

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:) Chapter 11
)
WINNERS SPORTS BAR AND GRILL, INC.,) Case No. 15-26116
)
Debtor.) Judge Pamela Hollis
)

DISCLOSURE STATEMENT OF WINNERS SPORTS BAR AND GRILL, INC.

Dated September 12, 2016

I. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the small business Chapter 11 case of Winners Sports Bar & Grill (the “Debtor” or “Winners”). This Disclosure Statement contains information about the Debtor and describes the Debtor’s Plan of Reorganization dated September 12, 2016 (the “Plan”). 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.*

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 of the type you hold (i.e., what you will receive on your claim 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 Winners believes the Plan is feasible, and how the treatment of your claim under the Plan compares to what you would receive on your claim 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 Confirm the Plan

The hearing at which the Court will determine whether to confirm the Plan will take place on _____ at ____ a.m/p.m. in Courtroom 644 at 219 South Dearborn St., Chicago, Illinois, 60604.

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 U.S. Bankruptcy Court, Northern District of Illinois, Eastern Division, 219 South Dearborn St., Chicago, Illinois, 60604. See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by _____, 2016 or it will not be counted.

3. Deadline For Objecting to the Confirmation of the Plan

Objections to the confirmation of the Plan must be filed with the Court and served upon counsel for the Debtor by _____, 2016.

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact counsel for the Debtor:

Jonathon Treat
Treat Law Office, P.C.
33 N. LaSalle St, Suite 2020
Chicago, IL 60602
Phone (708) 217-4192
Fax (877) 204-3444
treatlaw@gmail.com

C. Disclaimer

The Court has 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 until _____, 2016.]

II. BACKGROUND

A. Overview

Winners began operations in 1989, as an Illinois corporation, operating a bar lounge located at 5912 - 5914 W. Madison St., Chicago, Illinois. Its president Percy Washington is an employee of the corporation and the sole shareholder. The Illinois Department of Revenue (“IDOR”) audited Debtor’s tax returns for 2009-2010 and proposed to assess additional tax liability. Winners disputed the auditor’s reports and the IDOR assessments. Winners was unable to maintain its liquor license and continue operations during resolution of the tax claim. Debtor therefore filed a voluntary Chapter 11 Petition on July 31, 2015, so it could continue operations. Debtor also objector to IDOR’s claim. Through negotiations, IDOR and the Debtor have agreed to a repayment plan. Debtor has continued to operate its business as a debtor in possession since the case was commenced. Mr. Washington will continue to manage the business after confirmation of a Plan.

B. Projected Recovery of Avoidable Transfers

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

C. 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.

D. Current and Historical Financial Conditions

The identity and fair market value of the estate’s assets are listed in **Exhibit B**. The valuations are based on Debtor’s good faith estimate of the assets fair market values.

The Debtor’s most recent financial statements issued before bankruptcy, each of which was filed with the Court, are set forth in **Exhibit C**.

A summary of the Debtor’s periodic operating reports filed since the commencement of the Debtor’s bankruptcy case is set forth in **Exhibit D**.

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 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.

The following chart lists the Debtor’s estimated administrative expenses, and their proposed treatment under the Plan:

Type	Estimated Amount Owed	Proposed Treatment
Office of the U.S. Trustee Fees	\$650.00	Paid in full on the effective date of the Plan
TOTAL	\$650.00	

C. Classes of Claim

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

1. Class 1 – Tax Claims of the Illinois Department of Revenue

Class 1 shall consist of the priority claim of IDOR in the amount of \$26,092.98. Pursuant to Section 1129(a)(9)(c), IDOR has agreed to full payment of its priority claim in the reduced sum of \$17,850, with monthly installments of \$357 which will take 50 months. The general unsecured portion of IDOR’s claim in the amount of \$25,030.14 will be paid with other unsecured, non-priority claims as Class 2 claims hereunder.

2. Class 2 – 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. In full satisfaction, settlement, release and discharge of and in exchange for the General Unsecured Claims, the holders of each General Unsecured

Claim shall receive payment of 10% of such portion of the Claim as may be allowed payable in monthly payments over a period of four (4) years.

Class 2 – Unsecured Claims	
\$70,000.00	Percy Washington
\$25,030.14	Unsecured Non-Priority IDOR Claims
\$3,000.00	City of Chicago
\$2,500.00	Collier & Associates
\$1,300.00	Office of the U.S. Trustee
\$101,830.14	<u>Total</u>

D. Means of Implementing the Plan

1. Source of Payments

Payments and distributions under the Plan will be funded by the future revenues generated by the Debtor’s Business.

E. Risk Factors

Certain substantial risk factors are inherent in most commitments made pursuant to a plan of reorganization in a Chapter 11 case. If such plans are accepted, it is usually because they represent a greater hope for returns and dividends than in a liquidating Chapter 7 case. The Debtor’s business is tied to the social leisure market as such it is dependent on the changes in the economy. All of the risk factors inherent in commitments made pursuant to a Plan of Reorganization in Chapter 11 cases are present in this case.

F. Executory Contracts and Unexpired Leases

The Plan, in Section 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.

G. Tax Consequences of Plan

A detailed discussion of the federal and state income tax consequences of the Plan is not practicable under the circumstances of these cases, and the Debtor expresses no opinion thereon. Because the income tax consequences of the Plan may be different for different parties, each party is urged to seek advice from its own tax advisor with respect to the income tax consequences of the Plan. The Debtor believes, however, that there will be no adverse tax consequences to the Estate as a result of the Plan’s consummation, and that the Estate has sufficient tax attributes to prevent any negative tax implications resulting from the Plan’s consummation.

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 has a right to vote for or against the Plan only if that creditor has a claim that is both (1) allowed or allowed for voting purposes and impaired.

In this case, the Plan Proponent believes that both classes are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that no classes are unimpaired.

1. What Is an Allowed Claim?

Only a creditor with an allowed claim has the right to vote on the Plan. Generally, a claim 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, unless an objection has been filed to such proof of claim. When a claim is not allowed, the creditor holding the claim cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim 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 _____.

2. What Is an Impaired Claim?

As noted above, the holder of an allowed claim 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 that are not “allowed claims” or “allowed equity interests” (as discussed above), unless they have been “allowed” for voting purposes.
- Holders of claims 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 in classes that do not receive or retain any value under the Plan.

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

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 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 “cram down” confirmation will affect your claim, 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.

2. 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 Plan Proponent has provided projected financial information and those projections are listed in **Exhibit F**. This exhibit demonstrates that Debtor will generate sufficient revenue over the life of the Plan to make the payments called for in the Plan.

Please note that the Projections were prepared by the Debtor's Attorney in cooperation with Debtor's management. The Projections were not prepared to comply with the guidelines for prospective financial statements published by the American Institute of Certified Public Accountants. Though presented with numerical specificity, the Projections are necessarily based on a variety of estimates and assumptions which, though considered reasonable by the Debtor, may not be realized and are inherently subject to significant business, economic, competitive, industry, market, and financial uncertainties and contingencies, many of which are beyond the Debtor's control.

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 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.

The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

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.

Signature of the Plan Proponent – Percy Washington

/s/ Jonathon Treat
Attorney for Debtor