

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:	Chapter 11
LUCKY # 5409, INC.,	Case No. 16-16264
Debtor.	Hon. Pamela S. Hollis
In re:	Chapter 11
AZHAR CHAUDHRY,	Case No. 16-16273
Debtor.	Hon. Pamela S. Hollis

FIRST AMENDED DISCLOSURE STATEMENT TO PLAN

This Disclosure Statement and the accompanying Plan are your opportunity to vote on the Plan and to receive payment as described in the Plan. It is very important that you read this Disclosure Statement and the Plan. The Debtors urge you to vote in favor of the Plan so that you can receive the distributions described in the Plan. The Plan also provides for a sale of the IHOP-Bridgeview restaurant to AFM 5304, LLC, an affiliate of Khurram L. Mian. Mr. Mian is an existing franchisee in the IHOP system and this assignment has been approved by IHOP.

I. INTRODUCTION

On May 13, 2016 (“**Petition Date**”), Lucky # 5409, Inc. (“**Lucky**”) and Azhar Chaudhry (“**Chaudhry**,” and together with Lucky, the “**Debtors**”) filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (“**Bankruptcy Code**”). The Debtors have remained in possession of their assets and have conducted their affairs as debtors in possession pursuant to the authority of sections 1107 and 1108 of the Bankruptcy Code.

Chapter 11 of the Bankruptcy Code permits both individuals and entities to reorganize from financially distressed situations. Chapter 11 reorganizations are accomplished through formulating and confirming a plan. The plan may affect the interests of creditors and equity security holders. **To be confirmed by the Bankruptcy Court, the Bankruptcy Code requires that the court to find that the plan has received the requisite number of votes from certain classes of creditors or equity security holders and that the plan is fair, equitable, and feasible, as to any dissenting classes of creditors or equity security holders.**

The Debtor has prepared this Disclosure Statement in connection with the Debtors' Plan of Liquidation (the "**Plan**") filed by the Debtors on November 20, 2017. A copy of the Plan is attached hereto as **Exhibit A**.

A. Purpose of this Disclosure Statement

Pursuant to the provisions of the Bankruptcy Code and in conjunction with the confirmation process for the proposed Plan, the Debtors have prepared and filed this Disclosure Statement designed to contain:

[I]nformation of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, that would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the plan

11 U.S.C. § 1125(a)(1). The provisions of this Disclosure Statement include a summary of the events which caused the filing of the chapter 11 petitions, a summary of the significant events that have taken place during the Chapter 11 Cases, an analysis of the terms of the Plan, the means for implementing the Plan, the procedures for voting on the Plan and an analysis of what creditors would receive on their claims in a Chapter 7 liquidation. Unless otherwise defined herein, all of the capitalized terms used in the Disclosure Statement are defined in the Plan, and the definitions contained therein are applicable in this Disclosure Statement.

B. Disclaimer

The Bankruptcy Court's approval of this Disclosure Statement is subject to approval at the joint hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until December 19, 2017.

This Disclosure Statement should be read in its entirety prior to voting on the Plan. No solicitation of votes will be made except pursuant to this Disclosure Statement. Therefore, for purposes of voting on the Plan, parties in interest should not rely on any information relating to the Debtors other than the information contained in this Disclosure Statement. Please read the Disclosure Statement carefully before voting on the Plan.

The Debtors are furnishing this Disclosure Statement and forms of ballot to holders of claims in impaired classes, pursuant to the requirements of section 1125 of the Bankruptcy Code and Rule 3017 of the Federal Rules of Bankruptcy Procedure ("**FRBP**"). Under section 1122 of the Bankruptcy Code, substantially similar claims are placed in classes. Under section 101(5) of the Bankruptcy Code, a "claim" means a right to payment or a right to an equitable remedy for breach of performance if such breach gives rise to a right to payment. Generally, in the context of voting for confirmation of a plan of reorganization, a claim or interest is deemed impaired

unless one of three conditions is met, namely, (i) the legal, equitable, and contractual rights of the holder are left unaltered by the plan; (ii) the plan provides for curing defaults occurring before or after commencement of the case; or, (iii) the holder receives cash for the allowed amount of the claim or for the fixed redemption price or liquidated value of the interest. Unimpaired claims are more specifically defined in section 1124 of the Bankruptcy Code. This Disclosure Statement and the Plan identifies the classes and whether these classes are deemed impaired or unimpaired under the Plan.

A holder of a claim or interest in an impaired class is entitled to vote to accept or reject the Plan if such claim or interest has been allowed pursuant to section 502 of the Bankruptcy Code or temporarily allowed for voting pursuant to FRBP 3018.

YOUR VOTE IS IMPORTANT. Confirmation of the Plan and implementation of the proposed provisions and transactions under the Plan depends upon receipt of a sufficient number of votes in favor of the Plan. If the Debtors have received a sufficient number of votes in favor of the Plan upon expiration of the solicitation period, the Debtor intends to seek confirmation of the Plan.

The Plan sets forth the proposed treatment of each class of Claims and Interests. You are urged to study this Disclosure Statement and the Plan in full and to consult with your own legal and financial advisors about the Plan and its impact upon your legal rights, including but not limited to possible tax consequences.

No representations concerning the Debtors, particularly as to the Debtors' financial condition, or the value of their property, are authorized by the Debtors except as set forth in this Disclosure Statement. Although great effort has been made by the Debtors to be accurate, the information contained herein or appended hereto as exhibits, has not been subject to a certified audit. Therefore, the Debtors are unable to warrant or represent that the information contained herein is without any inaccuracy.

Furthermore, while any dividend or distribution offered to any person or entity pursuant to the Plan may not meet the reader's understanding of the definition of "securities," such dividend may be deemed a "security" pursuant to federal or state securities laws. Accordingly, the Plan should be evaluated in much the same manner as the purchase of a security would be evaluated. The advice and assistance of competent professionals should be sought.

II. SUMMARY OF TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

The Claims against the Debtors consist of:

- Administrative Expense Claims - claims for goods provided and services rendered to the Debtor during the Chapter 11 cases, including all allowances of compensation or reimbursement of expenses for Professional Persons to the extent allowed by the Court against the Estates under Sections 330, 331 and 503 of the Bankruptcy Code;
- Priority Tax Claims - the Allowed Claims, if any, of the Internal Revenue Service and Illinois Department of Employment Security;
- Secured Claims – the secured claims of JP Morgan Chase Bank, N.A. for loans made to Chaudhry prior to the Petition Date and the secured claim, if any, of the Internal Revenue Service;
- Priority Claims – claims made pursuant to Section 507 of the Code, if any, incurred prior to the Petition Date;
- IHOP Cure Claim – the claim of IHOP, pursuant to Section 365 of the Code, for the payment of certain real property taxes related to IHOP-Bridgeview that arose prior to the Petition Date and paid by IHOP after the Petition Date;
- Personal Unsecured Claims – the claims against Chaudhry for his personal, family, and household purpose that arose prior to the Petition Date;
- Business Unsecured Claims – the claims related to the Debtors’ business operations that were incurred prior to the Petition Date; and
- Lucky Interests – Chaudhry’s equity interests in Lucky.

The following table summarizes the classes of claims and interests and the treatment of each class under the Plan. This summary is qualified in its entirety by the more detailed information contained in this Disclosure Statement and in the Plan.

Class	Class Composition	No. of Claimants (Approx.)	Amount of Claims (Approx.)	Amount and Timing of Distributions	Impaired or Unimpaired
unclassified	Administrative Claims	3	\$200,000.00	Allowed Claims to be paid in full, on the later of the Closing Date or the date the claim is allowed (unless otherwise agreed)	Not applicable
unclassified	Priority Tax Claims	2	\$101,139.72	Allowed Claims to be paid in full, on the later of the Closing Date or the date the claim is allowed (unless otherwise agreed)	Not applicable
1	Secured Claims	3	\$166,694.15	Allowed Claims to be paid in full, on the later of the Closing Date or the date the claim is allowed (unless otherwise agreed)	Unimpaired
2	Priority Claims	Unknown	Unknown (Est. \$0.00)	Allowed Claims to be paid in full, on the later of the Closing Date or the date the claim is allowed (unless otherwise agreed)	Unimpaired
3	IHOP	1	\$76,990.64	Allowed Claims to be paid in full, on the later of the Closing Date or the date the claim is allowed (unless otherwise agreed)	Unimpaired

Class	Class Composition	No. of Claimants (Approx.)	Amount of Claims (Approx.)	Amount and Timing of Distributions	Impaired or Unimpaired
4	General Unsecured Claims (Personal Claims)	19	\$58,072.16	Allowed Claims shall be paid in full in cash upon the later of: (a) the date of allowance thereof by Final Order; (b) the earliest date on which there are Liquidation Proceeds available to pay the Allowed Class 4 Claims; or (c) the Operational Claim Deadline	Impaired
5	General Unsecured Claims (Business Claims)	23	\$446,749.33 (for distribution purposes; and \$756,749.33 for voting purposes) ¹	Allowed Claims shall be paid by Pro Rata payment of approximately 40-49% of the Allowed Claim in cash upon the later of: (a) the date of allowance thereof by Final Order; (b) the earliest date on which there are Liquidation Proceeds available to pay the Allowed Class 5 Claims; or (c) any Distribution Date as determined by the Disbursing Agent	Impaired
6	Interests	1	N/A	The Interests shall be cancelled upon the Operational Claim Deadline	Unimpaired

The Plan provides for payment to the holders of General Unsecured Claims of an amount substantially greater than the amount such claimants would receive in a liquidation of Debtors' assets under chapter 7 of the Bankruptcy Code.

¹ As detailed in Sections V.B and VI.D.2 below, shortly after entry of the Confirmation Order, the IHOP Claims will be withdrawn pursuant to the settlement between IHOP and the Debtors. For this reason, the IHOP Claims will be allowed for voting purposes but will not be entitled to a distribution.

A copy of the Plan is attached to this Disclosure Statement as **Exhibit A**.

III. EVENTS LEADING UP TO THE CHAPTER 11 PETITION

A. Debtor's Organization and Business Operations

Debtor Azhar Chaudhry ("Chaudhry") is an individual and franchisee of an International House of Pancakes restaurant located at 7240 W. 79th Street, Bridgeview, Illinois 60455 ("**IHOP-Bridgeview**"). IHOP-Bridgeview is operated through the corporate debtor, Lucky # 5409, Inc. ("Lucky"). Chaudhry is the sole shareholder and president of Lucky, and IHOP-Bridgeview is his sole source of income to support his wife and four children. Distributions under the Plan are being funded from the proceeds from sale of IHOP-Bridgeview and any funds remaining in the Lucky Bank Account after payment of all Operational Claims.

Chaudhry became franchisee of IHOP-Bridgeview in 1999, with the authority of IHOP, by taking an assignment of the Franchise Agreement from Saluddin Janmohammed. In 2004 and 2006, respectively, Chaudhry became franchisee of IHOP franchises located in Arlington Heights and St. Charles, Illinois. Chaudhry ceased ownership of the Arlington Heights and St. Charles franchises in 2015 and 2013, respectively, after IHOP terminated the respective franchise agreements. From February 2016 through March 2017, IHOP-Bridgeview's day-to-day operations were run by the restaurant's manager, Mohammed "Ron" Matin ("**Matin**"). Since March 2017, Chaudhry performed all management and day-to-day operations of IHOP-Bridgeview.

B. Pre-Petition Financing and Security Interests

1. Chase Bank Loans

Prior to the Petition Date, debtor Chaudhry borrowed monies from JP Morgan Chase, N.A. ("**Chase Bank**") under two facilities (collectively, the "**Chase Loans**"): (a) a home equity line of credit dated April 3, 2006, in the amount of \$100,000; and (b) a note and mortgage dated March 18, 2013, in the amount of \$79,892.00. As of the Petition Date, the balances due on the Chase Loans were \$52,150.61, and \$60,448.21, respectively, totaling \$112,598.82. As of the Petition Date, the Chase Loans were secured by first and second perfected priority security interests on Chaudhry's residence located in Bridgeview, Illinois. Chaudhry has continued to pay the Chase Bank Loans and further reduce the outstanding amount.

2. IRS Secured Claim

Prior to the Petition Date, on or about August 11, 2015, the Internal Revenue Service ("**IRS**") filed a lien pursuant to IRS Reg. 301.6323(f)-1 against Lucky for purportedly underpaid FICA taxes for the 2014 tax period. Prior to the Petition Date, Lucky entered into a payment plan with the IRS to pay down the taxes and believes that the amounts owed to the IRS are significantly lower than those asserted on the IRS proof of claim.

C. IHOP Pre-Petition Litigation and Sale History

On April 21, 2015, four (4) days after IHOP terminated Chaudhry's ownership of his franchise located in Arlington Heights, Illinois, Chaudhry filed a complaint for injunctive relief and damages against IHOP seeking to enjoin the Arlington Heights termination and for damages related thereto in the District Court (the "**AH District Court Action**"). The AH District Court Action was entitled *Azhar Chaudhry, et al. v International House of Pancakes, LLC*, Case No. 1:15-cv-03504.

On May 13, 2015, IHOP filed an answer and counterclaims in the AH District Court Action based on Chaudhry's purported breach of contract and trademark infringement. That same day, IHOP moved for a temporary restraining order and preliminary injunction to prevent the use of IHOP trademarks at the Arlington Heights location. IHOP also subsequently filed a Motion for Judgment on the Pleadings arguing that the Arlington Heights franchise agreement required the AH District Court Action to be submitted to arbitration.

On August 26, 2015, the District Court entered an order granting IHOP's request for a preliminary injunction. On September 2, 2015, the Debtors appealed the injunction order to the Seventh Circuit Court of Appeals. The Seventh Circuit proceedings were stayed by the Debtors' Chapter 11 Cases and eventually dismissed by agreement of the parties. On September 24, 2015, the District Court granted judgment on the pleadings based on the arbitration requirement and dismissed the case without prejudice due to improper venue.

As part of the Seventh Circuit appeal, Chaudhry and his counsel met with IHOP and its counsel to negotiate a global resolution, including the potential sale of IHOP-Bridgeview. Chaudhry believed that IHOP had agreed to approve Matin and Matin's operating entity, Empire Restaurant Group, LLC ("Empire"), as purchasers of IHOP-Bridgeview. On December 10, 2015, Chaudhry and Lucky entered into an asset purchase agreement with Matin and Empire to sell all of the assets of IHOP-Bridgeview and to assign the Franchise Agreement to Matin and Empire. On January 15, 2016, Chaudhry received written notice from IHOP that, pursuant to § 11.04 of the Franchise Agreement, IHOP was exercising its right to accept the assignment pursuant to the terms of the asset purchase agreement between the Debtors, on the one hand, and Matin and Empire, on the other. Matin was working as manager of IHOP-Bridgeview.

Through a series of actions, detailed in the documents referenced in section IV.H below, the Debtors did not transfer or assign IHOP-Bridgeview to IHOP. On May 5, 2016, IHOP filed a complaint against the Debtors in the District Court seeking specific performance of IHOP's purported exercise of its right of first refusal ("**IHOP District Court Action**"). On May 13, 2016, IHOP filed a motion for preliminary injunction to force the sale of IHOP-Bridgeview. That same day, after receiving notice of the preliminary injunction motion, the Debtors filed their voluntary petitions under Chapter 11.

IV. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE

A. Retention of Bankruptcy Counsel

On May 31, 2016, the Debtors filed an application to employ Michael L. Gesas, Kevin H. Morse, and William A. Williams of Arnstein & Lehr LLP as their bankruptcy counsel pursuant to Section 327 of the Bankruptcy Code [Docket No. 29] (the “**Employment Application**”). On June 6, 2016, IHOP filed an objection to the Employment Application and the Bankruptcy Court thereafter entered a briefing schedule [Docket No. 37, 40]. On July 8, 2016, after full briefing and informal discovery, IHOP withdrew its objection to the Employment Application [Docket No. 47] and the Bankruptcy Court entered an order authorizing the Debtors to retain Arnstein & Lehr LLP as its lead bankruptcy counsel [Docket No. 49]. Effective September 1, 2017, Arnstein & Lehr LLP and Philadelphia-based Saul Ewing LLP merged. The combined firm is known as Saul Ewing Arnstein & Lehr LLP.

B. Use of Cash Collateral

Pursuant to orders entered by the Bankruptcy Court, Lucky has been authorized to use the cash collateral secured by the lien of the IRS (i.e., to use the proceeds of the sales of goods) to pay for the expenses incurred by Lucky in the operation of its business and the administration of its Chapter 11 Case subsequent to the Petition Date. As adequate protection for Lucky’s use of cash collateral, the IRS was granted replacement liens on the Debtor’s property acquired subsequent to the Petition Date to the extent, and with the same validity and priority, as any liens held by the IRS as of the Petition Date. As additional adequate protection, subsequent to the Petition Date, the Debtor has made monthly payments to the IRS, from and after May 31, 2016, of interest and principal, in the amount of \$432.15. As a result of these payments, as of August 31, 2017, the secured debt owed to IRS has been reduced by at least \$2,866.33.

C. Bankruptcy Schedules

On June 4, 2016, the Debtors filed their Bankruptcy Schedules listing the Debtors’ assets and liabilities as of the Petition Date.

D. Claims Bar Date

The last date for all creditors (other than a governmental unit) to file a proof of claim in the Chapter 11 Cases was August 7, 2016. The last date for a governmental unit to file a proof of claim in the Chapter 11 Cases was November 9, 2016. Nine (9) proofs of claim were filed in Lucky’s Bankruptcy Case and seventeen (17) proofs of claim were filed in Chaudhry’s Bankruptcy Case.

E. Receipts and Disbursements During Chapter 11 Case

During the period from the Petition Date through October 31, 2017, Lucky’s receipts totaled \$3,437,694.01 and disbursements totaled \$3,381,564.43. The breakdown per month is as follows:

Month	Receipts	Disbursements
May 2016	\$136,985.82	\$83,484.50
June 2016	\$203,215.40	\$177,862.59
July 2016	\$231,137.04	\$205,285.19
August 2016	\$223,076.26	\$259,763.71
September 2016	\$178,585.02	\$172,920.01
October 2016	\$182,930.96	\$153,231.31
November 2016	\$201,816.03	\$216,529.91
December 2016	\$158,390.00	\$169,900.40
January 2017	\$225,126.68	\$182,627.61
February 2017	\$179,560.56	\$208,122.70
March 2017	\$206,207.73	\$203,836.24
April 2017	\$179,687.61	\$167,288.38
May 2017	\$210,443.53	\$179,171.75
June 2017	\$185,005.36	\$245,807.26
July 2017	\$197,148.10	\$222,757.60
August 2017	\$191,047.15	\$208,896.75
September 2017	\$159,724.80	\$162,833.37
October 2017	\$187,605.96	\$161,245.15

During the period from the Petition Date through August 31, 2017, Chaudhry’s receipts totaled \$109,022.95 and disbursements totaled \$101,290.22. The breakdown per month is as follows:

Month	Receipts	Disbursements
May 2016	\$0.00	\$0.00
June 2016	\$6,000.00	\$4,150.61
July 2016	\$6,000.00	\$5,725.61
August 2016	\$9,000.00	\$7,587.10
September 2016	\$6,000.00	\$7,513.17
October 2016	\$6,000.00	\$6,369.79
November 2016	\$6,000.00	\$7,495.21
December 2016	\$6,058.50	\$5,035.49
January 2017	\$9,543.09	\$8,991.27
February 2017	\$6,549.56	\$6,035.84

March 2017	\$6,561.41	\$6,882.94
April 2017	\$6,000.00	\$6,179.91
May 2017	\$6,003.52	\$7,239.75
June 2017	\$7,528.00	\$5,451.90
July 2017	\$6,230.36	\$7,234.25
August 2017	\$15,548.51	\$9,397.38

F. IHOP Claims Objection

On July 28, 2016, IHOP filed proofs of claim in each of the Debtors' Bankruptcy Cases. On January 12, 2017, the Debtors filed objections to the IHOP Claims on the basis that (a) the IHOP Claims were not entitled to prima facie validity; (b) the IHOP Claims were not appropriately documented to support the claims; (c) IHOP was not entitled to prevailing party fees and costs based on the District Court Actions; and (d) IHOP did not have privity to assert a claim against Lucky ("**IHOP Claims Objection**"). After full briefing on the IHOP Claims Objection, the Bankruptcy Court authorized IHOP to file amended IHOP Claims. On March 8, 2017, IHOP filed amended proofs of claim in each of the Debtors' Bankruptcy Cases. The Debtors' IHOP Claims Objection remains pending subject to the terms of settlement, sale of IHOP-Bridgeview, and confirmation of the Plan. The IHOP Claims are being resolved pursuant to the terms of the Plan.

G. Post-Petition IHOP Adversary Proceeding

On August 30, 2016, IHOP filed an adversary proceeding against the Debtors seeking declaratory relief that (a) Debtors were in material default of the Franchise Agreement; and (b) based on the purported material default, Debtors were required to honor IHOP's exercise of its right of first refusal (the "**Adversary Proceeding**"). The Adversary Proceeding is pending as *IHOP Restaurant, LLC, et al. v. Lucky # 5409, Inc., et al.* before the Bankruptcy Court as Case No. 16-00547. On October 11, 2016, the Debtors filed an answer, affirmative defenses, and counterclaims in the Adversary Proceeding, alleging (a) the purported right of first refusal was a fraudulent transfer; (b) IHOP violated the automatic stay; and (c) IHOP failed to properly exercise its right of first refusal.

IHOP and the Debtors engaged in extensive discovery as part of the Adversary Proceeding. In addition to written discovery propounded, and thousands of documents exchanged, IHOP took the depositions of Chaudhry, Matin, and creditor Adeeba Sarwar, while the Debtors took the depositions of John Hubbard, Nicole Durham-Mallory, and Lucy Cheong, as IHOP's Rule 30(b)(6) designee.

At an Adversary Proceeding status hearing, held on March 23, 2017, the Bankruptcy Court set a deadline for filing motions for summary judgment, a briefing schedule for any summary judgment, and set a status hearing date. On April 20, 2017, each party filed cross-motions for summary judgment in the Adversary Proceeding. At the July 6, 2017 status hearing, the Bankruptcy Court informed the Debtors and IHOP that neither the Debtors nor IHOP would be granted summary judgment, and the best outcome for the Bankruptcy Case would be for a

sale of IHOP-Bridgeview to maximize the benefit for creditors. A transcript of the July 6, 2017 status hearing is attached as **Exhibit B**. Shortly after July 6, 2017, the Debtors and IHOP opened negotiations for the resolution of the Bankruptcy Cases and Adversary Proceeding.

H. Sale Procedures

Throughout the Bankruptcy Cases and Adversary Proceeding, IHOP made it clear that Chaudhry would no longer be accepted as a franchisee or owner, in any fashion, of IHOP-Bridgeview. In light of IHOP's position, since the Petition Date, the Debtors marketed IHOP-Bridgeview in an attempt to maximize its value for the Debtors' bankruptcy estates. On or about January 25, 2017, the Debtors received an offer from a third-party, Mr. Azim Hemani ("**Hemani**") to buy IHOP-Bridgeview for \$1,200,000 (the "**Hemani Offer**").

On February 9, 2017, the Debtors filed a *Motion for Entry of (I) an Order (A) Approving Bidding Procedures and Bid Protections in Connection with the Sale of Bridgeview IHOP, (B) Approving the Form and Manner of Notice, (C) Scheduling a Sale Hearing and, if necessary, an Auction, (D) Approving the Stalking Horse Bid, and (E) Granting Related Relief; and (II) an Order (A) Approving the Asset Purchase Agreement, (B) Authorizing the Sale of Bridgeview IHOP Free and Clear of all Liens, Claims, and Encumbrances, and Interest, (C) Authorizing the Assumption and Assignment of the Franchise Agreement and Certain Other Executory Contracts and Unexpired Leases, and (D) Granting Related Relief* for the approval of the Hemani Offer (the "**Sale Motion**"). On February 16, 2017, IHOP filed an objection to the Sale Motion asserting that (a) the Sale Motion was premature; (b) Hemani had not obtained IHOP's approval; (c) the underlying premise of the Sale Motion is wrong; and (d) the break-up fees proposed should not be approved.

At the hearing on the Sale Motion, the Bankruptcy Court agreed that the Sale Motion could not be granted without adjudication or agreement on the Adversary Proceeding and continued the Sale Motion. Later, at the July 6, 2017 status hearing on the Adversary Proceeding, the Bankruptcy Court further recognized that IHOP likely could not withhold approval of a sale if the sale was to a buyer who is already a franchisee in the IHOP system (Exhibit B, at p. 10:9-12). The Sale Motion remains pending on the Bankruptcy Cases docket; however, Hemani has been informed that IHOP would not approve him as a purchaser of IHOP-Bridgeview.

V. SALE OF IHOP-BRIDGEVIEW AND IHOP SETTLEMENT

Since July 6, 2017, the Debtors and IHOP have negotiated the terms of a global settlement of the Adversary Proceeding, IHOP Claims Objection, and the Sale Motion, including the sale of IHOP-Bridgeview to an IHOP approved purchaser. The value provided by the sale of IHOP-Bridgeview and IHOP Settlement, as set forth below and in the Asset Purchase Agreement, is equal to or exceeds the value of the Hemani Offer. In summary, the Purchase Price, included with the waiver of the IHOP Claims, results in value provided of not less than \$1,200,000. Pursuant to Section 1123(b)(4) of the Bankruptcy Code, the Debtors intend to seek through the Plan, Bankruptcy Court approval of the sale of IHOP-Bridgeview, Asset Purchase Agreement, and settlement with IHOP. The principal terms of the sale of IHOP-Bridgeview and IHOP settlement are as follows:

A. Terms of Sale of IHOP-Bridgeview. The Debtors, Purchaser, and IHOP have entered into an Asset Purchase Agreement, attached to the Plan as **Exhibit 1**, for the sale of IHOP-Bridgeview to AFM 5304, LLC, an affiliate of Khurram L. Mian (the “**Purchaser**”). Mr. Mian is an existing multi-unit operator in good standing in the IHOP system. As detailed in the Asset Purchase Agreement, the terms of the sale of IHOP-Bridgeview are summarized as follows:

1. Purchase Price. Purchaser shall remit to the Debtors, or any escrow agent of the Debtors, on the Closing Date total consideration of Eight Hundred and Fifty Thousand Dollars (\$850,000.00) (the “**Purchase Price**”) subject to prorations for accrued real estate taxes and any similar items not being paid as Operational Claims under the Plan. IHOP has consented to the assignment of the IHOP-Bridgeview to Purchaser as required in the Franchise Agreement and as set forth in Asset Purchase Agreement;

2. Sale Free and Clear. The Franchise Assets are being sold pursuant to 11 U.S.C. §§ 363, 365 and 1229, and to the extent provided for in the Bankruptcy Code, are free and clear of any liens, claims and encumbrances, any and all of which shall attach solely to the Purchase Price with the same validity, perfection and priority as existed against the Franchise Assets² prior to the Sale; however, for the avoidance of doubt, any liens, claims and encumbrances arising in favor of IHOP and required under the Franchise Agreement shall remain with the same validity, perfection and priority. Except for the IHOP Cure Claim, as set forth herein, neither Debtors nor their Estates shall have any liabilities for any liens, claims and encumbrances arising in favor of IHOP and required under the Franchise Agreement whether arising prior to or after the Closing Date which are being resolved under the terms of the Plan.

3. Franchise Assets / Excluded Assets. Subject to the terms and conditions set forth in Asset Purchase Agreement, upon approval by the Bankruptcy Court in the Confirmation Order and closing of the sale, Debtors will deliver to the Purchaser, and Purchaser will receive and accept from Debtors the Franchise Assets, which are utilized in and located at IHOP-Bridgeview. Notwithstanding any other provisions of the Asset Purchase Agreement to the contrary, the following assets shall not be sold or transferred to Purchaser (collectively the “**Excluded Assets**”):

- a. Any real property of Debtors (other than the interest as tenant in the Real Estate Lease);
- b. Cash, cash equivalents, credit balances and securities of Debtors or the Franchise; and

² Any capitalized terms not otherwise defined in the Plan shall have the meaning ascribed in the attached Asset Purchase Agreement.

c. All personal effects of Chaudhry, located at the Franchise or any personal assets of Chaudhry unrelated to the Franchise.

4. Assumption and Assignment of Franchise Agreement and Related Executory Contracts.

a. Chaudhry is a party to the Franchise Agreement. Subject to the entry of the Confirmation Order and closing of the sale to Purchaser, as approved by IHOP, Chaudhry will assign to Purchaser, and Purchaser will enter into, the Franchise Agreement, and Purchaser shall perform all obligations and assume all liabilities arising under the Franchise Agreement after the Closing Date.

b. Debtors are also parties to certain additional executory contracts (collectively, the “**Contracts**”) and an unexpired real estate lease (the “**Lease**”) related to IHOP-Bridgeview as summarized and set forth on Schedule B and Schedule C, respectively, to the Asset Purchase Agreement. Debtors will assign and the Purchaser will enter into the Contracts and Lease, and perform all executory obligations and assume all liabilities arising under such Contracts and Lease arising from and after the Closing Date.

c. Purchaser may elect to take title to the Franchise (or certain Franchise Assets of the Franchise) through wholly owned affiliates pursuant to and upon terms authorized in the Franchise Agreement.

5. Closing. Closing shall take place on the Closing Date at Saul Ewing Arnstein & Lehr LLP, located at 161 N. Clark Street, Suite 4200, Chicago, Illinois, or any other location agreed to between the Debtors and Purchaser. On or before the Closing Date, Purchaser shall transfer the Purchase Price to the escrow account opened with an escrow company as determined by Debtors. On the Closing Date, the net Sale Proceeds shall be transferred to the Lucky Liquidation Account.

B. IHOP Settlement. Debtors and IHOP agree that the sale of IHOP-Bridgeview, and assignment of the Franchise Agreement, to Purchaser, or any designee approved by IHOP, and payment of the IHOP Cure Claim will resolve all outstanding claims by and against the other party. Debtors and IHOP further agree that:

1. On the first or second business day after the Closing Date, or as soon thereafter as reasonable, IHOP and Debtors shall enter into and file with the Bankruptcy Court a stipulation to dismiss the Adversary Proceeding with prejudice.

2. On the first or second business day after the Closing Date, or as soon thereafter as reasonable, IHOP and Debtors shall enter into and file with the

District Court stipulations to dismiss the District Court Actions with prejudice, as necessary.

3. On the first or second business day after the Closing Date, or as soon thereafter as reasonable, IHOP shall file with the Bankruptcy Court a notice of withdrawal of the IHOP Claims with prejudice from the Bankruptcy Cases.

4. On the Closing Date, after Purchaser and Debtors have closed the sale of IHOP-Bridgeview, as set forth in Article XIII of the Plan, Debtors and IHOP shall be deemed pursuant to the Plan to have released the other party of any and all claims, causes of action, or other obligation arising from the District Court Actions, Adversary Proceeding, Franchise Agreement, or any other action or event whether known or unknown.

C. Confirmation Order Entry. Neither Purchaser nor Debtors shall be obligated to proceed under the Asset Purchase Agreement if the Bankruptcy Court denies the entry of the Confirmation Order. Purchaser and Debtors may agree to close the purchase of the IHOP-Bridgeview immediately after the entry of the Confirmation Order if there is no stay pending appeal of the Confirmation Order.

VI. THE PLAN

The following summary of the principal provisions of the Plan is qualified in its entirety by reference to the provisions of the Plan, a copy of which is annexed to this Disclosure Statement as “Exhibit A” and which is incorporated herein by reference. This summary should not be used as a substitute for actually studying the Plan itself.

A. General Background

A “creditor” is defined in the Bankruptcy Code, as an “entity that has a claim against the debtor that arose at the time of or before the order for relief concerning the debtor”. The term “claim” is defined in the Bankruptcy Code as a “right to payment . . . [or a] right to an equitable remedy for breach of performance if such breach gives rise to a right to payment” The term “interest” is not defined in the Bankruptcy Code but is used to describe proprietary rights, which in corporate cases such as these means the common stock of the Debtor.

Generally, a chapter 11 plan (i) divides claims and interests into classes, (ii) specifies the property or treatment each class will receive under the plan, and (iii) otherwise provides for the adjustment of liabilities of the debtor.

Under a chapter 11 plan, “claims” and “interests” are classified rather than classifying “creditors” and “equity security holders” because a creditor or equity security holder may have various claims or interests which fall into more than one classification. For example, a secured creditor may be undersecured, and under section 506(a) of the Bankruptcy Code, that creditor's claim would be treated as secured to the extent of the value of the security and unsecured as to the remainder of the claim. Each creditor or equity security holder then votes their claim or interest to accept or reject the plan of liquidation in each class.

B. Administrative Expense Claims and Priority Tax Claims

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims have not been classified. Holders of Administrative Expense Claims and Priority Tax Claims do not have a right to vote to accept or reject the Plan. However, Administrative Expense Claims and Priority Tax Claims are identified in this Disclosure Statement and the accompanying Plan, and their treatment is described, to promote "enabl[ing] a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the plan[.]"

1(a). Administrative Expense Claims

An Administrative Expense Claim is a Claim that is entitled to priority under Sections 503(b) and 507(a)(1) of the Bankruptcy Code.

The Administrative Expense Claims consist of: (a) the fees and expenses of the Debtors' Bankruptcy Counsel, (b) the fees and expenses of the Debtors' real estate tax appeal counsel, (c) the fees and expenses of the Debtors' accountant; and (d) if any, the Claims for goods provided and services rendered to the Debtors during the Chapter 11 Cases. Any person or entity asserting to be a holder of an Administrative Expense Claim, including for final allowance of professional fees, shall have an additional thirty (30) calendar days after the Confirmation Date in which to file requests for payment of such claims in the Chapter 11 Cases.

Pursuant to orders of the Bankruptcy Court, the Debtors have made payments to the Debtors' Bankruptcy Counsel for a portion of their fees and expenses. As of October 31, 2017, the Debtors' Bankruptcy Counsel had accrued fees and incurred expenses totaling approximately \$175,000 for which payment had not been made.

The Debtors successfully appealed the 2017 tax assessments against the real property on which IHOP-Bridgeview is situated, thereby reducing IHOP-Bridgeview's annual real property tax assessment by \$15,255 per year. Based on the success of the appeal, the Debtors owe their real estate tax appeal counsel \$5,861.00 pursuant to terms of engagement approved by the Bankruptcy Court.

1(b). Post-Closing Operational Claims

An Operational Claim is an Administrative Expense Claim that arose in the ordinary course of operation of IHOP-Bridgeview prior to the Closing Date but is not payable, or request for payment does not occur, until after the Closing Date. All Operational Claims shall be paid by the Debtors using the Lucky Bank Account. Purchaser shall have no obligation or liability for any Operational Claims; however, on and after the Closing Date, Purchaser shall immediately forward to the Debtors, at the address set forth in Section 14.02 of the Plan, all Operational Claims received at IHOP-Bridgeview. For the avoidance of doubt, any claims that arise in the ordinary course of operations of IHOP-Bridgeview, or otherwise, after the Closing Date shall be the sole liability and responsibility of the Purchaser or his approved designee.

The Debtors shall remain in possession and control of the Lucky Bank Account until the sixtieth (60th) day after the closing of the sale of IHOP-Bridgeview. After the Closing Date, the Lucky Bank Account shall be used solely for the purpose of paying Operational Claims; except,

Chaudhry shall receive a reduced salary of \$3,000 per month (for a total of \$6,000) in compensation for his wind-up of the Operational Claims until the Operational Claims Deadline.

On the Operational Claims Deadline, the Debtors must take all actions necessary and required to transfer all remaining funds in the Lucky Bank Account to the Disbursing Agent. The Debtors must also provide the Disbursing Agent with an accounting of all Operational Claims paid, including without limitation, all relevant bank statements and proof of the validity of such Operational Claims

2. Priority Tax Claims

A Priority Tax Claim is a claim of a governmental unit of a type that is entitled to priority under section 507(a)(8) of the Bankruptcy Code. The Priority Tax Claims consist of:

<u>Governmental Unit</u>	<u>Debtor</u>	<u>Type of Tax</u>	<u>Amount</u>
IL Dept. Employ. Security	Lucky	Unemployment	\$27,754.19
Internal Revenue Service	Chaudhry	Penalty	\$73,385.53

Chaudhry disputes the validity of the IRS claim, which is based nearly entirely on penalties against him. For this reason, prior to the Effective Date, Chaudhry intends to negotiate or otherwise object to the IRS priority claim against him. Notwithstanding Chaudhry's intended objection, under the Plan, the holder of an Allowed Priority Tax Claim, unless otherwise agreed to by such holder, shall receive, in full satisfaction of such Claim, Cash in full, on the later of the Closing Date or the date the claim is allowed (unless otherwise agreed).

C. Classification of Claims and Interests

The Plan proposes six (6) classes of Claims and Interests for purposes of voting on the Plan and making distributions thereunder, namely:

Class 1 – Secured Claims

Class 2 – Priority Claims

Class 3 – IHOP Cure Claim

Class 4 – General Unsecured Claims (Personal)

Class 5 – General Unsecured Claims (Business)

Class 6 – Interests

D. Treatment of Classified Claims and Interests

1. Unimpaired Claims Not Entitled to Vote

Class 1 – Secured Claims.

a. *Chase Secured Claims.* JP Morgan Chase Bank, N.A. filed proofs of claim for the Chase Loans in the aggregate amount of \$112,598.82 (collectively, the “**Chase Secured Claims**”). The Chase Secured Claims are secured by first and second liens on Chaudhry’s Residence and are described more fully in section III.B.1 above. JP Morgan Chase Bank, N.A. shall receive, in full satisfaction of the Allowed Chase Secured Claims payment in full in cash from the Sale Proceeds on the later of (i) the Closing Date or (ii) the date the claim is Allowed (unless otherwise agreed). The Chase Secured Claims are unimpaired and not entitled to vote on the Plan.

b. *IRS Secured Claim.* The IRS filed an amended proof of claim in the amount \$51,229 (the “IRS Secured Claim”). The IRS Secured Claim is secured by a lien, pursuant to IRS Reg. 301.6323(f)-1, against Lucky’s property as more fully described in section III.B.2 and IV.B above. The IRS shall receive, in full satisfaction of the Allowed IRS Secured Claim payment in full in cash from the Sale Proceeds on the later of (i) the Closing Date or (ii) the date the claim is Allowed (unless otherwise agreed). The IRS Secured Claim is unimpaired and not entitled to vote on the Plan

Class 2 – Priority Claims. The Debtors do not believe that any Section 507 priority claims exist except for the unclassified Priority Tax Claims. However, any Allowed Class 2 Priority Claims are unimpaired by the Plan and shall be paid in order of the priorities set forth in Section 507 of the Bankruptcy Code in full in cash on the Closing Date upon the closing of the sale of IHOP-Bridgeview; *provided, however*, the Disbursing Agent shall be entitled to make such other distributions as are required under the Plan after the Effective Date provided that in the event that any Class 2 Claims have not become Allowed Claims prior to the Effective Date, the Disbursing Agent shall hold in suspense such amounts in the Lucky Liquidation Account as are in his reasonable discretion sufficient to pay such Class 2 Claims pending the Final Order respecting such Class 2 Claims.

Class 3 – IHOP Cure Claim. While IHOP, or the underlying real property owner, is liable for payment of the property taxes for IHOP-Bridgeview, Section 10.06 of the Franchise Agreement obligates the Debtors to pay the real estate taxes on IHOP’s behalf and send proof of payment to IHOP. Cook County, Illinois property taxes are paid one (1) year in arrears. On October 5, 2016, IHOP paid the 2015 Second Installment Property Tax Bill totaling \$44,012.50 for IHOP-Bridgeview. On February 27, 2017, IHOP paid the prepetition portion (January 1, 2016-May 13, 2016) of the 2016 First Installment Property Tax Bill for IHOP-Bridgeview totaling \$32,978.14. In total, IHOP advanced \$76,990.64 on account of the prepetition real property taxes for IHOP-Bridgeview. The Franchise Agreement requires the Debtors to pay all real property taxes and, therefore, in order to assume and assign the Franchise Agreement to the Purchaser, the Debtors are required to cure the \$76,990.64 owed to IHOP on account of the real property taxes. The Class 3 IHOP Cure Claim is unimpaired under the Plan and will be paid in full in cash on the Closing Date upon the closing of the sale of IHOP-Bridgeview.

2. Impaired Claims Entitled to Vote

Chaudhry, individually, is the franchisee of IHOP-Bridgeview and, therefore, any proceeds from the sale of IHOP-Bridgeview would inure solely to Chaudhry's individual bankruptcy estate. The nature of these Bankruptcy Cases and the creditors of the estates dictate that it would be wholly inequitable for any proceeds to benefit only the individual estate creditors and then Chaudhry, individually. IHOP-Bridgeview is operated through Lucky and, except for the Franchise Agreement, all executory contracts, unexpired leases, and related trade agreements were entered into by Lucky and the respective creditor. The Debtors propose to classify the general unsecured creditors by personal creditors and business creditors, recognizing that the goods and services creditors provided added value to IHOP-Bridgeview and to ensure that sale proceeds are distributed to all creditors of the Bankruptcy Cases.

The liquidation analysis, attached hereto as **Exhibit C**, demonstrates that if the Bankruptcy Cases were converted to cases under Chapter 7 of the Bankruptcy Code, Chaudhry's unsecured creditors would receive a substantial distribution, possibly in full, and Lucky's creditors would not receive a distribution. The Debtors' Plan proposes to pay Chaudhry's Class 4 creditors in full from the net Sale Proceeds and, instead of a surplus to Chaudhry, the net Sale Proceeds will be distributed to Lucky's creditors with an estimated distribution of 40-50% on the Allowed Class 5 Claims.

Class 4 – Personal Unsecured Claims. Class 4 Personal Unsecured Claims consist of nineteen (19) Class 4 claims filed by thirteen (13) different claimants aggregating approximately \$58,072.16, incurred primarily for personal, household, or family purposes. The Allowed Class 4 Claims are set forth and attached on **Exhibit D**.

Allowed Class 4 Claims shall be fully settled and satisfied in full in cash upon the later of: (a) the date of allowance thereof by Final Order; (b) the earliest date on which there are Liquidation Proceeds available to pay the Allowed Class 4 Claims; or (c) the Operational Claim Deadline. The Disbursing Agent shall disburse payments hereunder in such amounts as are in his reasonable discretion available on the Distribution Dates to the holders of the Allowed Class 4 Claims. There shall be no distributions to any holders of Allowed Class 4 Claims until all Administrative Claims, Governmental Unit Priority Claims, Allowed Priority Claims, and the IHOP Cure Claim have been paid in full in accordance with the terms of the Plan.

Class 5 – Business Unsecured Claims. Class 5 Business Unsecured Claims consist of all Claims that are not otherwise classified (and that are not Administrative Expense Claims or Priority Tax Claims). There are approximately twenty-two (22) Class 5 Business Unsecured Claims entitled to distributions pursuant to the Plan aggregating approximately \$451,000.16. The Class 5 Business Claims consist of Claims for: past legal services (3) - \$71,791.14, loans and monies advanced (2) - \$290,000, trade creditors (10) - \$71,167.30, and utilities (7) - \$18,041.72. IHOP is entitled to vote the IHOP Claims, as a single Class 5 Claim in the amount of \$350,000 as filed; however, shortly entry of the Confirmation Order, IHOP will withdraw the IHOP Claims and is not entitled to a distribution. The Allowed Class 5 Business Claims are set forth and attached on **Exhibit E**.

The holder of an Allowed Class 5 Claim shall receive, in full satisfaction of such Claim, payments in Cash totaling approximately forty to forty-nine percent (40-49%) of the amount of

such Allowed Claim. The payment(s) shall be made upon the later of: (a) the date of allowance thereof by Final Order; (b) the earliest date on which there are Liquidation Proceeds available to pay the Allowed Class 5 Claims; or (c) any Distribution Date as determined by the Disbursing Agent.

3. Interests Not Entitled to Vote

Class 6 – Interests. Class 6 consists of the interests of Lucky’s equity security holder, Chaudhry. The Class 6 equity security holder shall not retain their Interests as of the Operational Claim Deadline, shall not receive a distribution under the Plan, and is not entitled to vote on the Plan.

E. Executory Contracts and Unexpired Leases

Except as set forth in Section V.A.4 above, the Debtors shall be deemed to have rejected all executory contracts and leases not expressly assumed prior to or in connection with the Confirmation Order and Asset Purchase Agreement. Any person or entity claiming rights in the rejected executory contracts and leases not previously rejected by order(s) of the Court shall have an additional thirty (30) calendar days after the Confirmation Date in which to file claims in the Chapter 11 Cases.

F. Releases of Third Parties

Except as expressly provided in Sections 13.01 and 13.02 of the Plan with respect to IHOP and the Debtors, nothing contained in Article XIII of the Plan shall constitute, or be deemed to constitute, a waiver or release by the Debtors or the Disbursing Agent of any “person,” as that term is defined in Section 101(41) of the Bankruptcy Code, of any and all Causes of Action, claims, obligations, costs, losses, expenses or liabilities of any kind or nature whatsoever, under applicable law or otherwise, including, without limitation, of the generality of the foregoing, any and all causes of action, claims, obligations, costs, losses, expenses or liabilities of any kind or nature whatsoever, under applicable law or otherwise arising out of, under or related to the Debtors, the Chapter 11 Cases or otherwise, all of which rights and remedies are expressly preserved by the Debtors and the Disbursing Agent.

G. Chapter 5 Avoidance Actions

Under Chapter 5 of the Bankruptcy Code, the Debtors may seek to avoid and recover certain transfers made by the Debtors (“**Chapter 5 Avoidance Actions**”) including preferential transfers and fraudulent transfers. All rights and remedies related to the Chapter 5 Avoidance Actions are expressly preserved by the Debtors and the Disbursing Agent for the benefit of the Estates, including, without limitation, all Causes of Action related to Chaudhry’s prior ownership of ACH Restaurant, Inc. or Hareem Restaurant Inc. and against Salauddin Janmohammed, including, without limitation, for the avoidance and recovery of the value of Chaudhry’s prior ownership interest, are expressly preserved, and shall be continued, commenced and prosecuted in accordance with the Plan. This shall not impact the releases of IHOP and IHOP related Releasees under Article XIII of this Plan which shall be automatically effective on the Closing Date.

VII. MEANS FOR EXECUTION OF THE PLAN

A. Vesting of Assets.

After the Effective Date, Lucky shall continue to exist as a separate and distinct legal entity, in accordance with applicable law in the jurisdiction in which it is incorporated or organized, solely to operate IHOP-Bridgeview through the Closing Date and, subsequently, distribute the Liquidation Proceeds pursuant to the Plan, which shall be controlled by the Disbursing Agent. All distributions from the Lucky Liquidation Account shall be made solely with the signatures of both Chaudhry and the Disbursing Agent. Except as otherwise provided in the Plan, after the Closing Date, all property of the Debtors, except for the Retained Assets, shall vest in Lucky free and clear of all Claims, liens, charges, other encumbrances and interests. Lucky shall be dissolved after the Disbursing Agent makes his final distribution.

After the closing of the sale on the Closing Date, except as set forth in the Plan and the Asset Purchase Agreement, Lucky shall cease all operations and all officers, directors and employee shall be terminated as of the closing on the Closing Date. The net Sale Proceeds shall be transferred upon closing to the Lucky Liquidation Account to be disbursed as set forth pursuant to Articles V and VII of the Plan. All funds in the Lucky Bank Account on or after the Closing Date shall remain in the possession and control of the Debtors until the Operational Claims Deadline. Chaudhry shall be paid a reduced salary of \$3,000 per month (\$6,000 in total) in compensation for the wind-up of the Operational Claims. On the Operational Claims Deadline, the balance of the Lucky Bank Account shall be accounted for and turned over to the Disbursing Agent and deposited in the Lucky Liquidation Account.

B. Powers of the Disbursing Agent. The Disbursing Agent shall have the power as of the Closing Date to: (i) file objections, settle, or otherwise resolve any Disputed Claims; (ii) make all distributions as required under the Plan; (iii) retain any Professionals on behalf of the Debtors as needed in the business judgment of the Disbursing Agent to wind-up the affairs of the Debtors; (iv) liquidate any remaining assets of the Debtors; and (v) take any other actions as required to obtain a final decree in the Bankruptcy Cases. Pursuant to approval of the Bankruptcy Court, the Disbursing Agent shall also have the power to abandon any of the remaining assets if such assets have inconsequential value and/or are uncollectible.

C. Sources of Cash for Plan Distributions. Except as otherwise provided in the Plan or the Confirmation Order, all cash necessary for the Disbursing Agent to make payments pursuant to the Plan shall be obtained from the Sale Proceeds, the balance of the Lucky Liquidation Account, and, except for the Retained Assets, the liquidation of the Debtors' other assets existing, if any, as of the Confirmation Date

D. Prosecution and Preservation of Causes of Action. The Disbursing Agent shall be empowered, in the name of and on behalf of the Debtors, to investigate, file, prosecute and/or settle any Causes of Action including without limitation, the Avoidance Actions. Pursuant to Section 1123(b)(3)(B) of the Code, any and all Causes of Action, including without limitation, Avoidance Actions, shall remain property of the Debtors and their respective Estates. All Causes of Action now or hereafter existing in favor of the Debtors and/or the

Estates, including, but not limited to, (i) all Avoidance Actions, and (ii) any claim or Cause of Action arising out of, under or related to Chaudhry's prior ownership of ACH Restaurant Inc. or Hareem Restaurant Inc. and against Salauddin Janmohammed, including, without limitation, for the avoidance and recovery of the value of Chaudhry's prior ownership interest, are expressly preserved, and shall be continued, commenced and prosecuted in accordance with the Plan, by and in the discretion of, the Disbursing Agent. This shall not impact the releases of IHOP and IHOP related Releasees under Article XIII of the Plan which shall be automatically effective on the Closing Date.

VIII. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in Sections 1129(a) or (b) of the Bankruptcy 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; the Plan must be feasible; and, in the case of Chaudhry, the property distributed (for Chaudhry's Chapter 11 Case) is not less than the value of an objecting creditor's claim. These requirements are not the only requirements listed in Section 1129, and they are not the only requirements for confirmation.

A. Voting Procedures and Requirements

Pursuant to the Bankruptcy Code, only classes of claims against or equity interests in a debtor that are "impaired" under the terms of a plan of liquidation are entitled to vote to accept or reject a plan. A Class is "impaired" if the legal, equitable or contractual rights attaching to the claims or interests of that class are modified, other than by curing defaults and reinstating maturity. Classes of Claims and Interests that are not impaired are not entitled to vote on the Plan and are conclusively presumed to have accepted the Plan. In addition, Classes of Claims and Interests that do not receive distributions under the Plan are not entitled to vote on the Plan and are deemed to have rejected the Plan.

1. Unimpaired Classes Under the Plan

Class 1 (Secured Claims), Class 2 (Priority Claims), Class 3 (IHOP Cure Claim) and Class 6 (Interests) are unimpaired by the Plan. By virtue of their status as unimpaired classes, Class 1, Class 2, Class 3 and Class 6 are conclusively presumed to have accepted the Plan in accordance with Section 1126(f) of the Bankruptcy Code. Accordingly, the Debtors are not required to solicit votes of Class 1, Class 2, Class 3 and Class 6 with respect to the acceptance or rejection of the Plan.

2. Impaired Classes Under the Plan

Class 4 (Personal Unsecured Claims) and Class 5 (Business Unsecured Claims) are impaired by the Plan. Classes 4 and 5 are entitled to vote to accept or reject the Plan.

The Bankruptcy Code requires that where one or more classes of impaired claims are created under the proposed plan, at least one impaired class must accept the plan. An impaired

class of claims is deemed to have accepted the plan if the plan is accepted by creditors in such a class holding at least two-thirds in dollar amount and more than one-half in the number of the Allowed Claims of such class of creditors who actually vote. For purposes of voting to accept a proposed plan by an impaired class, an insider's vote does not count pursuant to section 1129(a)(10) of the Bankruptcy Code.

A creditor who holds claims in multiple classes is entitled to accept or reject a Plan in each capacity and should cast one ballot for each claim.

The Bankruptcy Code also contains provisions for confirmation of the Plan, even if it is not accepted by all impaired classes, as long as at least one impaired class of claims has voted to accept it. This process, provided for in section 1129(b) of the Bankruptcy Code, is commonly referred to as a "cram-down" of the Plan. Under Section 1129(b) of the Bankruptcy Code, the Court must find that the Plan does not discriminate unfairly and is fair and equitable with respect to each class of claims that is impaired and has not voted to accept the plan.

A notice of hearing on confirmation of the Plan is being distributed contemporaneously with this Disclosure Statement. At this hearing, the Bankruptcy Court shall determine whether the Plan has been accepted by the requisite number of claimants and whether the other requirements for confirmation of the Plan have been satisfied.

B. 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.

This Plan provides creditors with a dividend equal to or greater than the dividend that they would receive if the Debtors' estates were liquidated under chapter 7 of the Bankruptcy Code. **Under a chapter 7 liquidation, the Debtors believe that the holders of Business Unsecured Claims (Class 5 Claims) would receive no payment on their claims.** Chaudhry is the franchisee of IHOP-Bridgeview and all sale proceeds need to first satisfy his personal estate's creditors. A chapter 7 trustee may not have had the funds to litigate the Adversary Proceeding to obtain a higher sales price and/or waiver of the IHOP Claims. Further, since there are two bankruptcy estates, Chaudhry would have had no obligation in a chapter 7 case to provide any surplus, if any, to the Lucky # 5409, Inc. bankruptcy estate.

A liquidation analysis as if the Debtors' assets were liquidated under chapter 7 is attached hereto as **Exhibit C**. The attached liquidation analysis presents a best case and worst case scenario for possible chapter 7 cases. The worst case scenario assumes that IHOP's right of first refusal was enforced and, at most, Chaudhry's estate would receive \$600,000 from the sale of IHOP-Bridgeview. This scenario also assumes the worst case for all other claims and causes of action, including the IHOP Claims not being withdrawn and the Adeeba Sarwar claim being allowed in the full amount. The best case scenario provides for (1) a sale of IHOP-Bridgeview for \$850,000; (2) full waiver of the IHOP Claims; (3) reduction of Adeeba Sarwar claim to \$130,000; and (4) Chaudhry voluntarily providing his surplus to the Lucky chapter 7 estate. The best case scenario further provides for a recovery of \$250,000 on causes of action. The attorneys' fees provided in both scenarios include all or some of the attorney' fees the Debtors

have incurred in this case (~\$350,000) with additional fees in the “best case” for prosecution of causes of action.

C. Feasibility of the Plan

To confirm the Plan, 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 Debtors or any successor to the Debtors, unless such liquidation or reorganization is proposed in the Plan. Based on the Purchase Price, the Debtors believe that they will have enough cash on hand on the Closing Date to make the required Plan payments.

D. Value of Property Distributed in Individual Plan

To confirm the Plan, the Court must find that, in Chaudhry’s individual Chapter 11 Case, the value of the property to be distributed under the Plan, on the Effective Date, is not less than the value of an objecting unsecured creditor’s claim. Chaudhry’s individual creditors, except for those related to the operation of IHOP-Bridgeview, will receive payment in full. Given that the sale of IHOP-Bridgeview will terminate Chaudhry’s income; all business related claims will also receive distributions far greater than Chaudhry’s projected disposable income to be received during the 5-year period after the Closing Date.

IX. EFFECT OF CONFIRMATION

On the Effective Date of the Plan, the provisions of the Plan bind the Debtor and any creditors whether or not the claim of such creditors is impaired and whether or not such creditor has accepted the Plan.

Except as otherwise provided in the Plan or the Confirmation Order, the confirmation of the Plan vests all of the property of the estates in the Debtors.

Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, the Debtors’ property shall be free and clear of all claims and interests of creditors.

Upon the payment in full of all Class 4 Claims, Chaudhry will move the Bankruptcy Court for entry of the Discharge Order that, when entered, shall discharge Chaudhry, individually, from any debt that arose before confirmation of the Plan, to the extent specified in sections 524 and 1141(d)(1)(A) of the Bankruptcy Code. The Debtors shall not be discharged of any debt imposed by the Plan. After entry of the Discharge Order, your claims against the Debtors will be limited to the debts imposed by the Plan. Lucky will not receive a discharge; however, after entry of the Confirmation Order, any injunction from all claims and causes of action will be in effect while the Lucky bankruptcy case remains open.

X. TAX CONSEQUENCES

The Debtors have not sought or obtained rulings from the Internal Revenue Service or any state or local taxing authority with respect to the tax consequences, if any, of the Plan and the distributions contemplated thereunder. **CREDITORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES TO THEM UNDER FEDERAL AND APPLICABLE STATE AND LOCAL TAX LAWS OF THE EFFECT OF THE PLAN AND DISTRIBUTIONS MADE THEREUNDER.**

XI. CONFIRMATION HEARING AND VOTING PROCEDURE

A. Hearing to Confirm Plan and For Final Approval of Disclosure Statement

The joint hearing at which the Bankruptcy Court will determine whether to approve this Disclosure Statement and confirm the Plan will take place on **December 21, 2017 at 10:30 a.m.** in Courtroom 644, Dirksen Federal Building, 219 South Dearborn Street, Chicago, Illinois 60604.

B. Voting Deadline

The Bankruptcy Court has set **December 19, 2017** (“**Voting Deadline**”) as the date by which ballots to accept or reject the Plan by creditors and equity security holders entitled to vote must be received by the Debtors’ counsel. All ballots must be received by the Debtors’ counsel at the following address:

Saul Ewing Arnstein & Lehr LLP
161 North Clark Street, Suite 4200
Chicago, Illinois 60601
Attn: Kevin H. Morse
kevin.morse@saul.com

A copy of this Disclosure Statement, the Plan, and a notice of the confirmation hearing to accept or reject the Plan are being sent to all creditors and equity security holders. Ballots are being sent to holders of claims and interests which are impaired under this Plan and who are not deemed to have rejected the Plan. **The ballot must be properly completed pursuant to the instructions thereupon and must be received by the Debtors’ counsel on or before the Voting Deadline.** The completed ballot must clearly indicate whether the vote is cast to accept or to reject the Plan, and must be signed by the creditor or equity security holder or his or her authorized agent. If a ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should indicate such capacity when signing the ballot and attach proper evidence of his or her authority to so act. **A BALLOT NOT PROPERLY EXECUTED OR RECEIVED BY THE VOTING DEADLINE SHALL NOT BE COUNTED.**

Pursuant to Federal Rule of Bankruptcy Procedure 3018(a), the Bankruptcy Court, after notice and a hearing, may permit a creditor or equity security holder to change or withdraw an acceptance or rejection for cause.

C. Objection Deadline

The Bankruptcy Court has set **December 19, 2017** (“**Objection Deadline**”) as the date by which any objection to the Plan or to the approval of the Disclosure Statement must be filed and served.

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XII. RECOMMENDATIONS AND CONCLUSION

The Debtors believe that confirmation of the Plan is in the best interests of all creditors. Accordingly, the Debtors urge holders of impaired claims to vote to accept the Plan.

LUCKY # 5409, INC.

By: 

Its: President

– and –

AZHAR CHAUDHRY



– and –

/s/ Kevin H. Morse

Kevin H. Morse (# 6297244)
Williams A. Williams (# 6321738)
SAUL EWING ARNSTEIN & LEHR LLP
161 N. Clark Street, Suite 4200
Chicago, Illinois 60601
kevin.morse@saul.com
Telephone: (312) 876-7122
Facsimile: (312) 876-6273

*Counsel for Lucky # 5409, Inc. and
Azhar Chaudhry*