

United States Bankruptcy Court
District of Minnesota

In re: Driving Miss Daisy, Inc.,
Debtor

Case No. 16-41865-KAC

Small Business Case under Chapter 11

DRIVING MISS DAISY, INC.'S DISCLOSURE STATEMENT
Dated March 2, 2017

I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the small business chapter 11 case of Driving Miss Daisy, Inc. (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the Chapter 11 Plan of Reorganization (the "Plan") filed by Driving Miss Daisy, Inc. on March 2, 2017. A full copy of the Plan is included with this Disclosure Statement.

Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.

The proposed distributions under the Plan are discussed at pages 8 to 9 of this Disclosure Statement. General unsecured creditors are classified in Class 1, and will receive distributions totaling approximately 100 % of their allowed claims, to be distributed to each holder of the allowed amount of the claim, without interest, payable in fourteen equal installments due according to the schedule described herein this document. **The Effective Date of the Plan shall be 15 days after the Plan is confirmed by court order.**

A. Purpose of This Document

This Disclosure Statement describes:

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

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

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

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

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

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place pursuant to the Order and Notice for Hearing on Confirmation of Plan and Final Approval of Disclosure Statement.

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

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Clerk of Bankruptcy Court, 200 Warren E. Burger Federal Building and U.S. Courthouse, 316 North Robert Street, St. Paul, MN 55101. See section IV(A) below for a discussion of voting eligibility requirements. Your ballot must be received by the date indicated on the Order and Notice for Hearing on Confirmation of Plan and Final Approval of Disclosure or it will not be counted.

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

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon the attorney for the proponent, the attorneys for all committees, and the United States Trustee by the date indicated on the Order and Notice for Hearing on Confirmation of Plan and Final Approval of Disclosure Statement.

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

If you want additional information about the Plan, you may contact Lynn Wartchow of Wartchow Law Office, 5200 Willson Road, Suite 150, Edina, MN 55424, telephone (952) 836-2717, facsimile (952) 674-4339, or email lynn@wartchowlaw.com. For questions after the Effective Date, or to change a creditor address, you should contact the Debtor directly through Charles Omato, Driving Miss Daisy, Inc., 1710 Douglas Drive N., # 260D, Golden Valley, MN 55422-4327, telephone (763) 253-4400, email charles@daisyhomehealth.com.

C. Disclaimer

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

The Debtor's Disclosure Statement is furnished pursuant to Section 1125 of the Bankruptcy Code and is intended to provide all persons known to have claims against the Debtor with sufficient information to permit them to make an informed judgment as to their votes to accept or reject the Plan. No representations concerning the Debtor, particularly as to the future business operations, the value of its property, other than those set forth in this Disclosure Statement, are authorized by the Debtor.

ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN THOSE IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE

DEBTOR OR TO THE UNITED STATES TRUSTEE, WHO, IN TURN, SHALL DELIVER THIS INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTIONS AS MAY BE DEEMED APPROPRIATE.

THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR BUT HAS NOT BEEN INDEPENDENTLY AUDITED. ALL STATEMENTS CONCERNING FINANCIAL DATA ARE MADE IN GOOD FAITH AND ARE INTENDED TO BE AS COMPLETE AND AS ACCURATE AS POSSIBLE WITHIN THESE LIMITATIONS. BANKRUPTCY COUNSEL FOR THE DEBTOR HAS NOT INDEPENDENTLY VERIFIED ANY OF THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT.

II. BACKGROUND

A. Description and History of the Debtor’s Business

The Debtor is a Minnesota s-corporation that operates as an emergency medical transportation provider. Driving Miss Daisy, Inc. was initially formed in 2011 and commenced operations in 2014. The primary operations of the Debtor involve roundtrip transportation of medical patients to their scheduled appointments. Having a patient centric model based on Mr. Omato’s prior experience working in the nursing home industry, the Debtor distinguishes itself from competitors by bringing patients inside the clinic or hospital and to the appointment desk rather than leaving them curbside, and then the same driver returns the patient home after the appointment concludes. For these services, the Debtor hires the services of independent vehicle drivers, each of whom must meet Minnesota Department of Transportation guidelines for providing medical transportation including that the drivers’ vehicles must pass a commercial inspection for safety and the drivers must meet other training and background requirements. Since this case was commenced, the Debtor’s business has grown significantly with new over 50% more contracts with the Minnesota Department of Human Services.

B. Insiders of the Debtor

Insiders of the Debtor are defined by §101(31) of the United States Bankruptcy Code. The names of the insiders of the Debtor, their relationship to the Debtor and the compensation paid by the Debtor, if any, during the two years prior to the commencement of the Debtor’s bankruptcy case, as well as compensation paid during the pendency of this chapter 11 case, are as follows:

<u>Name of Insider</u>	<u>Relationship to Debtor</u>	<u>Compensation received during two years prior to commencement of the bankruptcy case</u>	<u>Compensation paid during the pendency the bankruptcy case</u>
Charles Omato	100% Interest Holder, President and CEO	\$60,000.00	\$40,000.00 (as of 02/01/2017)

C. Management of the Debtor Before and During the Bankruptcy

During the two years prior to the date on which the bankruptcy petition was filed, the Debtor was managed exclusively by Charles Omato. The Manager of the Debtor during the chapter 11 case has remained Charles Omato. After the Effective Date of the order confirming the Plan, the Post Confirmation Manager will continue to be Charles Omato. The role, responsibilities and compensation of this Post Confirmation Manager are described in section III(D)(2) of this Disclosure Statement.

D. Events Leading to Chapter 11 Filing

Prior to the commencement of this chapter 11 proceeding, the Debtor was subject to an assessment made by the Internal Revenue Service for outstanding payroll withholding taxes due for years 2014 and 2015. Having been unable to reach a feasible installment agreement with the Internal Revenue Service for the payment of these taxes, the Debtor instead commenced this chapter 11 bankruptcy proceeding to obtain the relief afforded under 11 U.S.C. § 1129(a)(9)(C).

E. Significant Events During the Bankruptcy Case

Since the filing of this bankruptcy case, the Debtor has made no asset sales outside the ordinary course of its business and has not obtained post-petition debtor in possession financing. The Debtor obtained the following orders from the Bankruptcy Court: dated June 30, 2016 authorizing the payment of pre-petition employee and independent contractor compensation claims (Docket No.7); dated August 15, 2016 approving the employment of Lynn Wartchow as bankruptcy attorney for the Debtor in this proceeding (Doc. No. 21); dated July 25, 2016 approving the employment of The Tax Shop as general business accountant for the Debtor.

This Disclosure Statement and accompanying Plan are the second disclosure statement and plan to be filed by the Debtor in this case. A prior disclosure statement and plan were filed in December, 2016, which did not receive approval or confirmation by the Court due to an objection asserted by Minnesota Revenue. Since that time, the Debtor and Minnesota Revenue have agreeably resolved any contest brought by that objection. In resolution of this contest, the Debtor has agreed that this chapter 11 case shall remain open and shall not be closed by the Court until the earlier of either twelve (12) months following an entry of an order confirming a chapter 11 plan or when Minnesota Revenue's claim in the amount of \$5,777.86 has been paid in its entirety, whichever is sooner.

No adversary proceedings have been filed in this case and there has been no other significant legal or administrative proceedings commenced during this case in a forum other than the Bankruptcy Court.

F. Projected Recovery of Avoidable Transfers

The Debtor has evaluated any potential pre-petition actions upon which to pursue recovery and has determined that it does not anticipate that it has preference, fraudulent conveyance, or other avoidance actions. The Debtor reserves it right to bring any and all preference, fraudulent conveyance, or other avoidance actions and to preserve such action for the benefit of the Debtor and its estate.

G. Claims Objections

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

H. Current and Historical Financial Conditions

The identity and value of the estate's assets are listed in Exhibit A, and valuation is provided both for the file date of June 21, 2016 and for the date February 15, 2017.

The Debtor's most recent financial statements issued before bankruptcy, each of which was filed with the Court, are set forth in Exhibit B. Additionally a liquidation analysis is provided as Exhibit C. The most

recent post-petition operating report filed since the commencement of the Debtor’s bankruptcy case is set forth in Exhibit D.

Pursuant to the monthly operating reports filed in this case, the below chart summarizes the Debtor’s monthly profit/loss and income receivables to date, as based on the cash method of accounting and rounded to the nearest \$1.00:

	June 2016 <i>(prorated month)</i>	July 2016	August 2016	Sept. 2016	Oct. 2016	Nov. 2016	Dec. 2016	Jan. 2017
Total Income	\$15,808	\$77,324	\$70,429	\$64,689	\$56,572	\$96,060	\$87,491	\$68,681
Total Expense	\$4,786	\$74,131	\$83,270*	\$58,214	\$60,971	\$88,225	\$80,295	\$66,382
Cash Profit / (Loss)	\$11,022	\$3,193	\$(12,841)	\$6,476	\$(4,399)	\$7,835	\$7,197	\$2,299
Total Receivables	\$20,000	\$11,700	\$16,690	\$30,472	\$34,379	\$44,072	\$41,472	\$39,000

*The Total Expense listed for August, 2016 includes the quarterly insurance payment of \$5,563. A similarly large insurance payment was also made during November, 2016 in the amount of \$6,742.

Additionally, from the date the Debtor provides a transportation service to the date it is paid by MDHS for that service is approximately 35 to 45 days. Accordingly to better determine the Debtor’s true financial performance, the amount listed for cash profit/loss should be evaluated concurrently with the accruing receivables.

I. Additional Disclosures

As disclosed in the Statement of Financial Affairs filed with this court, the Debtor has physical possession of two wheelchair accessible vehicles belonging to EZ Investments Group, LLC for which the Debtor utilizes these vehicles in its operations. The Debtor makes monthly payment in the amount of \$840.00 for its exclusive use and possession of these vehicles. There is no written lease or executory contract with EZ Investments Group, LLC for the Debtor’s ongoing use of these vehicles or for the payment thereof. EZ Investments Group, LLC is not an insider of the Debtor as that term is defined by 11 U.S.C. § 101(31).

The Minnesota Department of Human Services is the sole income provider for the Debtor.

The Debtor’s owner and operator, Charles Omato, previously conducted a personal health care assistant business under a different entity named Daisy Home Care, Inc. (“DHC”). Because of this connection, DHC was a former affiliate of the Debtor in this case. DHC had filed a chapter 11 case on December 23, 2013 (Case No. 13-46083) that was reorganized in July of 2014 and in which Mr. Omato participated. However approximately one year after confirmation, DHC subsequently ceased operations and went defunct with debts still owing. For some period of time in 2013 before its chapter 11 case was filed, DHC and the Debtor had maintained a commingled payroll account primarily for the purpose of convenience. However once its chapter 11 case was filed, the commingling of this account and any other financials between DHC and the Debtor had permanently ceased. While the primary income provider for both DHC and the Debtor is the Minnesota Department of Human Services, DHC fundamentally conducted different and distinct operations from the Debtor, in that DHC provided the services of personal health care

assistants (PCA) while the Debtor in this case exclusively provides transportation services to patients attending medical appointments. The Debtor has never provided PCA services to its clients nor has it conducted any of the DHC's operations.

Mr. Omato had worked part time for DHC in 2014 and prior to its going defunct in mid-2015. For his services to DHC, Mr. Omato was compensated \$17,000 in 2014 and \$0 in 2015. Mr. Omato stopped receiving compensation from DHC in December, 2014 despite continuing to provide his services through mid-2015. Mr. Omato also worked part time for the Debtor both 2014, part time for the first half of 2015 and full time during the second half of 2015. For his services to the Debtor, Mr. Omato was compensated \$15,000 in 2014 and \$28,000 in 2015.

Minnesota Department of Revenue has alleged that the Debtor is indebted to Daisy Home Care, Inc. in the amount of \$266,000. The Debtor does not agree with this allegation and asserts that no lawful indebtedness is owed by the Debtor to DHC, and accordingly that DHC has no allowed claim in this case.

Note that the 'loan to shareholder' in the amount of \$45,000 as indicated on the Debtor's prior balance sheets, including in the Exhibit B prepetition financial statements provided herewith and on monthly operating reports filed in this proceeding, is an administrative error. There is no loan or draws owing by any shareholder to the Debtor. Rather this amount represents the value of Mr. Omato's uncompensated services provided to the Debtor while it was starting up in 2014. Additionally, Mr. Omato incurred uncompensated services to the Debtor in 2015 valued at approximately \$32,000. Mr. Omato makes no claims against the Debtor for these amounts and these amounts are not claims to be paid under the Debtor's Plan. This information is listed for the purposes of disclosure.

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

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

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

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class.

1. Administrative Expenses

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

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

under the Plan:

Type	Estimated Amount Owed	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later.
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	\$0.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later
Professional Fees, as approved by the Court.	\$12,000.00	<p>This amount represents an estimate of the fees incurred by the Debtor for services of professionals previously approved by the court, including estimated fees owing to Wartchow Law Office of \$9,500 and to The Tax Shop of \$2,500.</p> <p>Paid in full on the effective date of the Plan, or according to separate agreement between the parties, or according to court order if such fees have not been approved by the Court on the effective date of the Plan.</p>
Clerk's Office Fees	\$0.00	Paid in full on the effective date of the Plan
Other administrative expenses	\$0.00	Paid in full on the effective date of the Plan or according to separate written agreement.
Office of the U.S. Trustee Fees	\$1,950	Paid in full on the effective date of the Plan
TOTAL	\$13,950	

2. *Priority Tax Claims*

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

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

Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
<p>Internal Revenue Service - FICA/FUCA tax - Withholding tax - Corporate income tax</p> <p>According to proof of claim no. 4 filed by the Internal Revenue Service, the amount of the claim that is secured by a tax lien on property of the Debtor is \$28,357.95 and the amount that is not secured by a tax lien is \$69,561.66.</p>	\$97,919.61	Various dates from 9/2014 through 5/2016	<p>The IRS shall retain its prepetition tax liens. Additionally, the IRS shall receive approximately fifty-one (51) monthly payments of at least \$2,047.38 each, including 3.0% accruing interest, beginning on the Effective Date and estimated from April 2017 through June 2021.</p>
<p>Minnesota Department of Revenue - Withholding tax</p>	\$5,777.86	Various dates from 7/2015 through 12/2015	Minnesota Revenue shall receive approximately fifty-one (51) monthly payments of at least \$120.79 each, including 3.0% accruing interest, beginning on the Effective Date and estimated from April 2017 through June 2021.
<p>Minnesota Department of Employment and Economic Development - Unemployment insurance employer tax</p>	\$4,699.87	Various dates in 2014 and 2016	Minnesota DEED shall receive approximately fifty-one (51) monthly payments of at least \$98.25 each, including 3.0% accruing interest, beginning on the Effective Date and estimated from April 2017 through June 2021.

C. Classes of Claims and Equity Interests

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

1. *Classes of Secured Claims*

Other than the aforementioned tax lien of the IRS, the Debtor has no other secured creditors. Accordingly, there are no other allowed claims secured by property of the Debtor’s bankruptcy estate to be allowed as secured claims under § 506 of the Code.

2. *Classes of Priority Unsecured Claims*

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the Effective Date of the Plan equal to the allowed amount of such claim unless the holders of such claims may vote to accept different treatment. The Debtor has no class of priority unsecured claims.

3. *Class of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code or otherwise are not treated in any other class under the Plan. The following chart identifies the Plan’s proposed treatment of Class 1, which contains all general unsecured claims against the Debtor:

Class	Impairment	Treatment
Class 1 - General Unsecured Creditors	Impaired	<p>Class 1 includes all allowed general unsecured claims against the Debtor. The Debtor estimates these claims to total \$99,197.04 exclusive of any insider, waived or disputed claims.</p> <p>Each Class 1 claim will be paid 100% of their allowed claim amount, without interest, over a period not exceeding seven (7) years following the Effective Date. Accordingly, each holder of a Class 1 claim shall receive a pro rata share of regular distributions totaling approximately \$99,197.04, without interest, to be made in semi-annual (i.e., twice per year) payments, commencing on the 15th day of the sixth full calendar month following the Effective Date and estimated to commence in September, 2017, and then again on the 15th of the month that is six months thereafter, and continuing likewise once every six months for a total of fourteen (14) semi-annual payments of \$7,085.50 each.</p> <p>Insiders of the Debtor, as defined in Section 101(31) of the Code, shall waive any claim that each may have against the Debtor. Accordingly, no insider of the Debtor shall receive any payment on his or her claims. The Debtor estimates these claims to total \$1,750.00.</p>

4. *Class of Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders.

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

Class 2 - Equity Security Holders of the Debtor	Unimpaired	All Class 2 equity interests in Debtor shall remain in place and continue to be held by the holder thereof.
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D. Means of Implementing the Plan

1. *Source of Payments*

Payments and distributions under the Plan will be funded by the Debtor's income from its continued operations. Attached to the Disclosure Statement and marked as Exhibit E are projections prepared by Charles Omato. If the Debtor's Plan is confirmed, the Debtor is confident of its ability to meet or exceed these projections and perform as set forth under the Plan.

2. *Post-confirmation Management*

The post-confirmation management of the Debtor shall be conducted by Charles Omato. Mr. Omato has exclusively conducted the material operations of the Debtor exclusively since it first commenced operations in 2014. Mr. Omato is also the sole equity interest holder of the Debtor. For this reasons, no alternative management has been sought for this role.

Mr. Omato is currently the President and CEO of the Debtor and has received \$40,000.00 gross compensation since the commencement of this case. The Debtor anticipates that the future compensation be paid to Charles Omato for his services post-confirmation will be a \$60,000.00 annual salary with no bonus, percentage fee, commission or other form of compensation due.

Mr. Omato will be responsible for the implementation of this plan including mailing payments to creditors, providing notices to creditors, managing address changes and verifications and other tasks associated with implementation of a confirmed Chapter 11 plan. Mr. Omato shall have the discretion to delegate his administrative tasks related to plan implementation. The plan-related services shall be considered part and parcel of the Debtor's post-confirmation management for which Mr. Omato shall receive no additional or separate compensation than the salary otherwise identified herein.

In accordance with section 1142 of the Code, both the Debtor and Mr. Omato shall be responsible for carrying out the terms of a confirmed plan. In the event that either party shall default in its obligations to implement the terms of a confirmed plan, the Court may direct the Debtor or any other necessary party to perform under a confirmed plan.

E. Risk Factors

The risk factor that might affect the Debtor's ability to make payments and other distributions required under the Plan is if the Debtor's operations fail to realize income as of the Effective Date of the Plan. Since the Debtor anticipates that it will operate in a positive cash flow through the Effective Date and for the duration of the periods implicated in this Plan, this is not considered to be a probable risk.

F. Executory Contracts and Unexpired Leases

The Debtor has no executory contracts or unexpired leases that will be assumed under the Plan.

G. Tax Consequences of Plan

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

The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers of this Disclosure Statement about the possible tax issues this Plan may present to the Debtor. The plan proponent cannot and does not represent that the tax consequences contained below are the only tax consequences of the Plan because the U.S. Tax Code embodies many complicated rules which make it difficult to state completely and accurately all the tax implications of any action. The following discussion summarizes certain federal income tax consequences of the Plan to the Debtors and to holders of general unsecured claims and interests. This summary does not address the federal income tax consequences to holders whose claims are paid in full, in cash, or which are otherwise not impaired under the Plan. This summary does not address state or local income tax consequences, or any estate or gift tax consequences of the Plan.

The most significant potential and material federal tax consequence of the Plan on the Debtor would be that certain tax attributes, including, but not limited to, net operating losses, certain tax credits, and the Debtor's basis in property, could be reduced to the extent that debt is discharged. The Debtor has not determined what, if any, tax consequences it will experience by reason of the Plan. The Debtor will continue to make pay all taxes timely and as they become due and does not anticipate significant tax consequences resulting from a discharge.

The following are the anticipated tax consequences of the Plan on holders of claims: In accordance with the Plan, each holder of an allowed general unsecured claim shall be entitled to receive a distribution, and will recognize gain or loss upon receipt of such distribution equal to the difference between the "amount realized" by such creditor and such creditor's adjusted tax basis in its claim. The amount realized is equal to the value of such creditor's distribution. Any gain or loss realized by an unsecured creditor should constitute ordinary income or loss to such creditor unless such claim is a capital asset in the hands of such unsecured creditor. If a claim is a capital asset and it has been held for more than one year, such creditor will realize long-term capital gain or loss. The federal income tax consequences to unsecured creditors will differ and will depend on factors specific to each such creditor, including, but not limited to: (i) whether the unsecured creditor's claim (or a portion thereof) constitutes a claim for principal or interest, (ii) the origin of the unsecured creditor's claim, (iii) the type of consideration received by the unsecured creditor in exchange for the claim, (iv) whether the unsecured creditor is a United States person or a foreign person for United States federal income tax purposes, (v) whether the unsecured creditor reports income on the accrual or cash basis method, and (vi) whether the unsecured creditor has taken a bad debt deduction or otherwise recognized a loss with respect to the claim.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

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

A. Who May Vote or Object

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

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

In this case, the Plan Proponent believes that class 1 is impaired and that holders of claims in this class are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that class 2 is unimpaired and that holders of claims in each that class, therefore, do not have the right to vote to accept or reject the Plan.

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was October 19, 2016.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

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

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

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

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

Even if you are not entitled to vote on the Plan, you may have a right to object to the confirmation of the Plan and to the adequacy of the disclosure statement.

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and

should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

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

1. *Votes Necessary for a Class to Accept the Plan*

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

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

2. *Treatment of Non-Accepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a “cram down” plan. The Code allows the Plan to bind non-accepting classes of claims or partnership interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not discriminate unfairly, and is fair and equitable toward each impaired class that has not voted to accept the Plan. You should consult your own attorney if a “cramdown” confirmation will affect your claim or partnership interest, as the variations on this general rule are numerous and complex.

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

C. Liquidation Analysis

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

D. Feasibility

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

1. *Ability to Initially Fund Plan*

The Plan Proponent believes that the Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. The Effective Date of the Plan shall be 15 days after the Plan is confirmed by court order.

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

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments. The Plan Proponent has provided projected financial information including payments due under this Plan. Those projections are listed in Exhibit E. You should consult with your accountant or other financial advisor if you have any questions pertaining to these projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. DISCHARGE OF DEBTOR

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


B. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or re-voting on the Plan. The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

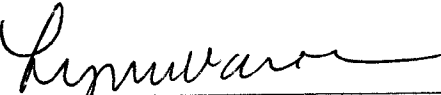
C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

Dated: March 2, 2017

By: 
Charles Omato, President and CEO of the Debtor
and Plan Proponent

Dated: March 2, 2017

By: 
Lynn J.D. Wartchow, Attorney for Plan Proponent

REVISED 12/15

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re: Driving Miss Daisy, Inc.

Case No. 16-41865-KAC

Debtor(s).

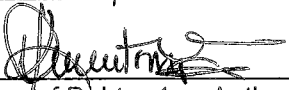
SIGNATURE DECLARATION

- PETITION, SCHEDULES & STATEMENTS
- CHAPTER 13 PLAN
- VOLUNTARY CONVERSION, SCHEDULES & STATEMENTS
- AMENDMENT TO PETITION, SCHEDULES & STATEMENTS
- MODIFIED CHAPTER 13 PLAN
- OTHER: PLEASE DESCRIBE: Chapter 11 Small Business Plan, Disclosure Statement and related exhibits

I [We], the undersigned debtor(s) or authorized representative of the debtor, make the following declarations under penalty of perjury:

1. The information I have given my attorney for the electronically filed petition, statements, schedules, amendments, and/or chapter 13 plan, as indicated above, is true and correct;
2. The Social Security Number or Tax Identification Number I have given to my attorney for entry into the court's Case Management/Electronic Case Filing (CM/ECF) system as a part of the electronic commencement of the above-referenced case is true and correct;
3. [individual debtors only] If no Social Security Number was provided as described in paragraph 2 above, it is because I do not have a Social Security Number;
4. I consent to my attorney electronically filing with the United States Bankruptcy Court my petition, statements and schedules, amendments, and/or chapter 13 plan, as indicated above, together with a scanned image of this Signature Declaration;
5. My electronic signature contained on the documents filed with the Bankruptcy Court has the same effect as if it were my original signature on those documents; and
6. [corporate and partnership debtors only] I have been authorized to file this petition on behalf of the debtor.

Date: 03/02/2017

x 
Signature of Debtor 1 or Authorized Representative

Charles Omato
Printed name of Debtor 1 or Authorized Representative

x _____
Signature of Debtor 2

Printed Name of Debtor 2