

4MOW 3016-3.1 (05/07)

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF MISSOURI

IN RE: )  
Judycat, Inc. ) Case No. 17-61330-CAN11  
 )  
Debtor )

Small Business Case under Chapter 11

**COMBINED PLAN AND DISCLOSURE STATEMENT, DATED June 11, 2018 proposed  
by Judcat, Inc. (Chapter 11 Debtor)**

**I. INTRODUCTION**

This is the combined Plan and Disclosure Statement (for ease of reference, the combined Plan and Disclosure Statement will be referred to as the "Plan") in the small business chapter 11 case of Judycat, Inc. (the "Debtor"). This Plan is filed under chapter 11 of the Bankruptcy Code (the "Code") and proposes to pay creditors of the Debtor from cash flow from operations. This Plan provides for no or Zero (0) class of secured claims; One (1) class of unsecured claims; and One (1) class of equity security holders. Unsecured creditors holding allowed claims will receive distributions, which the proponent of this Plan has valued at approximately 0.00 cents on the dollar. The proposed distributions are discussed at pages 6-9 of this Plan. This Plan also provides for the payment of administrative and priority claims.

All creditors and equity security holders should refer to Articles III of this Plan for information regarding the precise treatment of their claims.

This Plan also provides detailed information regarding the terms for payment of the Debtor's creditors and other information designed to assist creditors and equity security holders in determining whether to accept the Plan. ***Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one. (If you do not have an attorney, you may wish to consult one.)***

**A. Purpose of This Document**

This Plan describes:

- The Debtor and significant events during the bankruptcy case.
- Historical information regarding the Debtor and the events leading to its bankruptcy filing.
- 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 Proponent 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.

- The effect of confirmation of the Plan.

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

The Court has not yet confirmed the Plan. This section describes the procedures under which the Plan will or will not be confirmed.

### **1. Time and Place of the Hearing to Confirm the Plan/Approve Adequate of Disclosure Statement**

Pursuant to Local Rule 3016-3C of the United State for the Western District of Missouri, the Bankruptcy Court may conditionally approve the Disclosure Statement. If the Bankruptcy Court has conditionally approved this Disclosure Statement, all parties in interest shall receive the Bankruptcy Court's Order (a) fixing a time for filing objections to the Disclosure Statement; (b) fixing a date for the hearing on final approval of the Disclosure Statement to be held if a timely objection is filed; (c) fixing a date for the hearing on confirmation; and (d) fixing a time in which the holders of claims in interest may accept or reject the Plan. The hearing on final approval of the Disclosure Statement may be concurrent with the hearing to confirm Debtors' Plan.

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

If the Disclosure Statement has been conditionally approved, the Disclosure Statement and proposed Plan will be accompanied by a Court Order conditionally approving the Disclosure Statement for circulation with the Plan to claim holders and parties in interest together with a separate ballot. In order to vote for or against the Plan, the voter must complete, date, sign, and mail the enclosed ballot to the attorney for Debtor, at the following address: **Ted L. Tinsman, Attorney for Debtor, 901 E. St. Louis St., Suite 1200, Springfield, MO 65806.**

The ballot must be received by the deadline set forth in the Court Order approving the circulation of the above-described materials.

See section IX.B. below for a discussion of voting eligibility requirements.

### **3. Identity of Person to Contact for More Information**

If you want additional information about the Plan, you should contact Ted L. Tinsman, Attorney for Debtor, 901 E. St. Louis St., Suite 1200, Springfield, MO 65806.

## **II. BACKGROUND**

### **A. Description and History of the Debtor's Business**

The Debtor is a Missouri corporation form December 4, 1995 and is in good standing with the Missouri Secretary of State.

In 2008, 92% of the debtor was purchased by the principle, Allen Brown to continue operations under the trade name "Martha's Vineyard". The other shareholder, Sean Fannin, retained an 8% interest and remained inactive in the daily affairs of the business. The business is a small bar and small performance venue targeting college students and millennials. Around 2015, the bar began to slow down and struggle. The principles decided that the bar needed serious renovations. Past profits as well as

additional debt was used to create a new look for the bar and bring it back to where it needed to be. Several equipment leases were signed. Sales immediately improved.

In 2016, the principles attempted to open a new pizza restaurant near a local movie theater near downtown Springfield, under T&A Empire LLC D/B/A Calgaro's Pizza. During this time, Debtor's longtime bookkeeper suddenly died. The Debtor was unable to replace the bookkeeper timely and sufficiently and incurred additional debt attempting to service the expenses of the new pizza restaurant from profits generated from the Debtor. Due to the inability to sufficiently manage both business, Debtor took out loan debt through financial lenders with high interest and further spiraled into a worse financial situation.

Debtor and the principle, Allen Brown, defaulted on several notes owe with high interest loan from several out of state lenders.

The principle of Debtor decided to close the restaurant in 2017 and refocus attention towards the principle business of the Debtor as a bar.

In May 2017, Debtor was audited by the Missouri Department of Revenue for sale tax accounting. Debtor sufficiently collected sales taxes and paid same to the state, but was nevertheless found to owe sales taxes. The Department of Revenue has filed a claim in this case for \$ related to past assessed sales taxes. Debtor is current with all sales taxes since filing of the instant case.

Since the filing of the Chapter 11 bankruptcy, Debtor has been able to operate with a small profit based on the bar operations alone.

#### **B. Insiders of the Debtor**

Allen E. Brown is the President of the Debtor. He is also the owner of 92% of the issued shares of the Debtor. Mr. Brown received a \$20,800 yearly salary plus draws for personal expenses (Debtor estimated annual draws around \$26,000 for the months before current salary). Debtor is paying Mr. Brown a current salary of \$2000 bi-weekly with no draws since 10/1/2017.

#### **C. Management of the Debtor Before and During the Bankruptcy**

During the two years before the Debtor's bankruptcy petition was filed, the officers, directors, managers or other persons in control of the Debtor (collectively, the "Managers") were:

Allen E. Brown, President

Christopher Dame, Secretary

Jamie Boran, Vice President

Wayne Killough (former bookkeeper, now deceased and replaced by Christopher Dame)

The Managers of the Debtor during the Debtor's chapter 11 case have been:

Allen E. Brown, President

Christopher Dame, Secretary

Jamie Boran, Vice President

#### **D. Events Leading to the Debtor's Chapter 11 Filing**

Rapid Capital Finance, LLC commenced litigation against Debtor in Greene County Case # 1731-AC00814 on February 2, 2017. This creditor garnished Debtor's bank accounts at Great Southern Bank.

Foundation Group, LLC commenced litigation against Debtor in the Supreme Court of the State of New York, County of New York, Index No. 655657/2016.

Fox Funding, LLC commenced litigation against Debtor in Greene County Case # 1731-CC01608. Before this litigation, Debtor pledged its receivables for the loan with this creditor and Debtor was unable to operate through its existing bank accounts with the daily payments being taken by automatic withdrawal by this creditor. This creditor also garnished Debtor's accounts. Due to the multiple litigation and judgments and the inability to use its established bank accounts at Great Southern Bank, Debtor commenced this bankruptcy case.

#### **E. Significant Events During the Bankruptcy Case**

Debtor filed its petition for relief under chapter 11 of the Bankruptcy Code on December 12, 2017. The first meeting of Creditors was held and concluded on January 17, 2018. Debtor's representative, Allen Brown attended the meeting. Since the petition date, the Debtor has continued to operate as a debtor-in-possession subject to the supervision of the Bankruptcy Court in accordance with the Bankruptcy Code.

The garnishment secured by Fox Funding, LLC in Greene County Case No.: 1731-CC01608 was released on March 6, 2018. No other disposition has been made in the civil litigation commenced by Rapid Capital Finance, LLC in Greene County Case # 1731-AC00814 or Foundation Group, LLC's in Supreme Court of the State of New York, County of New York, Index No. 655657/2016.

A request for a claims bar date was requested by the Debtor and the Court set the bar date for claims on 3/28/2018 for general unsecured creditors and for June 11, 2018 for governmental units. The claim for Cashcall, Inc. was filed after the bar date.

#### **F. Projected Recovery of Avoidable Transfers [Choose the option that applies]**

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

#### **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 stated in Article IV of the Plan.

#### **H. Current and Historical Financial Conditions**

The identity and fair market value of the estate's assets are listed in **Exhibit A**. The valuation source is from the Debtor's statement of value provided by Debtor's principle, Allen Brown

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

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

### **III. THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS**

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

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

**B. Explanation of Classes of Claims and Equity Interests**

For purposes of the Plan, the claims and interests against the Debtor are divided into unclassified claims or classified claims. In accordance with Bankruptcy Code Section 1123(a)(1), administrative claims and priority tax claims are not classified under the Plan. Instead, the treatment of administrative claims and priority tax claims shall be termed "unclassified claims" with the treatment of each claim otherwise specified in the Plan. Classified claims are further subdivided into allowed priority unsecured claims, secured claims, and allowed unsecured claims.

**1. Classes of Secured Claims**

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under Code § 506. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim.

**2. Classes of Priority Unsecured Claims**

Certain priority claims that are referred to in Code §§ 507(a)(1), (4), (5), (6), and (7) are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

**3. Class[es] of General Unsecured Claims**

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

**4. Class[es] of Equity Interest Holders**

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

**C. Overview - Treatment of Claims and Interests under Plan**

Claims and interests are treated as follows under this Plan:

Class	Impairment	Treatment
Class 1 – General Unsecured Creditors	Impaired	No payment will be made to this class.
Class2 – Equity Security Holders of the Debtor	Impaired	Shareholder, Allen E. Brown will continue to receive compensation from the operation if Debtor’s business. Both shareholder, Allen E. Brown and Sean Fannin will receive all pre-petition property after conclusion of the plan.

#### **D. Treatment of 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. Accordingly, 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 Code § 507(a)(2). 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 each administrative expense claim be paid on the effective date of the Plan, unless the holder of the claim agrees to a different treatment. As reflected below, each holder of an administrative expense claim allowed under Code § 503 [, and a “gap” claim in an involuntary case allowed under Code § 502(f),] will be paid in full on the effective date of this Plan, in cash, or upon such other terms as may be agreed upon by the holder of the claim and the Debtor.

The following chart lists the Debtor's estimated administrative expenses and their treatment under this Plan:

Type	Estimated Amount Owed	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	Unknown	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	Ted L. Tinsman \$9,500 fees and \$500 in expenses, estimated. \$6000 has been paid in retainer and is being held by attorney in	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if

	attorney's trust account pursuant to the application to employ.	such fees have not been approved by the Court on the effective date of the Plan
Clerk's Office Fees	\$1717.00	Paid in full on the filing of the case.
Other administrative expenses		Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	\$3575.00	Fees that have been paid by the Debtor during the pendency of the case and expected fees to be assessed through the 3 <sup>rd</sup> quarter of 2018.
<b>TOTAL</b>	<b>\$15,292.00</b>	

## 2. Priority Tax Claims

Priority tax claims are unsecured income, employment, and other taxes described by Code § 507(a)(8). 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
IRS (WT-FICA)	\$5,566.19 (per POC # 4)	2016-2017	Pmt interval = Monthly Monthly payment = \$154.62 Begin date = July 15, 2018 End date = June 15, 2021 Interest Rate = 0% Total Payout Amount = \$5,566.19
Missouri Department of Revenue (Withholding tax)	\$4,370.76 (per POC # 17)	2014-2016	Pmt interval = Monthly Monthly payment = \$121.41 Begin date = July 15, 2018 End date = June 15, 2021 Interest Rate = 0% Total Payout Amount = \$4,370.76
Missouri Department of Revenue (Use tax per audit)	\$2098.88 (per POC #18)	2013-2016	Pmt interval = Monthly Monthly payment = \$58.30 Begin date = July 15, 2018

			End date = June 15, 2021 Interest Rate = 0% Total Payout Amount = \$2098.88
Missouri Department of Revenue (Sales tax per audit)	\$22,822.64 (per POC #19)	2014-2017	Pmt interval = Monthly Monthly payment = \$633.96 Begin date = July 15, 2018 End date = June 15, 2018 Interest Rate = 0% Total Payout Amount = \$22,822.64
Missouri Department of Revenue (Sales tax)	\$1870.57 (per POC #20)	2014-2017	Pmt interval = Monthly Monthly payment = \$51.96 Begin date = July 15, 2018 End date = June 15, 2018 Interest Rate = 0% Total Payout Amount = \$1870.57

**E. Treatment of Classified Claims and Interests.**

1. Class 1: Unsecured Claims Allowed Under Code § 502.

Unsecured claims allowed under Code § 502 (other than Class 1 Priority Claims) will be paid as follows:

Creditor:	Unsecured Claim Amount:	Proposed distribution:
Advanta Credit Cards	no claim filed	\$0.00
AIG Property Casualty, Inc.	\$0.00	\$0.00
AT&T Card	no claim filed	\$0.00
CashCall, Inc.	\$46,497.49	\$0.00 (This claim was filed late)
City Utilities of Springfield	\$823.52	\$0.00
Fox Funding	\$44,934.00	\$0.00
(This claim was filed as secured, but nothing in the claim shows perfection of the security interest with a foreign unregistered judgment and Debtor will be objected to claim as secured.)		
Foundation Group LLC	\$25,732.32	\$0.00
(This claim was filed as secured, but nothing in the claim shows perfection of the security interest with a foreign unregistered judgment and Debtor will be objected to claim as secured.)		
Foundation Group LLC	\$20,843.48	\$0.00
(This claim was filed as secured, but nothing in the claim shows perfection of the security interest with a foreign unregistered judgment and Debtor will be objected to claim as secured.)		



Mantis Funding	no claim filed	\$0.00
Quarter Spot	no claim filed	\$0.00
Rapid Capital Funding	\$63,514.00	\$0.00
Synchrony Bank	\$5,862.45	\$0.00
Wells Fargo Financial Leasing, Inc.	\$36,920.68	\$0.00

**2. Class 2: Equity Interests in the Debtor.**

Allen Brown will receive compensation from the operations of Debtor's business of \$1700.00 bi-weekly to meet his reasonable household needs. The interests of the Debtor in property of the estate will be retained by Debtor at the conclusion of the plan. All shares held by equity holders will be retained in the same percentage as before the bankruptcy case filing.

**F. TREATMENT OF U.S. TRUSTEE FEES**

All fees required to be paid by 28 U.S.C. § 1930(a)(6) (U.S. Trustee Fees) will accrue and be timely paid until the case is closed, dismissed, or converted to another chapter of the Code. Any U.S. Trustee Fees owed on or before the effective date of this Plan will be paid on the effective date.

**IV. ALLOWANCE AND DISALLOWANCE OF CLAIMS**

**A. Disputed Claims**

A disputed claim is a claim that has not been allowed or disallowed [by a final non-appealable order], and as to which either: (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such claim as disputed, contingent, or liquidated.

No distribution will be made on account of a disputed claim unless such claim is allowed [by a final non-appealable order].

**B. Settlement of Disputed Claims**

The Debtor will have the power and authority to settle and compromise a disputed claim with court approval and compliance with Rule 9019 of the Federal Rules of Bankruptcy Procedure.

**V. PROVISIONS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**A. Assumed Executory Contracts and Unexpired Leases**

The Debtor assumes the following executory contracts and/or unexpired leases effective upon the as of the date of filing for relief, December, 12, 2017:

Amerifund, Inc.: furniture lease dated 6/2014 (55 month) for \$607.40 per month. Approximately 7 months remaining.

Financial Pacific: outdoor furniture lease dated 10/2015 (48 months) for \$930.60 per month. Approximately 15 months remaining.

Financial Pacific: outdoor furniture lease dated 5/2014 (60 months) for \$1,484.23 per month. Approximately 12 months remaining.

Marlin Equipment Leasing: point of sale system lease dated 7/12/2016 (48 months) for \$360 per month. Approximately 26 months remaining.

Mintaka Financial, LLC: bar equipment lease for \$760.40 per month. Approximately 20 months remaining.

Mintake Financial, LLC: ice machine, oven, grill lease dated 11/2015 (35 months) for \$1328.15 per month. Approximately 8 months remaining.

Navitas Leasing Corp.: restaurant equipment lease for \$983.14 per month. Approximately 15 months remaining.

Time Payment: equipment used in bar lease dated 12/1/2015 for \$672.32 per month. Approximately 4 months remaining.

William A. Graham, Jr.: lease of commercial building dated May 2014 for \$6000 per month. Approximately 12 months remaining.

Assumption means that the Debtor has elected to continue to perform the obligations under such executory contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any.

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

#### **B. Rejected Executory Contracts and Unexpired Leases**

The Debtor will be conclusively deemed to have rejected all executory contracts and unexpired leases that (a) are not expressly assumed under section V.A. of this Plan or (b) were not assumed under a separate motion before the effective date of this Plan. A proof of a claim arising from the rejection of an executory contract or unexpired lease under section V.A. of this Plan must be filed no later than thirty days after the effective date of this Plan. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

All executory contracts and unexpired leases that are not listed as being assumed will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases. If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

### **VI. GENERAL PROVISIONS**

**A. Definitions and Rules of Construction**

The definitions and rules of construction stated in Code §§ 101 and 102 apply when terms defined or construed in the Code are used in this Plan, and they are supplemented by the following definitions: [Insert additional definitions if necessary].

**B. Effective Date of Plan**

The effective date of this Plan is the eleventh business day following the date of the entry of the order of confirmation. But if a stay of the confirmation order is in effect on that date, the effective date will be the first business day after that date on which no stay of the confirmation order is in effect, unless the confirmation order has been vacated.

**C. Severability**

If any provision in this Plan is determined to be unenforceable, the determination will in no way limit or affect the enforceability and operative effect of any other provision of this Plan.

**D. Binding Effect**

The rights and obligations of any entity named or referred to in this Plan will be binding upon and will inure to the benefit of the successors or assigns of such entity.

**E. Captions**

The headings contained in this Plan are for convenience of reference only and do not affect the meaning or interpretation of this Plan.

**F. Corporate Governance**

If the Debtor is a corporation include provisions required by Code § 1123(a)(6).

**VII. OTHER PROVISIONS**

**A. VESTING OF PROPERTY OF THE ESTATE.**

Except as otherwise provided in any provision of the Plan, agreements entered into in connection therewith, or the confirmation order, on the effective date all property of the Debtor's estate shall revert in the reorganized Debtor, free and clear of all claims, liens, encumbrances and other interests of any entity and the reorganized Debtor may thereafter operate its business and may use, acquire and dispose of property without the supervision or approval of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code within those restrictions expressly imposed by the Plan of the confirmation order or agreements entered into in connection therewith.

**B. EXECUTION OF DOCUMENTS AND AUTHORIZED ACTION.**

Debtor shall execute such documents and take such other action as it necessary to effectuate the transactions provided for in the Plan. The reorganized Debtor shall be authorized to take any action described or contemplated hereunder on behalf of all holders.

**C. PRESERVATION OF RIGHTS OF ACTION.**

Except as otherwise provided in the Plan or any contract, instrument, release or other agreement entered into in connection with the Plan, in accordance with Bankruptcy Code Section

1123(b)(3)(B) the reorganized Debtor shall retain and may enforce any claims, rights and causes of action that the Debtor or its estate may hold against any entity, including claims and causes of action under Bankruptcy Code Sections 542 through 553.

#### **D. WAIVERS AND RELEASES.**

Except as otherwise expressly provided in this Plan or the confirmation order, any contract, instrument, release or other agreement entered into in connection with the Plan, the rights afforded under the Plan and the treatment of claims and interests under the estate to the fullest extent available under the Bankruptcy Code. As of the effective date, all entities that have held, currently hold or may hold a claim that is satisfied or interest that is terminated pursuant to the terms of the Plan are permanently enjoined from taking any actions against the Debtor or the reorganized Debtor, its successors or its property on account of any such satisfied claims or guaranty or guaranties executed by any individuals, principles or insiders of Debtor or the Reorganized Debtor, and any such personal guaranty or guaranties are unaffected by this Plan.

### **VIII. MEANS OF IMPLEMENTING THE PLAN**

#### **A. Source of Payments**

Payments and distributions under the Plan will be funded by the net operational income from Debtor.

#### **B. Post-Confirmation Management**

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

Name	Affiliations	Insider (yes or no)	Position	Compensation
Allen E. Brown	President	Yes	Manager	\$1700 bi-weekly

#### **C. Risk Factors**

The proposed Plan has the following risks:

Debtor's business is based on entertainment to young adults and college students. Although Debtors' business is subject to similar risks of the general economy, Debtor is located in a university town with a growing student body.

#### **D. Tax Consequences of Plan**

Creditors and equity interest holders concerned with how the Plan may affect their tax liability should consult with their accountants, attorneys, or advisors. The following are the anticipated tax consequences of the Plan: [List the following general consequences as a minimum: (1) Tax consequences to the Debtor of the Plan; (2) General tax consequences on creditors of any discharge, and the general tax consequences of receipt of Plan consideration after confirmation.)

### **IX. CONFIRMATION REQUIREMENTS AND PROCEDURES**

**A. Overview of Requirements**

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

**B. 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.

**C. 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 overrules the objection or allows the claim or equity interest for voting purposes under Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was March 28, 2018.

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

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

The following types of creditors and equity interest holders are not entitled to vote:

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

Even if you are not entitled to vote on the plan, you have a right to object to the confirmation of the plan.

**F. 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.

#### **G. Votes Necessary to Confirm the Plan**

If impaired classes exists, 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 below in section G.2.

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

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half 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 in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

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

##### **2. Treatment of Nonaccepting Classes**

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by Code § 1129(b). A Plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of Code § 1129(a)(8), does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

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

#### **H. Liquidation Analysis**

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

#### **I. 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.

#### **J. 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. Tables showing the amount of cash on hand on the effective date of the Plan, and the sources of that cash are attached to as **Exhibit E**.

**K. 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. Those projections are listed in **Exhibit F**.

The Plan Proponent's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, of \$1500 per month on average. The final Plan payment is expected to be paid on June 15, 2018.

You should consult with your accountant or other financial advisor if you have any questions pertaining to these projections.

**X. EFFECT OF CONFIRMATION OF PLAN**

**A. Discharge**

On the confirmation date of this Plan, the debtor will be discharged from any debt that arose before confirmation of this Plan, subject to the occurrence of the effective date, to the extent specified in Code § 1141(d)(1)(A), except that the Debtor will not be discharged of any debt: (i) imposed by this Plan; (ii) of a kind specified in Code § 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 Code § 1141(d)(b)(8).

**B. Modification of Plan**

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

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

**C. Final Decree**

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

Dated: June 11, 2018

/s/Ted L. Tinsman  
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Debtor's Attorney

## EXHIBITS

Exhibit A – Identity and Value of Material Assets of Debtor

Exhibit B – Prepetition Financial Statements(to be taken from those filed with the court)

Exhibit C – Summary of Postpetition Operating Reports



Exhibit D — Liquidation Analysis

Plan Proponent's Estimated Liquidation Value of Assets

Assets

a.	Cash on hand	\$8,152.89
b.	Accounts receivable	\$0
c.	Inventory	\$8,000.00
d.	Office furniture & equipment	\$0
e.	Machinery & equipment	\$3,691.00
f.	Automobiles	\$0
g.	Building & Land	\$0
h.	Customer list	\$0
i.	Investment property (such as stocks, bonds or other financial assets)	\$0
j.	Lawsuits or other claims against third-parties	\$0
k.	Other intangibles (such as avoiding powers actions)	\$0

Total Assets at Liquidation Value	\$19,843.89
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Less:

Secured creditors' recoveries	\$0
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Less:

Chapter 7 trustee fees and expenses	\$2,734.39
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Less:

Chapter 11 administrative expenses	\$15,292.00
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Less:

Priority claims, excluding administrative expense claims	\$36,729.04
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[Less:

Debtor's claimed exemptions]	\$0
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(1) Balance for unsecured claims	\$0
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(2) Total dollar amount of unsecured claims	\$245,127.94
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Percentage of Claims Which Unsecured Creditors Would Receive Or Retain in a Chapter 7 Liquidation:	\$0
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Percentage of Claims Which Unsecured Creditors Will	0%
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Exhibit E — Cash on hand on the effective date of the Plan

Cash on hand on effective date of the Plan:	\$9,851.56
Less -	
Amount of administrative expenses payable on effective date of the Plan	-\$4000
Amount of statutory costs and charges	-\$975 (US Trustee fee)
Amount of cure payments for executory contracts	-\$0.00
Other Plan Payments due on effective date of the Plan	-\$0.00
Balance after paying these amounts .....	\$4,876.56

The sources of the cash Debtor will have on hand by the effective date of the Plan are estimated as follows:

\$8,351.56	Cash in Debtor's bank account now
+\$1500	Additional cash Debtor will accumulate from net earnings between now and effective date of the Plan based on average net income of \$7500 over the period of December 2017 to May 2017.
\$9500	Total

Exhibit F – Projections of Cash Flow and Earnings for Post-Confirmation Period

	Monthly Gross Income	Monthly Total Expenses	Average Monthly Net income
July –October 2018	\$40,000	\$38,500	\$1,500
November2018-Feb 2019	\$39,500	\$38,000*	\$1,500
*(Lease payment to Time Payment of \$672.32 ends in October, but revenue will be less in Winter months)			
March 2019	\$40,000	\$37,500*	\$2500
*(Lease payment to Amerifund, Inc. of \$607.40 ends in February)			
April-June 2019	\$40,000	\$37,000*	\$3000
*(Lease payment to Mintaka Financial of \$1328.15 ends in February, but Debtor anticipates equipment replacement costs at this time as this is Debtor's busy season)			
July-September 2019	\$40,00	\$37,000*	\$3000
*(Lease payment to Financial Pacific of \$1,484.23 ends in June, but Debtor anticipates equipment repair/replacement costs at this time as items need to be replaced)			
October2019 - February 2020	\$37,000	\$35,000*	\$2000
*(Lease payment to Financial Pacific of \$930.60 ends in September and lease payment to Navitas Leasing Corp of \$983.14 ends in September. Debtor is going into a slower season)			
March 2020-September 2020	\$40,000	\$35,000*	\$5000
*(Lease payment to Mintaka Financial, LLC of \$760.40 ends in February 2020)			
October 2020-June 2021	\$40,000	\$38,000	\$2000
*(Lease payment to Marlin Equipment of \$360 ends in September 2020. Debtor has paid all lease payment, but anticipates to incur expenses to replace existing equipment on a cash basis)			