

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF LOUISIANA

IN RE:

CASE NO. 17-10057

LOVE GRACE HOLDINGS, INC.

CHAPTER 11

Debtor

JUDGE DOUGLAS D. DODD

**AMENDED DISCLOSURE STATEMENT
OF LOVE GRACE HOLDINGS, INC. AS OF APRIL 25, 2018**

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE CHAPTER 11 PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THERE WILL BE A HEARING ON THIS DISCLOSURE STATEMENT TO DETERMINE IF IT PROVIDES ADEQUATE INFORMATION. IF THE DISCLOSURE STATEMENT IS APPROVED BY THE BANKRUPTCY COURT, THERE WILL BE A SUBSEQUENT HEARING TO CONSIDER CONFIRMATION OF THE PLAN. ALL CREDITORS AND INTEREST HOLDERS WILL BE NOTIFIED OF THE DATE OF SUCH CONFIRMATION HEARING.

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

EXHIBITS TO DISCLOSURE STATEMENT

- EXHIBIT D-1 Chapter 11 Plan of Reorganization
- EXHIBIT D-2 Financial Projections
- EXHIBIT D-3 Liquidation Analysis
- EXHIBIT D-4 Balance Sheet
- EXHIBIT D-5 Profit and Loss Statement

I. INTRODUCTION

Love Grace Holdings, Inc., as debtor and debtor in possession (the “Debtor”) has filed a Chapter 11 Plan of Reorganization (the “Plan”). The Plan is attached to this Amended Disclosure Statement as **Exhibit D-1**. Debtor submits this Amended Disclosure Statement (“Disclosure Statement”), as of April 25, 2018, pursuant to Section 1125 of title 11 of the United States Code (the “Bankruptcy Code”), to holders of Claims against and Interests in the Debtor, in connection with: (i) the solicitation of acceptances or rejections of the Plan (together with any modification, amendment or supplement, of the Plan), and (ii) the hearings to consider approval of the Plan to be scheduled before the United States Bankruptcy Court for the Middle District of Louisiana (the “Bankruptcy Court”) on the date(s) set forth in the accompanying notice.

The purpose of this Disclosure Statement is to enable you, as a holder of a Claim against the Debtor, to make an informed decision with respect to voting on acceptance or rejection of the Plan. All persons receiving this Disclosure Statement and Plan attached hereto are urged to review fully the provisions of the Plan and all other exhibits attached thereto, in addition to review the text of this Disclosure Statement.

In the event of a conflict or difference between the definitions used, and provisions contained, in this Disclosure Statement and the Plan, the definitions and provisions contained in the Plan shall control. For ease of reference, those definitions have been reproduced below:

1. “**Administrative Claim**” means a claim for costs and expenses of administration of the Bankruptcy Case asserted under sections 503(b) and 507(a)(2) of the Bankruptcy Code, including any actual and necessary costs and expenses of preserving the estate of the Debtor, any actual and necessary costs and expenses of operating as Debtor, any indebtedness or obligations incurred or assumed by the Debtor in connection with the administration and implementation of

the Plan, the administration, prosecution or defense of Claims by or against the Debtor and for distributions under the Plan.

2. **"Allowed Administrative Claim"** means all or that portion of an Administrative Claim which has been allowed pursuant to a Final Order of the Bankruptcy Court.

3. **"Allowed Claim"** means, respectively, except as otherwise allowed or provided for in the Plan or a Final Order of the Bankruptcy Court, a Claim, proof of which was timely and properly Filed or, if no proof of claim or proof of interest was Filed, which has been or hereafter is listed by the Debtor on its Schedules as liquidated in amount and not disputed or contingent, and, in either case, as to which:

(a) no objection to the allowance thereof has been interposed on or before the later of: (i) the sixtieth (60th) day after the Effective Date, or (ii) the thirtieth (30th) day after proof of such Claim is filed, or (iii) such other applicable period for objection as may be fixed or extended by the Court, or

(b) any objection thereto has been determined by a Final Order to the extent such objection is determined in favor of the respective holder.

Unless otherwise specified herein or by order of the Court, an "Allowed Claim" shall not include any interest, fees, costs or other charges on such Claim accruing after the Petition Date.

4. **"Assets"** shall mean all property of the Debtor as defined in Section 541(a) of the Bankruptcy Code, including but not limited to, all of the Debtor's rights, title and interests in and to all immovable property and appurtenances thereto, improvements thereon, cash, deposits, telephone numbers, trade names, trade secrets, trademarks, copyrights, business "know how," goodwill, bank accounts of any and all types of any kind, tangible personal property, furniture, fixtures, equipment, machinery, inventory, general intangibles, general accounts, accounts

receivable, intellectual property of all types and kinds, contract rights, licenses and permits, contracts and agreements, privileges of any and all kinds, and any and all other property and rights of the Debtor and its estate, any and all Avoidance Actions, other Causes of Action and any and all defenses, which could be exercised by or on behalf of a Chapter 11 trustee or a debtor in possession.

5. "**Avoidance Actions**" means all of the Debtor's and the Estate's rights and claims under sections 541 through 553 of the Bankruptcy Code, inclusive, or under any similar or related state or federal statute or common law, whether or not an action is initiated on or before the Effective Date.

6. "**Bankruptcy Court**" means the United States Bankruptcy Court for the Middle District of Louisiana, or, in the event such court ceases to exercise jurisdiction over the Bankruptcy Case, such court or adjunct thereof that exercises jurisdiction over the Bankruptcy Case in lieu of the United States Bankruptcy Court for the Middle District of Louisiana.

7. "**Bankruptcy Case**" means this chapter 11 bankruptcy case of Love Grace Holdings, Inc.

8. "**Bankruptcy Rules**" means collectively, the (a) Federal Rules of Bankruptcy Procedure, and (b) Local Rules of the Bankruptcy Court, as applicable from time to time in the Bankruptcy Case.

9. "**Cash**" means cash or cash equivalents.

10. "**Causes of Action**" shall mean, without limitation, any and all of the Debtor's and the Estate's actions, causes of action, rights, suits, claims, accounts, debts, sums of money, damages, judgments, claims and demands, actions, defenses, offsets, powers (including all police, regulatory, and enforcement powers and actions that may be taken), privileges, licenses,

controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims, whatsoever, whether known or unknown, suspected or unsuspected, whether arising prior to, on or after the Petition Date, in contract or tort, in law, equity or otherwise, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, unsecured and whether asserted or assertable, accruing to and in favor of the Debtor or Debtor in Possession pursuant to the Bankruptcy Code or any applicable statute or law or legal theory. For avoidance of doubt, Causes of Action include, but are in no way limited to (a) rights of setoff, counterclaim or recoupment, and claims on contracts or for breaches of duties imposed by law, (b) claims pursuant to Section 362 of the Bankruptcy Code, (c) such claims and defenses as fraud, mistake, duress, and usury, (d) all Avoidance Actions, (e) all claims and rights of action described herein, and (f) all Causes of Action that are assertable by or may be directly or derivatively asserted by the Debtor, its Estate, the Reorganized Debtor, or a representative of the Estate on behalf of Creditors of the Debtor or the Estate.

11. **"Claim"** shall have the meaning set forth in section 101(5) of the Bankruptcy Code.

12. **"Committee"** means the Official Committee of Unsecured Creditors appointed by the United States Trustee for Region 5 in this Bankruptcy Case, and is comprised of GGP Limited Partnership, Intex Flooring, LLC, and Douglas Kampen.

13. **"Confirmation Date"** means the date on which the Confirmation Order is entered by the Bankruptcy Court.

14. **"Confirmation Hearing"** means the hearing held pursuant to section 1128(a) of the Bankruptcy Code at which the Bankruptcy Court considers confirmation of the Plan,

including any continuances thereof.

15. **"Confirmation Order"** means the order of the Bankruptcy Court entered following the Confirmation Hearing that confirms the Plan.

16. **"Debtor" and/or "Debtor in Possession"** mean the Debtor, Love Grace Holdings, Inc.¹, between the Petition Date and the Effective Date when acting in the capacity of representative of its Estate in the Bankruptcy Case.

17. **"Disallowed Claim"** means (a) a Claim, or any portion thereof, that has been disallowed by a Final Order or a settlement, (b) a Claim or any portion thereof that is Scheduled as zero or as contingent, disputed, or unliquidated and as to which a proof of claim bar date has been established but no proof of claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any Final Order of the Bankruptcy Court or otherwise deemed timely filed under applicable law, or (c) a Claim or any portion thereof that is not Scheduled and as to which a proof of claim bar date has been established but no proof of claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any Final Order of the Bankruptcy Court or otherwise deemed timely filed under applicable law.

18. **"Disbursing Agent"** means the entity designated pursuant to this Plan to hold and distribute property under this Plan, which may be the Reorganized Debtor.

19. **"Disclosure Statement"** means the Disclosure Statement for the Debtor to accompany the Plan, as modified or amended, filed with the Bankruptcy Court.

20. **"Disputed Claim"** mean any Claim that is neither an Allowed Claim nor a

¹ Love Grace Holdings, Inc. (d/b/a Apricot Lane and d/b/a Blu Spero Boutique), 9100 Bluebonnet Centre Blvd., Suite 401, Baton Rouge, LA 70809, EIN xx-xxx5375.

Disallowed Claim, as the case may be.

21. **"Effective Date"** shall be thirty (30) days after the order confirming the Plan becomes a final order.

22. **"Estate"** means the estate created in the Bankruptcy Case under section 541 of the Bankruptcy Code.

23. **"File" or "Filed"** means properly and timely filed with the Bankruptcy Court in the Bankruptcy Case, as reflected on the official docket of the Court for the Bankruptcy Case and served on Persons, as such filing and service are required pursuant to the Bankruptcy Code, Bankruptcy Rules and/or Order of the Court.

24. **"Final Order"** means an order or judgment of the Bankruptcy Court or other applicable court as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtor or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court or other applicable court shall have been affirmed by the highest court to which such order or judgment was appealed, or certiorari has been denied, or from which reargument or rehearing was sought, and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired, with no further appeal, petition for certiorari or motion for reargument or rehearing pending; provided however that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order or judgment shall not cause such order or judgment to not be a Final Order.

25. **“Home”** shall mean Home Bank.
26. **“Interests”** means the respective legal, equitable, contractual and other rights and ownership interests of in and with respect to the Debtor.
27. **“Lien”** shall have the meaning set forth in Section 101(37) of the Bankruptcy Code.
28. **“Padial”** shall mean Carlos Padial, Jr.
29. **“Person”** means an individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, limited liability partnership, trust, estate, unincorporated organization, governmental unit (as defined in section 101(27) of the Bankruptcy Code), or other entity.
30. **“Petition Date”** means January 20, 2017.
31. **“Plan”** means this plan of reorganization, either in its present form or as it may be altered, amended, or modified from time to time in accordance with the Bankruptcy Code and Bankruptcy Rules.
32. **“Priority Non-Tax Claim”** means any Claim (other than an Administrative Claim or a Priority Tax Claim) that is entitled to priority pursuant to section 507(a) of the Bankruptcy Code.
33. **“Priority Tax Claim”** means any Claim that is entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code.
34. **“Reorganized Debtor” and “Reorganized Love Grace”** mean the Debtor or Love Grace Holdings, Inc., respectively, as revested with property of the Estate to the extent provided in this Plan on or after the Effective Date.
35. **“Retained Claims and Causes of Action”** means any and all Claims, causes of

action, demands, defenses, suits, judgments, choses in action, licenses, privileges, agreements and all other rights and remedies (legal or equitable) of the Debtor and the Estate, for or on behalf of Creditors and/or the Debtor and/or the Estate, including but not limited to any and all claims and/or causes of action by the Estate and/or the Debtor against any and all Creditors or other Persons of every kind or nature, whether known or unknown, suspected or unsuspected, liquidated or unliquidated, matured or unmatured, whether arising before, on or after the Petition Date, in contract or in tort, at law or in equity, and whether or not brought as of the Effective Date, including but not limited to those for (i) damages, (ii) the recovery of monies, (iii) lien avoidance, subordination, surcharge, recharacterization, setoff, counterclaim, contribution or recoupment, (iv) tax refunds, (v) claims and defenses such as fraud, mistake, duress and usury, (vi) claims on contracts or for breaches of duties imposed by law, (vii) injunctive, equitable or other relief, (viii) claims and causes of action that may be asserted derivatively on behalf of the Debtor, the Estate or the Reorganized Debtor, (ix) claims and causes of action pursuant to section 362 of the Bankruptcy Code and (x) all Avoidance Actions.

36. **"Scheduled"** means set forth on the Schedules.

37. **"Schedules"** means the Schedules of Assets and Liabilities and List of Equity Security Holders Filed by the Debtor under the Bankruptcy Rules, as the same have been or may be amended from time to time before the Effective Date.

38. **"Secured Claim"** shall mean any Allowed Claim secured by a Lien on the Debtor's interest in any Assets as set forth in the Plan or as determined by the Bankruptcy Court pursuant to Section 506(a) of the Bankruptcy Code.

39. **"Secured Tax Claim"** shall mean any Claim in favor of a federal, state, parish, county, local, or special governmental taxing authority, whether or not entitled to priority

pursuant to Section 507(a)(8) of the Bankruptcy Code, that is secured by a Lien or other security interest on any Assets of the Debtor.

40. **"Unsecured Claim"** means any claim that is not an Allowed Administrative Claim, Priority Tax Claim, Priority Claim, Secured Tax Claim, or any Secured Claim.

II. PURPOSE AND SUMMARY OF THE PLAN

THE DESCRIPTION OF THE PLAN SET FORTH BELOW CONSTITUTES A SUMMARY ONLY. HOLDERS OF CLAIMS AND INTERESTS AND OTHER PARTIES IN INTEREST ARE URGED TO REVIEW AND ANALYZE THE PLAN IN ITS ENTIRETY.

The primary purposes of the Plan are to:

- Provide for continued operation and capital;
- Provide for the restructuring of the Debtor's capital structure; and
- Provide for payments to creditors in accordance with the terms of the Plan.

The Bankruptcy Court approved the *Motion to Appoint Judicial Mediator and For Authority to Participate in Mediation* (the "Mediation Order") [ECF Dkt. # 322] by order dated November 13, 2017 [ECF Dkt. # 337]. The order appointed Judge Robert Summerhays as the mediator for the participating parties which included the Debtor, the Committee, Home, Country Vision, and any other party who wanted to attend. The mediation took place on December 13, 2017 and this Plan was formulated pursuant to the terms and agreements reached at the mediation and as approved in the Rule 9019 Joint Motion to Approve Settlement

III. SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

A. TREATMENT OF CLAIMS AND INTERESTS

The Plan contemplates payment of all Allowed Claims against the Debtor utilizing the revenue from the ongoing operation of the Debtor's business to make the payments set forth therein. The holders of Interests in the Debtor will be affected pursuant to the Plan.

B. CLAIMS UNDER THE PLAN

The following is a summary of the classification and treatment of Claims under the Plan:

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| <p>Administrative Claims</p> <p>Estimate: Professional fees for Committee and Debtor counsel through March 31, 2018 based on pre-bills are \$340,000.00, the professionals anticipate additional fees and costs incurred through the Effective Date of \$20,000.00 to \$40,000.00.</p> <p>Cure payments: \$77,009.44 as of March 31, 2018.</p> | <p>Holders of Administrative Claims based on liabilities incurred in the ordinary course of business of the Debtor in Possession prior to the Effective Date (other than professionals or other entities requesting compensation or reimbursement of expenses under sections 327, 328, 330, 331, 503(b), 506 and 1103 of the Bankruptcy Code and governmental units that hold claims for taxes or claims and/or penalties related to such taxes) shall not be required to File any request for payment of such claims. Such Administrative Claims shall be assumed and paid by the Reorganized Debtor in the ordinary course of business under the terms and conditions of the particular transaction giving rise to such Administrative Claim, without any further action by the holders of such claims.</p> <p>All professionals or other entities requesting compensation or reimbursement of expenses under sections 327, 328, 330, 331, 503(b), 506 and 1103 of the Bankruptcy Code for services rendered before the Effective Date (including any compensation requested by any professional for any other entity for making a substantial contribution in the Bankruptcy Case) granted an Allowed Administrative Claim will be paid over two (2) years in equal monthly installments commencing thirty (30) days after an order approving the Administrative Claim becomes final.</p> <p>This estimate assumes that cure payments will be made in four (4) installments commencing April 10, 2018, except for Lakeside which will be paid in three (3) installments commencing April 10, 2018 with 4% interest on the un-paid balance accruing from November 2, 2017 until paid.</p> |
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| <p>Priority Tax Claims</p> <p>Estimate: \$495,500.00 based on filed proofs of claim and scheduled amounts, the Debtor anticipates reduction once returns are reconciled with estimates.</p> | <p>Each holder of an Allowed Priority Tax Claim that has not otherwise been satisfied during the Bankruptcy Case shall be paid the Allowed Amount of such Allowed Priority Tax Claim, at the option of the Reorganized Debtor: (i) in full, in Cash, by the Reorganized Debtor on the Effective Date; or (ii) in accordance with the terms of the underlying Allowed Priority Tax Claim; or (iii) in Cash payments commencing thirty (30) days after the Effective Date, in equal quarterly installments based upon a ten (10) year amortization with a balloon payment on the fifth anniversary of the Petition Date, and in an aggregate amount equal to such Allowed Priority Claim, with interest at such rate as required by Section 511 of the Bankruptcy Code or otherwise as required by Section 1129(a)(9)(C) or (D) of the Bankruptcy Code.</p> <p>Provided further, that any holder of an Allowed Priority Tax Claim, who has a Lien, mortgage or other encumbrance on the Debtor's Assets which secures its Claim, shall retain its security interest in such Assets until its Claim is either satisfied in full in accordance with the terms of this Plan or the Assets are sold, assigned or transferred by the Debtor and is no longer property of the Estate.</p> |
| <p>Priority Non-Tax Claims</p> | <p>Each holder of an Allowed Priority Non-Tax Claim that has not otherwise been satisfied during the Bankruptcy Case shall be paid the Allowed Amount of such Allowed Priority Claim, at the option of the Reorganized Debtor: (i) in full, in Cash, by the Reorganized Debtor on the Effective Date, or (ii) in accordance with the terms of the underlying Allowed Priority Non-Tax Claim; or (iii) upon such other terms as may be agreed upon by the holder of such Allowed Priority Non-Tax Claim and the Reorganized Debtor or otherwise established pursuant to a Final Order of the Bankruptcy Court.</p> |
| <p>Class 1 (Home Bank) Secured Claim</p> <p>\$1,000,000.00</p> | <p>Impaired. Entitled to vote.</p> <p>The Class 1 Secured Claim of Home shall be in an amount of \$1,000,000.00 (which the Debtor assumes to be the fair market value of the Home collateral) with the Debtor making equal monthly payments commencing thirty (30) days after the Effective Date, based on a ten (10) year amortization schedule with interest accruing at a rate of (a) six percent (6%) per annum, or (b) such rate, as determined by the Bankruptcy Court pursuant to 11 U.S.C. § 1129(b)(2)(A)(i)(II), that provides the holder of the Secured Claim of this Class with deferred cash payments having a present value, as of the Effective Date of the Plan, equal to the value of the Debtor's property that secures such Secured Claim, or (c) upon such other terms as may be mutually agreed upon between the holder of the Home Bank Secured Claim and the Reorganized Debtor. On the 5th anniversary of the Effective Date, the Debtor shall make a final payment of all unpaid principal and interest in full and final satisfaction of the Home Bank Secured Claim.</p> <p>The holder of the Class 1 Home Bank Secured Claim shall retain liens on and security interests in the Debtor's Assets granted to it pursuant to the applicable loan documents, with the same validity, priority and extent that existed on the Petition Date, to evidence and secure the timely payment of its Class 1 Claim. Section 552 of the Bankruptcy Code shall not apply to limit any of the liens and security interests of the holder of the Class 1 Claim.</p> <p>Class 1 is Impaired by the Plan. The holder of the Class 1 Secured Claim is entitled to vote to accept or reject the Plan. If Class 1 does not vote to accept the Plan, the Debtor shall request that the Plan be confirmed nonetheless pursuant to Section 1129(b) of the Bankruptcy Code. The difference between the Class 1 Claim of Home and the amount owed to it by the Debtor shall be treated as a Class 2 Claim.</p> <p>Estimated percentage recovery: 100% for its Class 1 Claim.</p> |
| <p>Class 2 (General Unsecured Claims)</p> | <p>Impaired. Entitled to vote.</p> <p>Class 2 consists of all Unsecured Claims including the deficiency claim owed to Home Bank by the Debtor. Excluded are the general unsecured claims asserted by</p> |

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| <p>It is anticipated Class 2 Claims will total \$5,900,000.00 based on proofs of claim filed, and includes asserted rejection damages claims and general unsecured claim of Home Bank.</p> | <p>Lancaster and Lancaster Construction, LLC. Each holder of an Allowed General Unsecured Claim shall be paid quarterly in Cash its pro-rata share of certain amounts pursuant to the following schedule over six (6) years: (a) year one is a distribution of \$25,000.00 per quarter; (b) year two is a distribution of \$31,250.00 per quarter; and (c) years three, four, five and six is a distribution of \$87,500 per quarter; for a total distribution over the six (6) years of \$1,625,000.00. The Debtor shall commence quarterly payments at the end of the first full quarter that is sixty (60) days after the Effective Date.</p> <p>Class 2 is Impaired by the Plan. The holders of Class 2 Claims are entitled to vote to accept or reject the Plan. If Class 2 does not vote to accept the Plan, the Debtor shall request that the Plan be confirmed nonetheless pursuant to Section 1129(b) of the Bankruptcy Code.</p> <p>Estimate percentage recovery: 28% - 30%</p> |
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The Claims and Claim amounts listed above are amounts estimated by the Debtor as of the filing of this Disclosure Statement and all such Claims are still being reviewed by the Debtor. A listing of Claims or any amounts with respect thereto above or elsewhere in this Disclosure Statement shall not constitute, or be deemed to constitute, allowance of such Claims and all such Claims and amounts are subject, and will remain subject, to challenge and objection by the Debtor and the Reorganized Debtor prior to voting on the Plan and at any time thereafter as provided in the Plan.

C. INTERESTS UNDER THE PLAN

The following is a summary of the classification and treatment of Interests under the Plan:

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| <p>Class 3 (Interests in the Debtor)</p> | <p>Interests in Class 3 shall be entitled to Vote.</p> <p>The Class 3 Interests shall be retained by the holders thereof in exchange for the DIP loan being converted into equity in the Debtor and shall automatically constitute Interests in Reorganized Debtor. In addition, each holder of an Interest or an affiliate of the holder of an Interest shall waive any distribution based on any scheduled or filed unsecured claim possessed by a holder of an Interest or an affiliate of the holder of an interest .</p> <p>Estimated percentage recovery: Equity remains as it presently exists.</p> |
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IV. GENERAL OVERVIEW AND BACKGROUND INFORMATION

A. History

The Debtor is an entity that owns and operates retail clothing stores that previously operated under the name Apricot Lane and now operates under the name Blu Spero. The Debtor is a Delaware corporation with its principal place of business in Baton Rouge, Louisiana. The debtor-in-possession representative is Arthur A. Lancaster, Jr. Mr. Lancaster has personally guaranteed the debts owed to Home as well, to a certain degree, the lease obligations assumed on the twelve (12) stores and perhaps some if not all the leases rejected early on in this Bankruptcy Case.

Prior to the bankruptcy filing, ten of the twelve stores still open today were operated under the name of Apricot Lane by Joli Grace, LLC ("Joli Grace"), for which Country Visions was the franchisor and Joli Grace was the named franchisee.

The bankruptcy filing was caused by the Debtor's aggressive expansion from eleven (11) to twenty-five (25) stores in less than two (2) years. Prior to the expansion, and when the Debtor operated eleven (11) stores, it generated an average profit of \$1,000,000.00 per year. Prior to the filing of the Chapter 11, the Debtor closed all store locations that were not profitable and after the filing of this case, rejected the leases incident to the closed locations. The Debtor currently operates twelve (12) stores. It is believed, with the Debtor retaining its profitable stores, it can generate in excess of \$750,000.00 per year in operating profit to pay creditors.

The Debtor's Chapter 11 was the result of an overaggressive expansion program and insufficient capital to fund the program. A new store reaches profitability over a two (2) year period. The Debtor did not have sufficient capital to carry the stores to a cash flow break-even point.

B. Information Regarding the Debtor's Property

The Debtor purchases inventory on a weekly basis, as opposed to buying in bulk for a season. It places an order of up to \$150,000.00 each week from sixty (60) vendors. The vendors only accept credit cards as a means of purchase. Padial uses his card to make the purchases and the balance is paid off prior to the next purchase. The Debtor's demographic target customer is a female between ages 18 and 35 who wants to buy a single item for the current weekend. Targeting this demographic requires that the Debtor maintain a fresh and new inventory.

Prior to the filing, the Debtor closed thirteen (13) stores and the inventory from the closed locations was moved to open stores. At the time of filing, the Debtor's inventory at cost amounted to \$400,000.00. The value of the Debtor's inventory at cost as of August 1, 2017 was \$530,000.00.

C. SIGNIFICANT POST-PETITION EVENTS

In the course of the Chapter 11, a number of events occurred. The Debtor believes the following are the significant Chapter 11 events:

1. Petition Date and Voluntary Petition.

1. On January 20, 2017, the Debtor commenced its case under the Bankruptcy Code in the United States Bankruptcy Court for the Middle District of Louisiana.

2. In order to enable the Debtor to minimize the adverse effects of the commencement of its chapter 11 case on its business, the Debtor requested various types of relief in first-day applications and motions (collectively, the "First Day Motions"). All of the First Day Motions were crucial to the Debtor's reorganization efforts.

2. Continuation of Business; Stay of Litigation.

Following the Petition Date, the Debtor has continued to operate as a debtor-in-possession with the protection of the Bankruptcy Court. The Bankruptcy Court has certain supervisory powers over the Debtor's operations during the pendency of the chapter 11 case, including the power to approve any transactions that are outside the ordinary course of the Debtor's business.

An immediate effect of the filing of a bankruptcy case is the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all litigation against the Debtor. This injunction will remain in effect until the Effective Date unless modified or lifted by order of the Bankruptcy Court.

3. Applications to Employ Bankruptcy Counsel.

On February 3, 2017, the firm of Heller, Draper, Patrick, Horn & Manthey, L.L.C.² filed an *Application by Debtor for Entry of an Order Authorizing the Employment and Retention of Douglas S. Draper and the Law Firm of Heller, Draper, Patrick, Horn & Dabney, L.L.C. as Counsel for the Debtor, Nunc Pro Tunc as of the Petition Date, Pursuant to Section 327(a) of the Bankruptcy Code* [ECF Dkt. # 41] as bankruptcy counsel for the Debtor. On May 24, 2017, the Bankruptcy Court granted the employment of Heller, Draper, Patrick, Horn & Dabney, L.L.C. [ECF Dkt. # 152].

4. Compliance with Bankruptcy Code, Bankruptcy Rules, Local Court Rules, and U.S. Trustee Guidelines for Region 5.

² As of December 12, 2017, the firm changed its name to Heller, Draper, Patrick, Horn & Manthey, LLC.

On March 3, 2017, the Debtor filed its Schedules and Statement of Financial Affairs [ECF Dkt. #s 91, 92, 93, 94 and 95]. On March 29, 2017, the Debtor filed amended Schedules and Statement of Financial Affairs [ECF Dkt. #s 117, 118 and 119].

Pursuant to section 341 of the Bankruptcy Code, a meeting of creditors for the Debtor was held on March 15, 2017.

5. Debtor in Possession Loan and Cash Collateral

The Debtor in the initial stage of the case filed Motions to obtain a post-petition loan and use cash collateral. The loan was in the amount of \$350,000.00 from Arthur A. Lancaster, Jr. secured by a first lien on the Debtor's inventory. The loan was needed for the Debtor to obtain additional inventory for its stores and obtain seasonal goods. This loan will be considered as part of Art Lancaster's equity in the Debtor and Reorganized Debtor. In addition, the Debtor sought the approval of the Court to use cash collateral. Pursuant to the orders entered by the Court, Home and Padial received adequate protection in the form of a requirement that the Debtor maintain inventory, cash and receivables in an amount equal to \$425,000.00 plus the amount of the funded DIP loan. No default has been called by Home.

6. Litigation

The Debtor is a party to a lawsuit with Country Visions in the United States District Court Middle District of Louisiana. The suit is based on a series of franchise agreements signed by Jolie Grace with Country Visions to operate stores as Apricot Lane. The Debtor asserted that the franchise agreements were not real franchises and experts have determined that the "franchise name" had no value in the marketplace whatsoever. Liability has been asserted against the Debtor by Country Visions under a few theories to make Love Grace liable for franchise agreements.

Country Visions and the Debtor reached a settlement agreement regarding the litigation that was filed in both Louisiana and California and the claim asserted by Country Visions in the Bankruptcy Case. By order dated November 13, 2017 [ECF Dkt. # 336], the Bankruptcy Court approved the Rule 9019 Joint Motion to Approve Settlement [ECF Dkt. # 312]. Pursuant to the agreed order, Country Vision amended its proof of claim to reflect the compromised amount of \$1,350,000 and such amended claim is deemed allowed as an unsecured claim. See amended proof of claim 55-2 filed on December 4, 2017. As part of the settlement agreement, Country Vision will credit dollar for dollar for any payments received on account of the settlement from any other source, such that Country Visions' aggregate recovery from all sources shall not exceed \$1,350,000.00, with Country Visions agreeing to amend its proof of claim annually starting on November 28, 2018, to reflect any recovery from other sources besides the Debtor and will immediately amend its proof of claim to reflect a zero balance upon such payment in full. Furthermore, the Lancasters, Lancaster Construction, LLC and Joli Grace, their successors or assigns, or any other third-party that may pay Country Vision on their behalf, waived any rights of subrogation. The Louisiana litigation has been dismissed. Furthermore, the California litigation has also been dismissed due to a compromise reached, and Mr. Lancaster has pledged his stock ownership in the Debtor to secure his personal obligations under the settlement in the California litigation. The stock is not property of the bankruptcy estate.

7. Assumption of Executory Contracts and Leases

The Debtor filed a Motion to Assume the Leases at its current operating locations and set cure amounts pursuant to 11 U.S.C. § 365. The Motion was granted by orders entered as docket numbers 272 and 330. The Debtor has made partial payments for the cure amounts. The Debtor will make the remaining cure payments to the counter parties to the assumed leases over a period

of four (4) months in equal installments beginning on April 10, 2018, except for the Metairie – Causeway LLC location, wherein the payments will be made in three (3) equal installments, which will each also include interest at the rate of 4% on the then-remaining unpaid balance, accruing from and after November 2, 2017 until paid and the remaining cure amount owed to GGP will be waived for the STL – Galleria location only as part of lease re-negotiation pursuant to the terms of this Plan. The following is the outstanding cure amounts owed as of March 31, 2018 [the April 10th payments were tendered]:

| Location | Total Cure Amount | Remaining Amount |
|------------------------------|-------------------|------------------|
| Cordova – Simon Property | \$20,085.18 | \$8,611.10 |
| Bluebonnet – GGP Limited | \$18,385.22 | \$8,164.42 |
| Mande-Premier Mandeville | \$14,988.84 | \$0.00 |
| Spanish Fort – Eastern Shore | \$13,533.40 | \$6,766.70 |
| Turtle Creek | \$8,229.28 | \$0.00 |
| LC-Prein Lake | \$7,211.41 | \$1,476.21 |
| Laf – Acadiana Mall | \$16,377.76 | \$7,641.18 |
| STL-Galleria | \$12,871.73 | waived |
| Jefferson – Latter & Blum | \$20,544.27 | \$7,759.85 |
| Met-Causeway LLC | \$28,767.36 | \$17,463.38 |
| Mobile-Legacy | \$13,996.77 | \$9,331.18 |
| Destin – Destin Commons | \$20,495.86 | \$16,268.94 |
| Total | \$196,072.89 | \$77,009.44 |

The confirmation order will serve to amend the orders docket numbers 272 and 330, including the right of GGP and the Debtor to modify the terms of the STL-Galleria lease to include monthly rental payments to be based upon sixteen percent (16%) of monthly sales for the 2019 calendar year for the STL-Galleria location and the right of the Debtor to enter into a modified lease for the STL-Galleria location.

8. Debtor’s Exclusivity Period to File a Plan of Reorganization.

Pursuant to section 1121(d)(1) of the Bankruptcy Code, the Debtor had until May 22, 2017, to file a plan of reorganization. On May 17, 2017, the Debtor filed a *Motion for an Order*

Extending the Time Periods Within Which the Debtor has the Exclusive Right to File a Plan of Reorganization and to Obtain Acceptances of a Plan of Reorganization [ECF Dkt. # 144]. On June 29, 2017, the Bankruptcy Court granted the extension and the Debtor's exclusivity period was extended until August 18, 2017 [ECF Dkt. # 169].

The Court has terminated the Debtor's exclusivity and the Committee with Country Visions has filed a Plan of Reorganization.

9. Debtor's Post-Petition Operations

Attached as **Exhibit D-2** is the Debtor's Financial Projections. The Debtor has also attached a Balance Sheet as **Exhibit D-4** and Profit and Loss Statement as **Exhibit D-5** for the post-petition period.

10. Order Fixing the Bar Date

The Bankruptcy Court entered an Order fixing the bar date for filing both non-government pre-petition claims and governmental claims by no later than September 15, 2017.

11. GGP Limited Partnership Administrative Claim

GGP Limited Partnership ("GGP") sought an administrative expense claim associated with the rejection of six store leases. By settlement approved by the Bankruptcy Court, GGP is entitled to an administrative priority claim in the approximate amount of \$60,652.14 [Dkt. # 244]. The Debtor will satisfy the administrative priority claim with six (6) monthly installment payments commencing April 10, 2018, subject to the terms of this Plan and agreement reached with the Debtor.

12. Mediation

Pursuant to the Mediation Order, in a mediation was conducted to resolve disputes and reach a consensual plan and was attended by the Debtor, the Committee, and Country Visions. This Plan is a result of the successful mediation.

V. THE PLAN

The Debtor has proposed the Plan and believes that the classification and treatment of Claims and Interests provided for in the Plan are consistent with the requirements of the Bankruptcy Code. Under the Bankruptcy Code, holders of Allowed Claims against and Interests in the Debtor that are Impaired and that receive distributions under the Plan are entitled to vote on the Plan. A summary of the classification and treatment of Claims and Interests under the Plan is set forth above in this Disclosure Statement.

A. TREATMENT OF UNCLASSIFIED CLAIMS UNDER THE PLAN

1. Administrative Claims.

a. Generally.

Subject to the bar date provisions herein, the Disbursing Agent shall pay each holder of an Allowed Administrative Claim against the Debtor on account of and in full satisfaction of such Allowed Administrative Claim, Cash equal to the amount of the Allowed Administrative Claim, on the date such Administrative Claim becomes an Allowed Administrative Claim, or, as soon thereafter as is practicable, except to the extent that the holder of an Allowed Administrative Claim agrees to a different treatment.

b. Payment of Statutory Fees.

All fees payable pursuant to Section 1930 of title 28 of the United States Code shall be paid after the Effective Date by the Reorganized Debtor, as, when and in the amount as required by applicable law.

c. Bar Date For Administrative Claims.

i. General Provisions.

Except as provided below for professionals and non-tax liabilities incurred in the ordinary course of business by the Debtor in Possession, requests for payment of Administrative Claims must be Filed no later than thirty (30) days after the Effective Date. Holders of Administrative Claims (including, without limitation, any governmental units asserting claims for federal, state, or local taxes) that are required to File a request for payment of such claims and that do not File such requests by such bar date shall be forever barred from asserting such claims against the Debtor, Reorganized Debtor, any other Person, or any of their respective property.

ii. Professionals.

All professionals or other entities requesting compensation or reimbursement of expenses under sections 327, 328, 330, 331, 503(b), 506 and 1103 of the Bankruptcy Code for services rendered before the Effective Date (including any compensation requested by any professional for any other entity for making a substantial contribution in the Bankruptcy Case) shall File and serve on the Reorganized Debtor an application for final allowance of compensation and reimbursement of expenses no later than sixty (60) days after the Effective Date. All professionals or other entities requesting compensation or reimbursement of expenses under sections 327, 328, 330, 331, 503(b), 506 and 1103 of the Bankruptcy Code for services rendered before the Effective Date (including any compensation requested by any professional for any other entity for making a substantial contribution in the Bankruptcy Case) granted an Allowed Administrative Claim will be paid over two (2) years in equal monthly installments commencing thirty (30) days after an order approving the Administrative Claim becomes final.

iii. Ordinary Course Liabilities.

Holders of Administrative Claims based on liabilities incurred in the ordinary course of business of the Debtor in Possession prior to the Effective Date (other than professionals or other entities described in subparagraph (ii) above, and governmental units that hold claims for taxes or claims and/or penalties related to such taxes) shall not be required to File any request for payment of such claims. Such Administrative Claims shall be assumed and paid by the Reorganized Debtor in the ordinary course of business under the terms and conditions of the particular transaction giving rise to such Administrative Claim, without any further action by the holders of such claims.

2. Priority Tax Claims.

Each holder of an Allowed Priority Tax Claim that has not otherwise been satisfied during the Bankruptcy Case shall be paid the Allowed Amount of such Allowed Priority Tax Claim, at the option of the Reorganized Debtor: (i) in full, in Cash, by the Reorganized Debtor on the Effective Date; or (ii) in accordance with the terms of the underlying Allowed Priority Tax Claim; or (iii) in Cash payments commencing thirty (30) days after the Effective Date, in equal quarterly installments based upon a ten (10) year amortization with a balloon payment on the fifth anniversary of the Petition Date, and in an aggregate amount equal to such Allowed Priority Claim, with interest at such rate as required by Section 511 of the Bankruptcy Code or otherwise as required by Section 1129(a)(9)(C) or (D) of the Bankruptcy Code.

Provided further, that any holder of an Allowed Priority Tax Claim, who has a Lien, mortgage or other encumbrance on the Debtor's Assets which secures its Claim, shall retain its security interest in such Assets until its Claim is either satisfied in full in accordance with the

terms of this Plan or the Assets are sold, assigned or transferred by the Debtor and is no longer property of the Estate.

3. Priority Non-Tax Claims

Each holder of an Allowed Priority Non-Tax Claim that has not otherwise been satisfied during the Bankruptcy Case shall be paid the Allowed Amount of such Allowed Priority Claim, at the option of the Reorganized Debtor: (i) in full, in Cash, by the Reorganized Debtor on the Effective Date, or (ii) in accordance with the terms of the underlying Allowed Priority Non-Tax Claim; or (iii) upon such other terms as may be agreed upon by the holder of such Allowed Priority Non-Tax Claim and the Reorganized Debtor or otherwise established pursuant to a Final Order of the Bankruptcy Court.

B. TREATMENT OF CLASSIFIED CLAIMS UNDER THE PLAN

1. Class 1 Home Bank

The Class 1 Secured Claim of Home shall be in an amount of \$1,000,000.00 (which the Debtor assumes to be the fair market value of the Home collateral) with the Debtor making equal monthly payments commencing thirty (30) days after the Effective Date, based on a ten (10) year amortization schedule with interest accruing at a rate of (a) six percent (6%) per annum, or (b) such rate, as determined by the Bankruptcy Court pursuant to 11 U.S.C. § 1129(b)(2)(A)(i)(II), that provides the holder of the Secured Claim of this Class with deferred cash payments having a present value, as of the Effective Date of the Plan, equal to the value of the Debtor's property that secures such Secured Claim, or (c) upon such other terms as may be

mutually agreed upon between the holder of the Home Bank Secured Claim and the Reorganized Debtor. On the 5th anniversary of the Effective Date, the Debtor shall make a final payment of all unpaid principal and interest in full and final satisfaction of the Home Bank Secured Claim.

The holder of the Class 1 Home Bank Secured Claim shall retain liens on and security interests in the Debtor's Assets granted to it pursuant to the applicable loan documents, with the same validity, priority and extent that existed on the Petition Date, to evidence and secure the timely payment of its Class 1 Claim. Section 552 of the Bankruptcy Code shall not apply to limit any of the liens and security interests of the holder of the Class 1 Claim.

Class 1 is Impaired by the Plan. The holder of the Class 1 Secured Claim is entitled to vote to accept or reject the Plan. If Class 1 does not vote to accept the Plan, the Debtor shall request that the Plan be confirmed nonetheless pursuant to Section 1129(b) of the Bankruptcy Code. The difference between the Class 1 Claim of Home and the amount owed to it by the Debtor shall be treated as a Class 2 Claim.

2. Class 2 General Unsecured Claims

Class 2 consists of all Unsecured Claims including the deficiency claim owed to Home Bank by the Debtor. Excluded are the general unsecured claims asserted by Lancaster and Lancaster Construction, LLC. Each holder of an Allowed General Unsecured Claim shall be paid quarterly in Cash its pro-rata share of certain amounts pursuant to the following schedule

over six (6) years:(a) year one is a distribution of \$25,000.00 per quarter; (b) year two is a distribution of \$31,250.00 per quarter; and (c) years three, four, five and six is a distribution of \$87,500 per quarter; for a total distribution over the six (6) years of \$1,625,000.00. The Debtor shall commence quarterly payments at the end of the first full quarter that is sixty (60) days after the Effective Date.

Class 2 is Impaired by the Plan. The holders of Class 2 Claims are entitled to vote to accept or reject the Plan. If Class 2 does not vote to accept the Plan, the Debtor shall request that the Plan be confirmed nonetheless pursuant to Section 1129(b) of the Bankruptcy Code.

3. Class 3 Interests

Class 3 consists of the holders of Interests in the Debtor.

The Class 3 Interests shall be retained by the holders thereof in exchange for the DIP loan being converted into equity in the Debtor and shall automatically constitute Interests in Reorganized Debtor. In addition, each holder of an Interest or an affiliate of the holder of an Interest shall waive any distribution based on any scheduled or filed unsecured claim possessed by a holder of an Interest or an affiliate of the holder of an interest.

C. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

1. Assumption. Each executory contract or unexpired lease of the Debtor that has not expired by its own terms before the Effective Date or previously been rejected by the Debtor in Possession pursuant to an order of the Bankruptcy Court, shall be assumed by the Debtor as of

the Effective Date pursuant to Sections 365 and 1123 of the Bankruptcy Code, except for any executory contract or unexpired lease (i) that is listed on a "Schedule of Executory Contracts and Unexpired Leases to be Rejected" (to be Filed on or before the day that is three (3) days prior to the Confirmation Hearing or (ii) added to the "Schedule of Executory Contracts and Unexpired Leases to be Rejected" prior to the Effective Date. Nothing in the Plan, any exhibit to the Plan, or any document executed or delivered in connection with the Plan or any such exhibit creates any obligation or liability on the part of the Debtor, the Reorganized Debtor, or any other person or entity that is not currently liable for such obligation, with respect to any executory contract or unexpired lease except as may otherwise be provided in the Plan.

Any executory contract or unexpired lease assumed pursuant to the Plan shall be and hereby is assumed by the Debtor as of the Effective Date and shall be fully enforceable by the Debtor in accordance with its terms thereof, and shall include all written modifications, amendments, supplements of said executory contract or unexpired lease and, as with respect to executory contracts or unexpired leases that relate to real property, shall include all written agreements and leases appurtenant to the premises, including easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easements, and any other interests in real property or rights *in rem* related to such premises. Listing a contract or lease on the "Schedule of Executory Contracts and Unexpired Leases to be Rejected" is not deemed an admission by the Debtor or Reorganized Debtor that such contract is an executory contract or unexpired lease or that the Debtor or Reorganized Debtor has any liability there under.

The Debtor reserves the right at any time before the Effective Date to amend the "Schedule of Executory Contracts and Unexpired Leases to be Rejected" to: (a) delete any

executory contract or unexpired lease listed on the “Schedule of Executory Contracts and Unexpired Leases to be Rejected” thus, providing for its assumption under the Plan, or (b) add any executory contract or unexpired lease to the “Schedule of Executory Contracts and Unexpired Leases to be Rejected” thus, providing for its rejection under the Plan. The Debtor shall provide notice of any such amendment of the “Schedule of Executory Contracts and Unexpired Leases to be Rejected” to the party to the affected executory contract and unexpired lease and to the Office of the U.S. Trustee.

2. Cure Payments, Compensation for Pecuniary Loss, and Adequate Assurance.

All payments, including any and all cure payments, adequate assurance or compensation for actual pecuniary loss, that are required to be paid or provided by Section 365(b)(1)(A)-(C) of the Bankruptcy Code (collectively, all cure payments, and any and all provisions for adequate assurance and/or compensation for actual pecuniary loss due or required to be paid under Section 365(b)(1)(A)-(C) of the Bankruptcy Code, the “Cure Payments”) for any executory contract or unexpired lease that has not been assumed by a motion or a pending motion and is being assumed under the Plan, unless disputed by the Debtor, shall be made by the Reorganized Debtor in three (3) equal monthly payments commencing thirty (30) days after the Effective Date. Unless the non-debtor party to any executory contract or unexpired lease to be assumed files and serves on the Debtor and its counsel an objection to assumption of such executory contract or unexpired lease for any reason, or asserting that an additional Cure Payment is required or owed in connection with such assumption, by the deadline established by the Bankruptcy Court for filing objections to confirmation of the Plan, then the executory contracts and unexpired leases shall be assumed, and any default then existing in the executory contract and/or unexpired lease shall be deemed cured as of the Effective Date, and there shall be no other cure obligation or

Cure Payment due or owed by anyone, including the Debtor and the Reorganized Debtor, in connection with such assumption of the executory contract or unexpired lease. Any Claims for Cure Payments not filed as part of a written objection to the proposed assumption within such time period will be forever barred from assertion against the Debtor, its Estate, the Reorganized Debtor, and its Assets, and the holders of any such Claims are barred from recovering any distributions under the Plan on account thereof. In the event of an objection to the assumption of executory contracts or unexpired leases regarding the amount of any Cure Payment, or the ability of the Reorganized Debtor to provide adequate assurance of future performance or any other matter pertaining to assumption, (a) the Bankruptcy Court will hear and determine such dispute at the Confirmation Hearing, and, (b) in the discretion of the Debtor, the Debtor (i) may assume such disputed executory contract or unexpired lease by curing any default or providing adequate assurance in the manner determined by the Bankruptcy Court, or (ii) the Debtor may reject such executory contract or unexpired lease as of the Effective Date. The Reorganized Debtor shall make any Cure Payment as per Court Order provided however that the Reorganized Debtor shall have five (5) Business Days after any order determining the amount of a disputed Cure Payment becomes a Final Order in which to determine whether or not it elects to assume or reject such executory contract.

3. Effect of Confirmation Order on Executory Contracts and Unexpired Leases.

Subject to the occurrence of the Effective Date, entry of the Confirmation Order shall constitute approval of such assumptions pursuant to Section 365(a) and 1123(b)(2) of the Bankruptcy Code and a finding by the Bankruptcy Court that each such assumption is in the best interest of the Debtor, its Estate, and all parties in interest. In addition, the Confirmation Order shall constitute a finding of fact and conclusion of law that (i) there are no defaults of the Debtor,

no Cure Payments owing (including that there is no compensation due for any actual pecuniary loss), (ii) there is adequate assurance of future performance with respect to each such assumed executory contract or unexpired lease, (iii) such assumption is in the best interest of the Debtor and its Estate, (iv) upon the Effective Date, the assumed executory contracts or unexpired leases constitute legal, valid, binding and enforceable contracts in accordance with the terms thereof, and (v) the counter party to each assumed executory contract or unexpired lease is required to and ordered to perform under and honor the terms of the assumed executory contract or unexpired lease. All executory contracts and unexpired leases assumed under the Plan or during the Chapter 11 Case constitute valid contracts and leases, as applicable, enforceable by the Debtor against the non-Debtor counterparties regardless of any cross-default or change of control provisions in any contracts or leases assumed or rejected under the Plan or during the Bankruptcy Case.

Subject to the occurrence of the Effective Date, the Confirmation Order shall constitute an order of the Bankruptcy Court approving the rejection as of the Effective Date of all executory contracts and unexpired leases which are not assumed under this Plan, with the rejection effective as of the day before the Petition Date, as being burdensome and not in the best interest of the Estate.

4. Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan.

Any Claims for damages arising from the rejection of an executory contract or unexpired lease under this Plan must be Filed within thirty (30) days after the Effective Date or, such Claims will be forever barred and unenforceable against the Debtor, Reorganized Debtor, and its Assets and the holders of any such Claims are barred from receiving any distributions under the Plan.

D. MEANS FOR EXECUTION AND IMPLEMENTATION OF THE PLAN

1. Effective Date.

The "Effective Date" of the Plan shall be thirty (30) days after the order confirming the Plan becomes a final order.

2. Effective Date Conditions.

The Effective Date of the Plan shall occur automatically upon the filing by the Debtor of a Notice of Occurrence of Effective Date stating that the Confirmation Order is a Final Order.

3. Revesting of Assets and Operations of Property and Retained Claims and Causes of Action.

Except as otherwise set forth herein or in the Confirmation Order, as of the Effective Date, all property of the Estate shall revest in the Reorganized Debtor free and clear of all claims, liens, encumbrances and other interests of creditors and holders of interests accept as set forth herein. From and after the Effective Date, the Reorganized Debtor may operate its business and use, acquire, and dispose of property and settle and compromise claims or interests without supervision by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order or by order of the Court.

Except as otherwise specifically provided in this Plan, the Reorganized Debtor shall retain all rights and is authorized to commence and pursue, as the Reorganized Debtor deems appropriate, any and all claims and Causes of Action, whether arising before or after the Petition Date, in any court or other tribunal including, without limitation, in any legal proceeding pending prior to the Petition Date. The Plan represents a settlement with Arthur Lancaster, Carlos Padiar, their affiliates and Country Vision and the Debtor does not intend on pursuing preference or fraudulent conveyance claims, or any other disgorgement or revocation claims against Arthur Lancaster, Carlos Padiar, their affiliates and Country Vision. The Debtor does reserve the right

to object to as provided in the Plan and right to pursue causes of actions against other creditors, transfers that are voidable under applicable State and Federal law specifically creditors receiving payments within 90 days of the Petition Date as identified in the Statement of Financial Affairs [Dkt. # 97, part 2, question #3].

4. Funding of the Plan.

The Cash required to be distributed under the Plan to the holders of Allowed Administrative Claims and Allowed Claims on the Effective Date (or on such later date when such Claims become Allowed Claims) shall be provided by the Cash held by the Debtor on the Effective Date, and funds generated from the operations of the Debtor.

5. Disbursing Agent.

Subject to the approval of the Bankruptcy Court, the Reorganized Debtor, or such other entity as the Reorganized Debtor may employ, shall act as Disbursing Agent under the Plan and make all distributions required under the Plan. Unless otherwise required, the Disbursing Agent shall serve without bond. The Disbursing Agent shall not receive any fees for performing such services.

6. Objections to Claims/Interests.

Only the Debtor or the Reorganized Debtor shall be entitled to object to Claims and Interests. Any objections to Claims and Interests shall be served and filed on or before the later of: (i) sixty (60) days after the Effective Date, or (ii) such other date as may be fixed by the Bankruptcy Court, whether before or after the dates specified in subsections (i) and (ii) herein, upon motion of the Reorganized Debtor on an ex parte basis without notice to creditors or otherwise. Notwithstanding any authority to the contrary, an objection to a Claim or Interest shall be deemed properly served on the Creditor if service is effected in any one of the following

manners: (a) in accordance with Federal Rule of Civil Procedure 4, as modified and made applicable by Bankruptcy Rule 7004; (b) by first class mail, postage prepaid, on any counsel that has appeared on the Creditor's behalf in the Bankruptcy Case; or (c) by first class mail, postage prepaid, on the signatory on the proof of Claim or Interest or other representative identified in the proof of Claim or Interest or any attachment thereto.

7. Disputed Claims.

Distribution shall be made on Disputed Claims only at such time as a particular Claim is determined to be an Allowed Claim. The holder of a Disputed Claim that is ultimately allowed shall be paid only out of distributions made after such Claim is Allowed and shall have no recourse against the Reorganized Debtor or its property for any distributions made prior to the allowance of the Claim. No interest shall accrue or will be paid with respect to any Disputed Claim for the period from the Effective Date to the date a distribution, if any, is made with respect to said Disputed Claim upon becoming an Allowed Claim.

8. Discharge of Debtor and Injunction.

Unless otherwise provided, all injunctions or stays arising before the Confirmation Date in accordance with sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date, or such later date as provided under applicable law.

9. Post-Effective Date Management of the Reorganized Debtor.

Art and Stacy Lancaster will comprise the Board and the post-Effective Date officers of the Debtor. They will be paid a total of \$150,000.00 annually, which is a payment of \$75,000.00

each annually. The managing members of the Debtor shall be Arthur A. Lancaster, Jr. and Stacie Lancaster.

10. Claims Against Others.

The Debtor may pursue post Effective Date causes of action arising out of payments made to creditors, except for Padiar, the Lancasters and affiliates of the Lancasters within ninety (90) days of the filing of the Chapter 11 and transfers that are voidable under applicable State and Federal law specifically creditors receiving payments within 90 days of the Petition Date as identified in the Statement of Financial Affairs [Dkt. # 97, part 2, question #3].

The Committee has asserted claims against Padiar, the Lancasters and affiliates of the Lancasters under sections 544, 547, and 548 of the Bankruptcy Code, claims for disgorgement and revocation. The claims were based upon the following as asserted by the Committee and its counsel: (a) Padiar received a payment of \$290,000.00 approximately one month before filing the Bankruptcy Case; and (b) payments to the Lancasters and affiliates as insiders during the three years preceding the filing of the Bankruptcy Case.

Based upon Padiar waiving his claim and any general unsecured claims possessed by Arthur A. Lancaster, Jr. and Lancaster Construction, LLLC being waived and the post-petition loan amount of \$350,000.00 as approved by the Bankruptcy Court is to be characterized as equity, as opposed to debt, the Debtor will not pursue any claims against Padiar, the Lancasters or affiliates of the Lancasters.

VI. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtor and certain U.S. holders of Claims and Interests.

The following summary is based on the Internal Revenue Code of 1986, as amended (the “Tax Code”), Treasury Regulations promulgated thereunder, judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the “IRS”), all as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the tax consequences described below.

The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties. No assurance can be given that legislative or administrative changes or court decisions may not be forthcoming which would require significant modification of the statements expressed in this section. Certain tax aspects of the Plan are uncertain due to the lack of applicable regulations and other tax precedent. The Debtor has not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND ANY INTERESTS ARE HEREBY NOTIFIED THAT (a) ANY DISCUSSION OF TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE TAX CODE, AND (b) THIS DISCUSSION WAS WRITTEN IN CONNECTION WITH THE PROMOTION OF THE PLAN.

HOLDERS OF CLAIMS AND INTERESTS SHOULD CONSULT THEIR TAX ADVISOR TO DETERMINE THE AMOUNT AND TIMING OF ANY INCOME OR LOSS SUFFERED AS A RESULT OF THE CANCELLATION OF THE CLAIMS OR STOCK OPTIONS HELD BY SUCH PERSON, WHETHER SUCH INCOME OR LOSS IS

ORDINARY OR CAPITAL AND THE TAX EFFECT OF ANY RIGHT TO, AND RECEIPT OF DEFERRED PAYMENT.

THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, ALL HOLDERS SHOULD CONSULT THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

The Debtor is a conduit entity and, as such, pays no taxes. The plan treatment of the Debtor's assets generates a potential tax event for the equity holders of the Debtor. The tax event can be a gain or loss depending on the equity owner's basis in the Interest in the Debtor and the gain or loss can either be a capital gain or ordinary income depending on the individual's treatment of the investment in the Debtor.

VII. LIQUIDATION ANALYSES UNDER CHAPTER 7

Under the Bankruptcy Code, in order for a plan to be confirmed, each creditor must receive or retain under the Plan a recovery that has a value at least equal to the value of the distribution that such creditor would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

Exhibit D-3 reflects a liquidation analysis scenario would be significantly lower than that proposed by the Plan for a variety of reasons. This statement is based upon the following:

- a) The Debtor's assets are comprised of tenant improvements, leases, furniture, fixtures and equipment contained in the operating stores, and women's clothing.
- b) The women's clothing is seasonal in nature and loses value if on the shelf for a period of more than six (6) weeks. The liquidation value of the women's clothing

equates to roughly 30% of its cost. The clothing serves as security for Home, Padial and the DIP Loan and in a forced sale or going out of business sale would not realize an amount to pay off Home, Padial and the DIP loan.

- c) The leases are of no real value inasmuch as space is available for lease in and around the location of the Debtor's operating stores.
- d) The furniture, fixtures and equipment specific to the Debtor would bring less than ten percent (10%) of their cost. The furniture, fixtures and equipment are subject to a lien in favor of Home.

Accordingly, each holder of a Claim will receive or retain under the Plan a recovery that has a value at least equal to the value of the distribution that such creditor would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. In fact, in a Chapter 7, a forced sale of the assets of the Debtor would not be sufficient to pay in full even the DIP Loan.

VIII. CONFIRMATION PROCEDURE

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

A. VOTING AND OTHER PROCEDURES

A Ballot for the acceptance or rejection of the Plan is enclosed with the Disclosure Statement submitted to the holders of Claims that are entitled to vote to accept or reject the Plan and each holder of an Interest in the Debtor in Class 3 shall be entitled to vote to accept or reject the Plan.

Pursuant to the provisions of the Bankruptcy Code, only holders of claims in classes of claims that are impaired under the terms and provisions of a chapter 11 plan and are to receive distributions thereunder are entitled to vote to accept or reject the plan. Classes of claims in which the holders of claims and interests will not receive or retain any property under a chapter 11 plan are deemed to have rejected the plan and are not entitled to vote to accept or reject the

plan. Classes of claims in which the holders of claims or interests are unimpaired under a Chapter 11 plan are deemed to have accepted the plan and also are not entitled to vote to accept or reject the plan.

The Bankruptcy Code defines “acceptance” of a plan by a class of: (i) Claims, as acceptance by creditors actually voting in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims; and (ii) Interests, as acceptance by interest holders in that class actually voting that hold at least two-thirds in amount of the Interests in a debtor.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such acceptance or rejection was not solicited or procured in good faith or otherwise in accordance with the provisions of the Bankruptcy Code.

With respect to the Plan, any holder of a Claim in an Impaired Class (i) whose Claim has been listed by the Debtor in the Schedules filed with the Bankruptcy Court (provided that such Claim has not been scheduled as disputed, contingent or unliquidated), or (ii) who filed a proof of claim on or before the applicable bar date (or, if not filed by such date, any proof of claim filed within any other applicable period of limitations or with leave of the Bankruptcy Court), which Claim has not been disallowed and is not the subject of an objection, is entitled to vote. Holders of Claims that are disputed, contingent and/or unliquidated are entitled to vote their Claims only to the extent that such Claims are Allowed for the purpose of voting pursuant to an order of the Bankruptcy Court. The Debtor may seek a determination that any Class of Claims that is entitled to vote to accept or reject the Debtor’s Plan that does not vote to accept or reject the Debtor’s Plan be deemed to accept the Plan, as applicable.

After carefully reviewing this Disclosure Statement, including any exhibits, each holder of an Allowed Claim or Interest in the Debtor entitled to vote may vote whether to accept or reject the Debtor's Plan. A Ballot for voting on the Plan accompanies this Disclosure Statement. If you hold a Claim or Interest in the Debtor in more than one Class and you are entitled to vote Claims or Interests in the Debtor in more than one Class, you may receive a Ballot or Ballots, which will permit you to vote in all appropriate Classes of Claims. Please vote and return your Ballot to Heller, Draper, Patrick, Horn & Manthey, L.L.C. as follows, whether by U.S. mail, or by hand delivery or courier service:

**Heller, Draper, Patrick, Horn & Manthey,
L.L.C.
Attention: Douglas S. Draper
650 Poydras Street, Suite 2500
New Orleans, LA 70130**

ANY EXECUTED BALLOT THAT FAILS TO INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL NOT BE COUNTED. BALLOTS RETURNED TO THE HELLER, DRAPER, PATRICK, HORN & MANTHEY, L.L.C. BY FACSIMILE TRANSMISSION OR ANY OTHER ELECTRONIC MEANS WILL NOT BE COUNTED.

**THE VOTING DEADLINE IS
5:00 P.M., CENTRAL
TIME ZONE, ON**

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN. ALL CREDITORS THAT ARE ENTITLED TO VOTE TO ACCEPT OR

REJECT THE PLAN SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

Ballots must be received by Heller, Draper, Patrick, Horn & Manthey, L.L.C. by the Voting Deadline. If a Ballot is received after the Voting Deadline, it will not be counted. Complete the Ballot by providing all the information requested, and sign, date and return the Ballot by mail, overnight courier or personal delivery to Heller, Draper, Patrick, Horn & Manthey, L.L.C. at the address set forth above.

TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED NO LATER THAN THE TIME AND DATE SET FORTH IN THE ACCOMPANYING NOTICE.

ANY OBJECTIONS TO THE CONFIRMATION OF THE PLAN MUST BE FILED IN ACCORDANCE WITH AND NO LATER THAN THE TIME AND DATE SET FORTH IN THE ACCOMPANYING NOTICE.

If you are entitled to vote on the Plan and you did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning the procedures for voting on the Plan, please telephone the Voting Agent at the following telephone number: **1-504-299-3351**.

B. DISCLAIMERS AND ENDORSEMENTS

This Disclosure Statement contains information about the Debtor's Plan. Holders of Claims and Interests in the Debtor are urged to study the text of the Plan carefully to determine the impact of the Plan on their Claims or Interests in the Debtor and to consult with their financial, tax and legal advisors.

Nothing contained in this Disclosure Statement or the Plan will be deemed an admission or statement against interest that can be used against the Debtor in any pending or future

litigation. Any reference to creditors or Claims or Interests in the Debtor in this Disclosure Statement is not an admission with respect to the existence, ownership, validity, priority, or extent of any alleged Lien, Claim, or Interest in the Debtor or encumbrance.

Certain statements and assertions in this Disclosure Statement may be subject to dispute by parties in interest.

C. THE CONFIRMATION HEARING

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a Confirmation Hearing with respect to the Plan. The Confirmation Hearing in respect of the Plan has been scheduled for the date and time set forth in the accompanying notice before the United States Bankruptcy Judge, at the United States Bankruptcy Court for the Middle District of Louisiana, 707 Florida Street, Room 222, Baton Rouge, Louisiana 70801. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice other than an announcement of the adjourned date made at the Confirmation Hearing or posted at the courthouse at the Confirmation Hearing or at an adjournment thereof. Any objection to confirmation (i) must be made in writing, (ii) must specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or a description of the interest in the Debtor held by the objector, and (iii) must be timely made. Any such objections must be filed with the Bankruptcy Court and served so that they are received by the Bankruptcy Court, and the following counsel, on or before the date and time set forth in the accompanying notice:

Counsel for Debtor:

Heller, Draper, Patrick, Horn & Manthey, LLC
Douglas S. Draper, La. Bar Roll No 5073
Leslie A. Collins, La. Bar Roll No. 14891
Greta M. Brouphy, La Bar Roll No. 26216
650 Poydras Street, Suite 2500

New Orleans, LA 70130-6103
Telephone: (504) 299-3300
Fax: (504) 299-3399

D. CONFIRMATION

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan if the requirements of Section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (i) accepted by all Impaired Classes of Claims or, if rejected by an Impaired Class, that the plan "does not discriminate unfairly" and is "fair and equitable" as to such Class, (ii) feasible, and (iii) in the "best interests" of creditors that are Impaired under the Plan.

E. UNFAIR DISCRIMINATION AND FAIR AND EQUITABLE TESTS

Under the Bankruptcy Code, a plan does not have to be accepted by every class of creditors or interest holders to be confirmed. If a class of claims rejects a plan or is deemed to reject a plan, the plan proponent has the right to request confirmation of the plan pursuant to Section 1129(b) of the Bankruptcy Code the so-called "cramdown" provision of the Bankruptcy Code. Section 1129(b) permits the confirmation of a plan notwithstanding the non-acceptance of such plan by one or more impaired classes of claims and interests. Under that section, a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class, and meets the other legal criteria for confirmation.

In the event that any Class of Claims or Interests fails to accept the Plan in accordance with section 1129(a)(8) of the Bankruptcy Code, Debtor reserves the right to (a) request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code, and/or (b) modify the Plan in accordance with section 1127(a) of the Bankruptcy Code.

Secured Creditor

The Secured Creditor is being paid an amount equal to the value of the collateral that secures the Claim.

Unsecured Creditors

The Unsecured Creditors are being paid more than they would receive in liquidation.

Holders of Interests in the Debtor

The holders of Interests in the Debtor are retaining their Interests.

No Unfair Discrimination

In addition, the “cram down” standards of the Bankruptcy Code prohibit “unfair discrimination” with respect to the claims of any impaired, non-accepting class. While the “unfair discrimination” determination depends upon the particular facts of a case and the nature of the claims at issue, in general, courts have interpreted the standard to mean that the impaired, non-accepting class must receive treatment under a plan of reorganization which allocates value to such class in a manner that is consistent with the treatment given to other classes with claims against the debtor of equal or junior status.

All Classes will receive distributions under the Plan; thus, no Classes are conclusively presumed to have rejected the Plan. Debtor believes that the treatment of all Classes of Claims and Interests in the Debtor under the Plan satisfies the “no unfair discrimination” requirement for nonconsensual confirmation of the Plan under section 1129(b) of the Bankruptcy Code. With respect to each such Impaired, non-accepting Class, there is no Class of equal priority receiving more favorable treatment under the Plan, and no Class that is junior to such Impaired, non-accepting Class will receive or retain any property under the Plan on account of the Claims or Interests in such Class.

F. FEASIBILITY

The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization unless the liquidation of the debtor is provided for in the plan. It is not likely that the confirmation will be followed by liquidation or the need for further financial reorganization of the Debtor. Financial projections demonstrating the pro forma financial results of the Reorganized Debtor are attached as **Exhibit D-2**. The Pro Forma was prepared by the Debtor.

G. BEST INTEREST TEST

In order to confirm a plan of reorganization, the Bankruptcy Court must determine that the plan is in the best interests of all classes of creditors and equity security holders impaired under that plan. The "best interest" test requires that the Bankruptcy Court find that the plan provides to each member of each impaired class of claims and interests (unless each such member has accepted the plan) a recovery which has a value at least equal to the value of the distribution that each creditor or interest holder would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code.

All Classes will receive distributions under the Plan; thus, no Classes are conclusively presumed to have rejected the Plan. The Debtor requests confirmation of the Plan over the rejection of any Classes. In so doing, the Debtor seeks to establish that the Plan complies with the best interest of creditors test with respect to any such Class or Classes, and satisfy all other legal criteria for confirmation.

As reflected in the discussion above the Debtor believes that the Plan provides to each holder of a Claim and Interest holder a value at least equal to the value of the distribution that each holder would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

H. CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTOR SHOULD READ AND CONSIDER CAREFULLY THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, THE PLAN (AND ANY DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE), BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND THE IMPLEMENTATION OF THE PLAN.

I. CERTAIN BANKRUPTCY CONSIDERATIONS

1. Risk of Liquidation of the Debtor's Estate

If the Plan is not confirmed and consummated, there can be no assurance that the Debtor's Chapter 11 Case will continue as chapter 11 reorganization case rather than be converted to liquidation, or that any alternative plan of reorganization would be on terms as favorable or more favorable to holders of Claims and Interests in the Debtor as the terms of the Plan. If a liquidation or different reorganization were to occur, the distributions to certain holders of Allowed Claims may be reduced, or possibly completely eliminated. As previously noted, the Debtor believes that in a liquidation under chapter 7, additional administrative expenses of a chapter 7 trustee and such trustee's attorneys, accountants, and other professionals, would cause a diminution in the value of the Debtor's Estate. In addition, certain additional Claims may arise in chapter 7 liquidation and from the rejection of unexpired leases and other executory contracts in connection with any cessation of the Debtor's operations. As described above, this might negatively impact the amount of distributions under the Plan, if any, to holders of Allowed Claims or allowed Interests in the Debtor. As a result of these circumstances, the

Debtor believes that the Plan provides a significantly higher return to holders of Claims against and Interests in the Debtor, as compared to liquidation.

2. Uncertainty Regarding Objections to Claims

The Plan provides that certain objections to Claims can be filed with the Bankruptcy Court after the Effective Date. The Claim of Country Visions will have a significant outcome on the recovery to creditors. If allowed in full, unsecured creditors would receive pennies on the dollar however, if disallowed, their recovery would be close to twenty-five percent (25%).

3. Absolute Priority Rule

The absolute priority rule in 11 USC 1129 in essence provides that the holders of equity interests in a Debtor cannot retain their ownership in the Debtor if a senior class of creditors is not paid in full and votes against a plan. The rule is only applicable if a senior class of creditors rejects the plan. If a senior class accepts the plan, the rule is inapplicable. The Debtor believes that it will obtain the votes of the Unsecured Creditors inasmuch as the Plan is a result of a negotiated settlement with the Committee and the Plan has the support of the Committee. The confirmation of the Debtor's Plan is dependent upon creditors voting in favor of the Plan. In this case, in order to retain his equity in the Debtor, Art Lancaster is converting his DIP loan to equity.

4. Debtor Meets its Projections

The Debtor's Plan is based upon a time payout and a set of revenue and expense projections. Women's clothing retail is a highly competitive market and the entry of companies such as Amazon make the competition for price and style significant. If the Debtor were to miss on its sales or expense projections, the Plan may not be fully consummated.

IX. CONCLUSION AND RECOMMENDATION

The Debtor believes that confirmation and implementation of the Plan is preferable to any alternative. In addition, any other alternative would involve significant delay, litigation, uncertainty, substantial additional administrative costs, and may result in the Debtor's liquidation. The Debtor urges holders of Impaired Claims and Interests in the Debtor to vote in favor of the Plan.

April 25, 2018

LOVE GRACE HOLDINGS, INC

/s/ Arthur A. Lancaster, Jr.

By: Arthur A. Lancaster, Jr.

/s/ Douglas S. Draper

Douglas S. Draper, La Bar No. 5073

Leslie A. Collins, La Bar No. 14891

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