterprise.

The Managers of the Debtor during the Debtor's chapter 11 case have been: Stephen Schoenberg, David Schoenberg, Susan Schoenberg, and Brian Schoenberg.

After the effective date of the order confirming the Plan, the directors, officers, and voting trustees of the Debtor, any affiliate of the Debtor participating in a joint Plan with the Debtor, or successor of the Debtor under the Plan (collectively the "Post Confirmation Managers"), will be: Stephen Schoenberg, David Schoenberg, Susan Schoenberg, and Brian Schoenberg, in substantially the same roles as the pre-petition Debtor. The responsibilities and compensation of these Post Confirmation Managers are described in section III.D.2 of this Disclosure Statement.

As the founder of Steve's Frozen Chillers, Inc. Steven Schoenberg along with David Schoenberg, Susan Schoenberg, and Brian Schoenberg bring a unique capability to manage the organization through and following the restructuring.

D. Events Leading to Chapter 11 Filing

In 2014 the Debtor began to experience substantial maintenance issues with their installed base of frozen drink chiller machines. The root of the maintenance problems were clearly part of the machine manufacturers design issues, and the manufacturer responded. Unfortunately, their efforts were systemic to their product line, and the company was eventually forced to stop servicing the machines and left SFC without an avenue to manage the install base.

Given the rapidly failing footprint, SFC secured a \$1,000,000 line of credit to replace the machines, and to provide operating capital to expand the introduction of the frozen tube line of products.

Unfortunately, SFC was not able to replace machines quickly enough, and a large piece of processing equipment secured to support the tube lines never functioned properly. SFC eventually learned that the production equipment was not truly a genuine "ProdoPak" machine, and was essentially a fraudulent transaction (see chose in action related to Frain v. SFC).

The combination of a slow to grow new product line, and the impact of failing equipment led to a severe cash crunch. During this time, the secured lender accelerated the note and payments moved from \$13,000 a month to more than \$30,000 per month. SFC defaulted and litigation ensued. The cost of litigation added to the company's burden and led to the bankruptcy filing.

E. Significant Events During the Bankruptcy Case

The Debtor-in-possession is engaged in the day-to-day operations of the frozen beverage distribution business.

- *Describe any asset sales outside the ordinary course of business, debtor in possession financing, or cash collateral orders:*
 - There were no assets of note disposed of, transferred or sold during the pendency of the bankruptcy.
 - The Debtor self funded the bankruptcy and has not secured any additional financing.
 - BFG Investment Holdings had a secured right against all assets of the Debtor, the Debtor sought and was awarded by the Court the right to utilize cash collateral during the bankruptcy. During the Bankruptcy BFG was awarded adequate protection of an initial two payments of \$10,000 followed by \$13,000 a month.
- *Identify the professionals approved by the court.*
 - Angelo A. Gasparri, Esq. as attorney for the Debtor in possession.
 - Brad Sacco, CPA, as accountant for the Debtor in Possession.
 - Faraci & Faraci, as special counsel for the Debtor in Possession.
- *Describe any adversary proceedings that have been filed or other significant litigation that has occurred (including contested claim disallowance proceedings), and any other significant legal or administrative proceedings that are pending or have been pending during the case in a forum other than the Court.*
 - No significant litigation impacting the feasible restructuring of the Debtor continues.

- Pre-Petition litigation was stayed and then terminated through a grant of relief and the negotiation of a consent judgment. Creditor BFG Investment Holdings, LLC has received a judgment against the Debtor for \$1.35M addressed within the restructuring plan.
 - The Debtor continues a pre-suit breach of contract and fraud case against Frain in Illinois federal court. The case has passed through discovery and the summary judgment phase. The summary judgment motion was favorable to the Debtor. The case will go to trial sometime in 2018, and both contingency fees and hourly fees are accruing against any future award.
 - The Debtor also evaluated other claims related the Frain issue and the subsequent challenges sourcing product, including a claim against a supplier who failed to produce or deliver any product. The Debtor has made a business decision to terminate all other claims, and not pursue or fund additional litigation.
- *Describe any steps taken to improve operations and profitability of the Debtor.*
 - The Debtor has aggressively managed costs within the enterprise to increase profitability, with specific attention to staffing.
 - The Debtor has altered their promotions strategy and are leveraging new concepts to drive additional business.
 - The Debtor has also increased their marketing and promotions to increase the catering activities and now have significantly increased catering business throughout the end of the year.
 - The Debtor successfully achieved requirements contracts with both Whole Foods and Publix regarding their frozen tube product line. Both retailers are increasing their demand for the product and this line should contribute to earnings by year end.
 - The Debtor also secured a new contract with the Montgomery County school system which will place more than 65 machines in place for the school year.

F. Turnaround Strategy for the Debtor

The Debtor-in-possession has initiated a multi point restructuring program to positively impact revenue and profitability. This can be summarized as follows:

- (1) **Healthy Fruit Chillers Product Line:** SFC has successfully placed this freezer tube beverage into Whole Foods Markets and Publix. This line of products has been well received and will represent a dramatic change from the dependency on convenience store beverage chillers. Product placement has been strong and the retailers are satisfied that the product is worth the shelf space. The challenge is that the product requires bulk purchase of ingredients and materials to produce the pallets sized shipments ordered by the retailers. The increased demand should provide robust profits in the fourth quarter and beyond.
- (2) **Targeted Market Development for the Chillers Line:** This is a low cost, higher appeal package than a juice box and the sales and marketing teams are moving forward to increase presentations to alternative retailers. The success with Whole Foods and the ongoing relationship with the New York school system provide a strong foundation to expand the marketplace.
- (3) **SFC currently has less than 500 machines in service.** Focused marketing can rapidly expand this market and provide an uplift in sales. The goal would be to “bootstrap” the purchase of machines and add at least 200 machines a year going forward until they have recovered to their more favorable run rate of close to 1,000 machines. At this time, the product remains in demand and they are looking for ways of placing the machines which must be installed within the account in alternative ways.
- (4) **Expanded institutional selling:** Institutions are now attracted to the product line, and bulk installation of machines makes a tremendous difference in the demand. Montgomery county will be installing more than 60 machines.

G. Projected Recovery of Avoidable Transfers

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

H. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

I. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets are listed in Exhibit B. Valuations of listed assets were established through the background and experience of Auction America. Their report is included as Exhibit C. Public sources were also utilized for a variety of valuations including the estimate worth of the websites of the corporation.

The Debtor's balance sheet and cash flow statement issued before bankruptcy, each of which was filed with the Court, are set forth in Exhibit D.

The most recent post-petition operating report filed since the commencement of the Debtor's bankruptcy case are set forth in Exhibit F.

J. BFG's Position on this Disclosure Statement

On August 16, 2017, BFG filed an Objection (at docket entry 80) to the Debtor's prior Disclosure Statement. BFG asserts that this Amended Disclosure Statement does not adequately address BFG's Objection. However, the Debtor and BFG have reached an agreement on the treatment of BFG's claim under the Chapter 11 Plan, and subject to the Debtor confirming the Plan in accordance with BFG's agreement and consent, BFG will withdraw its Objection. Otherwise, and absent BFG's agreement and consent to confirmation of the proposed plan terms, BFG reserves all of its objections to final approval of this Disclosure Statement. In addition, BFG has approved the form of the separately filed Amended Plan, and objects to this Disclosure Statement to the extent it is inconsistent with the Amended Plan.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They 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. As such, the Plan Proponent has not placed the following claims in any class:

1. Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

Professional Fees: Prior to the filing of the petition, the Debtor paid \$7,500 in professional fees, and \$2,500 in Costs that included the nearly \$1,800 court filing fee. The Debtor's attorney continues to serve the client and estimates total post filing professional fees at between \$20,000 and \$35,000 depending upon challenges from the creditors, and court approval of compensation in a Final fee application and will agree with the Debtor upon payment terms that will not exceed \$4,000 per month. Accountant has incurred less than \$5,000 in professional fees for the pendency of the bankruptcy. Special Counsel Faraci has requested the payment of more than \$10,000 during the pendency of the bankruptcy. All fees will be brought before the court for final review and approval.

US Trustee Fees: The Debtor has continued to make payments to the US Trustee's office, and will be current at the time of plan confirmation with these obligations. The debtor shall pay the United States Trustee the appropriate sum required pursuant to 28 U.S.C. Section 1930(a)(6) within ten (10) days of the entry of the confirmation order for pre-confirmation periods and simultaneously provide to the United States Trustee an appropriate affidavit indicating the cash disbursements for the relevant period. The reorganized debtor shall further pay the United States Trustee the appropriate sum required pursuant to 28 U.S.C. § 1930(a)(6) based upon all disbursements of the reorganized debtor for post-confirmation periods within the time period set forth in 28 U.S.C. § 1930(a)(6), until the earlier of the closing of this case by the issuance of a Final Decree by the Court, or upon the entry of an Order by this Court dismissing this case or converting this case to another chapter under the United States Bankruptcy Code, and the party responsible for paying the post-confirmation United States Trustee fees shall provide to the United States Trustee upon the payment of each post-confirmation payment an appropriate affidavit indicating all the cash disbursements for the relevant period.

The following chart lists the Debtor's other estimated administrative expenses, and their proposed treatment:

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
Expenses Arising in the Ordinary Course of Business After the Petition Date	Debtor is COD on all obligations not listed within the plan.	Paid in full on the effective date of the Plan, or according to terms of obligation if later
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	Debtor is COD on all obligations not listed within the plan.	Paid in full on the effective date of the Plan, or according to terms of obligation if later
Clerk's Office Fees	\$0.00	Paid in full on the effective date of the Plan
Other administrative expenses	\$0.00	Paid in full on the effective date of the Plan or according to separate written agreement
TOTAL		

2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Class 6 includes a priority claim of Palm Beach County against the debtor for intangible taxes.

C. **Classes of Claims and Equity Interests**

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

1. *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 § 506 of the Code. 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 #	Description	Treatment
1.	<p><i>Secured Claims of BFG Investment Holdings, LLC</i> (“BFG”) (POC #2)</p> <p><i>Collateral:</i> BFG holds a blanket lien across the enterprise for all tangible and intangible assets, as evidenced by a properly filed UCC-1. BFG also holds a final judgment against Debtor and its guarantors^{1,2} in the amount of \$1,349,517.81, plus post-judgment interest, and a judgment lien on account of the judgment.</p> <p>Total Allowed Claim: \$1,349,517.81</p> <p>Secured Portion of the Claim: \$800,000.00</p> <p><i>Insider:</i> No</p>	<p>Impairment: <i>Impaired</i></p> <p>Secure portion of claim to be set by Motion to Value filed at DE #85, Agreed Order Pending.</p> <p>Debtor will pay a total of \$800,000.00 over the 60-month period of the bankruptcy to BFG on account of its secured claim, with any unsecured deficiency to be treated as bifurcated and included within Class 4. This amount is inclusive of all interest, penalties and other claims and fees that the creditor is entitled to as the result of the secured claim.</p> <p>Debtor will pay \$13,333.34 / month to Creditor by the 10th of the month starting in the month of confirmation and continuing until all payments are completed. Debtor is currently engaged in litigation against an entity referred to in the Disclosure Statement as Frain; Debtor will devote the proceeds of any litigation with Frain, whether on account of a settlement or compromise or a judgment, after deducting any costs of the litigation, including attorneys’ fees, to pay down the secured claim of BFG Investment Holdings, LLC under Class 1.</p> <p>The Debtor may prepay this amount without penalty; however, there is no discount or accommodation for prepayment. The Debtor will receive no discounts or credits for any payments made prior to confirmation of the plan.</p> <p>Nothing herein, including any prepayments or lump sum payments, shall alter or amend the Debtor’s obligation to make monthly payments of \$13,333.34 to BFG unless and until BFG’s secured claim under Class 1 is paid in full.</p> <p><i>Note:</i> BFG has agreed to abate its collection actions against guarantors of the Debtor, including Stephen Schoenberg, David Schoenberg, Susan Schoenberg, and</p>

¹ Shareholders John Fernando and Norma Blecker are not personal guarantors and have no other personal liability as to this claim.

² Shareholders Stephen Schoenberg, David Schoenberg, Susan Schoenberg, and Brian Schoenberg are herein referred to as the “Debtor’s Guarantors.”

		<p>Brian Schoenberg, but not including John Fernando and Norma Blecker, subject to certain agreements and obligations of the Debtor’s Guarantors outside of this bankruptcy case, and that agreement is specifically conditioned upon the Debtor fulfilling its obligations upon this restructuring plan. A default under Class 1 of this Plan is a default under BFG’s settlement agreement with Debtor’s Guarantors. There is no release or waiver of BFG’s rights against the Debtor’s Guarantors or their property, unless and until Debtor has timely complied with all of its obligations under this Plan.</p> <p>Nothing in this Plan shall discharge, release, waive, modify, change or alter the terms of the underlying obligations by the Debtor and the Debtor’s Guarantors or any rights, remedies, claims, or liens on account of BFG’s judgment against the Debtor and the Debtor’s Guarantors, except as explicitly provided for under Class 1 of this Plan, and nothing in the Plan shall be deemed a novation. BFG shall retain the full value of its lien against any collateral, which shall remain encumbered by any such lien, unless and until the full amount of BFG’s secured claim is timely paid pursuant to the provisions of Class 1 of this case. In the event of a default by the Debtor under Class 1 of this Plan, BFG may immediately, without further notice, motion, hearing, or order, exercise and enforce any and all of its liens, claims, rights and remedies against Debtor, Debtor’s property, and Debtor’s Guarantors under applicable non-bankruptcy law, including without limitation enforcing and collecting its judgment against the Debtor in state court. Debtor shall be in default under Class 1 of this Plan if the Debtor fails to make a payment due under Class 1 of this Plan within 10 (ten) days after written notice of a failure to timely make a payment due hereunder.</p>
<p>2.</p>	<p>Secured Claims of Ascentium Capital, LLC (POC #8)</p> <p>Total Allowed Claim: \$137,636.85</p> <p>Secured Portion of the Claim: \$70,000.00</p> <p><i>Insider:</i> No</p>	<p>Impairment: <i>Impaired</i></p> <p>Claim crammed down through Court Order at DE #121.</p> <p>Claim is based upon Purchase Money for Equipment necessary for the continued operation of the business. Debtor will continue to pay \$1022 / month up to the full amount of the secured claim or approximately 68.5 payments. Debtor will credit any payments made prior to confirmation to this amount against total required payments.</p>

2. *Classes of Priority Unsecured Claims*

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code 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 claims under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Code and their proposed treatment under the Plan:

3.	<p>Priority Claims of Palm Beach County for Intangible Taxes (POC #1)</p> <p>Total Allowed Claim: \$12,185.44</p>	<p>Impairment: <i>Impaired</i></p> <p>The Debtor will pay the priority claim with 18% statutory interest over one year with monthly payments of \$1117.16 for 12 consecutive months.</p>
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3. *Class of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Class 6, which contain general unsecured claims against the Debtor:

4.	<p>General Unsecured Claims</p>	<p>Impairment: <i>Impaired</i></p> <p>The members of Class 7 shall share pro-rata from the amount of \$300.00 per month paid on a quarterly basis. They will be paid less than 1% of their allowed claim, over a 60 month period.</p> <p>So long as the Debtor maintains the pro-rata distributions outlined within this plan, the Debtor may choose to accelerate</p>
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4. *Class[es] 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.

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

5.	<p>Equity Interest Holders of the Debtor</p>	<p>Impairment: <i>Impaired</i></p> <p>Class 5 includes the equity interests of Stephen Schoenberg (18.75%), David Schoenberg (18.75%), Susan Schoenberg (18.75%), Brian Schoenberg (18.75%), John</p>
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		<p>Fernando (16.25%) and Norma Blecker (8.75%).</p> <p>Each equity holder shall provide new value and retain their equity interest in the Debtor upon the following: (1) payment of their pro rata share of \$10,000 based upon the percentage of equity designated above, (2) their waiver of any claims for compensation during the restructuring period despite the provision of valuable services, advice and counsel, and (3) their ongoing provision of services, leadership, advice and counsel to the reorganized debtor.</p> <p>Their equity will fully vest upon full payment to the creditors of the total amount of \$10,000 (the “New Value Payment”)</p> <p>Upon payment in full of the New Value Payment, the Debtor shall issue new common interests in the Reorganized Debtor in the amounts listed within the parenthetical to Stephen Schoenberg (18.75%), David Schoenberg (18.75%), Susan Schoenberg (18.75%), Brian Schoenberg (18.75%), John Fernando (16.25%) and Norma Blecker (8.75%) for a total of 100% of the equity in the re-organized Debtor pro-rata in alignment with their current equity interests in the Debtor.</p> <p>All equity holders recognize that this is a closely held organization, and that some shareholders may benefit from the restructuring through the elimination of debts and obligations, and all shareholders waive any and all claims against the Debtor, the reorganized debtor, other shareholders, the Debtor’s attorney and other representatives.</p>
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D. Means of Implementing the Plan

1. Source of Payments

Payments and distributions under the Plan will be funded by the following:

Debtor’s current stream of income from the operation of the frozen drink business supplemented by growing revenues from expanding territories.

2. Post-confirmation Management

The Post-Confirmation Managers of the Debtor, and their compensation, shall be as follows:

Name	Affiliations	Insider (yes or no)?	Position	Compensation
Stephen Schoenberg,		YES	CEO and Shareholder	N/A
David Schoenberg		YES	President and Shareholder	\$60,000/ year
Susan Schoenberg		YES	CFO and Shareholder	\$75,000/year
Brian Schoenberg		YES	VP and Shareholder	\$60,000/ year

E. Risk Factors

The proposed Plan has the following risks:

- The Death or disability of Stephen Schoenberg, David Schoenberg, Susan Schoenberg, and Brian Schoenberg
- Continued and increasing competition in the Frozen Drink Business.
- Changing demands of customer palates and interest in Frozen Drinks.
- Creditor activity regarding Personal Guaranties of Managers which will redirect time and energy from the business towards managing those potential lawsuits.
- Increased operating costs, specifically continued upwards pressure on food and liquor pricing.
- Supplier power impacting costs of materials and availability of materials.
- Manufacturing risks including equipment failure.
- Unseasonable and /or changing weather patterns; as well as severe weather events.

F. Executory Contracts and Unexpired Leases

The Plan, in Exhibit 6.01, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. Exhibit 6.01 also lists how the Debtor will cure and compensate the other party to such contract or lease for any such defaults.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed in Exhibit 6.01 will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

G. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.

The following are the anticipated tax consequences of the Plan: (1) Tax consequences to the Debtor of the Plan; (2) General tax consequences on creditors of any discharge, and the general tax consequences of receipt of plan consideration after confirmation.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. 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 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. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the 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.

In this case, the Plan Proponent believes that **Classes 2, 3, 6, 7, 8, 9, and 10** are impaired and that holders of claims in each of this class is therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that there are no other impaired classes, and that as a result no other class is entitled to vote to accept or reject the Plan.

1. *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 the Debtor's 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, unless an 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 the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was May 28th, 2013.

2. *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 § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is **Not** Entitled to Vote*

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- 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 §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan;
- administrative expenses.

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].

4. *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 hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. 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 "cram down" on non-accepting classes, as discussed later in Section [B.2.].

1. *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.

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, 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.

C. Liquidation Analysis

To confirm the 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 equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as Exhibit E.

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.

1. *Ability to Initially Fund Plan*

The Plan Proponent believes that the Debtor 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. Additionally, Debtor's Officers and Shareholders Stephen Schoenberg, David Schoenberg, Susan Schoenberg, and Brian Schoenberg, may infuse personal funds as necessary to fund the plan. Additionally, Officers and Shareholders Stephen Schoenberg, David Schoenberg, Susan Schoenberg, and Brian Schoenberg are pledging two parcels of real property with estimated equity totaling \$300,000.00 in an effort to stabilize and maintain operations and plan payments.

2. *Ability to Make Future Plan Payments and Operate Without Further Reorganization*

The Plan Proponent's financial projections, based upon recent performance illustrated within the Debtor's Monthly Operating Reports, as well as year over year earnings reports demonstrate that the Debtor will have a positive annual average cash flow, after paying operating expenses, restructuring costs and post-confirmation taxes. The final Plan payment is expected to be paid on or about _____.

As a frozen beverage company, the Business experiences significant seasonality as frozen beverages are more often consumed in the warm weather seasons than in the cooler times of the year. This includes significant sluggishness during the winter months when the demand for thirst quenching frozen drinks is reduced. The Debtor manages their operation to properly adjust for changes in cash flow due to this seasonality, and generally looks forward to strong revenues between April and September of each year.

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of the Debtor

Discharge. On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in § 1141(d)(6)(B). After the effective date of the Plan your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

B. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan.

Upon request of the Debtor, the United States trustee, or the holder of an allowed unsecured claim, the Plan may be modified at any time after confirmation of the Plan but before the completion of payments under the Plan, to (1) increase or reduce the amount of payments under the Plan on claims of a particular class, (2) extend or reduce the time period for such payments, or (3) alter the amount of distribution to a creditor whose claim is provided for by the Plan to the extent necessary to take account of any payment of the claim made other than under the Plan.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, 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. Alternatively, the Court may enter such a final decree on its own motion.

D. RELEASE OF PERSONAL GUARANTY: The Debtor's Guarantors of the enterprise are obligated under personal guarantees made to a number of vendors impacted by this Plan of Reorganization. These guarantees are impacted in the following manner under this plan:

(1) BFG Investment Holdings, LLC: The obligation described within Class 2 was personally guaranteed by Steven Schoenberg, Susan Schoenberg, David Schoenberg and Bryan Schoenberg and BFG Investment Holdings, LLC has secured a judgment against the principals for the full amount. An agreement has been reached outside of this plan to abate collection efforts against these individuals so long as the Debtor complies with the terms of this plan. That agreement calls for release of the Judgment against the Debtor's Guarantors upon full satisfaction of the plan terms between BFG and the Debtor. Nothing in this Plan, including the release provided for under § 9.03(b) of this Plan, shall release or waive any of BFG's claims, interests, liens, rights or remedies against the Debtor's Guarantors, except that BFG shall release and satisfy all of the Debtor's Guarantors' obligations upon full and timely performance by the Debtor of its obligations under Class 1 of this Plan.

(2) Upon the completion of all plan payments described within this plan, Steven Schoenberg, Susan Schoenberg, David Schoenberg and Bryan Schoenberg will be released from any and all personal guarantees for any debt addressed within this plan or published within the Debtor's schedules. This includes the Lease with Norma Rappaport, as well as any and all other personal guaranties made on any other obligation addressed through this plan. In consideration of this release, the Schoenberg's collectively have contributed significant new value to the Debtor through post-petition efforts on behalf of the Debtor. The Schoenberg family has provided the creative leadership and industry knowledge critical to the Debtor's restructuring effort and have worked throughout the restructuring period for compensation well below previous levels, and that of competitive positions.

VI. OTHER PLAN PROVISIONS

10.01 Chose in Action: The Debtor has disclosed a chose in action against Frain for fraud and product liability. This federal lawsuit has been disclosed on the Debtor's schedules. The speculative nature of the potential results are not included within the funding projections for this plan and are not intended to be included within future distributions, except as provided in Class 1 of this Plan, and the Debtor will not modify the plan to accommodate any change in the status of the Chose.

Creditor BFG maintains a lien against all assets of the Debtor including this Chose in Action. Should the Chose fund during the life of the plan, the net proceeds of the Debtor's Chose in Action, including without limitation any proceeds from a judgment, mediation, or settlement, less all costs and professional fees incurred in prosecuting the Chose in Action, will be paid to Creditor BFG and applied directly against their secured claim according to the terms of Class 1 of this Plan.

VII. SIGNATURE PAGE (DISCLOSURE DOCUMENT)

Respectfully submitted,

By:

/s/ Steven Schoenberg

**Steven Schoenberg, CEO, Steve's Frozen Chillers, inc.
The Plan Proponent**

By:

/s/ Angelo A. Gasparri, Esq.

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Attorney for the Plan Proponent

EXHIBITS

- A. Chapter 11 Plan**
- B. Material Assets of Debtor & Liquidation Test**
- C. Valuation Report**
- D. Financials**
- E. Monthly Operating Report**