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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

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In re:

QUIMERA RESTAURANT GROUP, LLC,

Chapter 11

Case No. 1-18-41986-CEC

Debtor.

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**DEBTOR'S DISCLOSURE STATEMENT PURSUANT TO
SECTION 1125 OF THE BANKRUPTCY CODE FOR THE
DEBTOR'S PLAN OF REORGANIZATION**

Dated: Middle Village, New York
August 31, 2018

PART I – INTRODUCTION

A. Purpose of this Disclosure Statement

Quimera Restaurant Group, LLC, the above captioned debtor and debtor-in-possession (the “Debtor”) submits this Disclosure Statement¹ pursuant to Section 1125 of Title 11, United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”) and Rule 3017 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), in connection with its Plan of Reorganization dated August 31, 2018 (the “Plan”) to all known holders of claims against or interests in the Debtor in order to adequately disclose information deemed to be material, important and necessary for the Debtor’s creditors to make a reasonably informed judgment about the Debtor’s Plan. A copy of the Plan is attached hereto as **Exhibit “A.”** All capitalized terms used but not defined in this Disclosure Statement shall have the respective meanings ascribed to them in the Plan unless otherwise noted.

This Disclosure Statement has been approved by Order dated _____, 2018 of the Bankruptcy Court as containing “adequate information” to enable the Debtor’s Creditors and Claimants to make an informed judgment in exercising their right to vote to accept or reject the Plan. Pursuant to section 1125(a)(1) of the Bankruptcy Code, “adequate information” is defined as “information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor’s books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan . . .” 11 U.S.C. § 1125(a)(1).

CONDITIONAL APPROVAL OF THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A FINDING BY THE COURT AS TO THE MERITS OF THE PLAN.

NO REPRESENTATIONS CONCERNING THE DEBTOR ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS WHICH ARE OTHER THAN AS CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON BY YOU, AND ANY SUCH REPRESENTATIONS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR, MARK L. CORTEGIANO, ESQ., 65-12 69TH PLACE, MIDDLE VILLAGE, NY 11379, ATTENTION: MARK L. CORTEGIANO, ESQ., WHO IN TURN SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE. THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT OR FORMAL APPRAISALS. FOR THE FOREGOING REASON, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THE INFORMATION CONTAINED HEREIN WITHOUT ANY INACCURACY, ALTHOUGH GREAT EFFORTS HAVE BEEN MADE TO BE ACCURATE.

THE STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE MADE AS

OF THE DATE HEREOF, UNLESS ANOTHER TIME IS SPECIFIED IN THIS DISCLOSURE STATEMENT. THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN ANY FACTS SET FORTH IN THIS DISCLOSURE STATEMENT SINCE THE DATE HEREOF.

AMENDMENTS TO THE PLAN THAT DO NOT MATERIALLY AND/OR ADVERSELY CHANGE THE TREATMENT OF CLASSES MAY BE MADE TO THE PLAN PRIOR TO CONFIRMATION. SUCH AMENDMENTS MAY BE APPROVED BY THE COURT AT THE CONFIRMATION HEARING WITHOUT ENTITLING MEMBERS OF ANY CLASSES WHOSE TREATMENT IS NOT ADVERSELY CHANGED TO WITHDRAW OR MODIFY THEIR VOTES TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT SHOULD BE READ IN ITS ENTIRETY, AND SHOULD BE CONSULTED IN CONJUNCTION WITH INTERESTED ENTITIES' REVIEW OF THE DEBTOR'S PLAN. THE TERMS OF THE PLAN ARE SUMMARIZED IN THE DISCLOSURE STATEMENT FOR THE CONVENIENCE OF CREDITORS AND CLAIMANTS. HOWEVER, ALL SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF, WHICH IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY.

Your acceptance of the Plan, on the Ballot form which is enclosed, is solicited by the Debtor for use at the hearing on confirmation of the Plan which is currently scheduled to be held on _____, 2018 or at any adjournments thereof. Only Ballots which are received by the Debtor's attorney on or before _____, 2018 will be filed with the Bankruptcy Court by the Debtor and will be counted in the determination of whether the Plan has been accepted (the "Vote Determination"). You are requested to complete, date, and sign the enclosed Ballot form and to return it as promptly as possible and in any event, on or before _____, 2018, which, as set forth above, is the final date for the casting of Ballots which will be counted in the Vote Determination, to the Debtor's counsel in this chapter 11 case: The Law Office of Mark L. Cortegiano, counsel to the Debtor, 65-12 69th Place, Middle Village, NY 11379 (the "Cortegiano Firm").

Ballot forms which are received by the Cortegiano Firm signed and properly marked to indicate the name of the voting Entity, but which are not marked to show whether the Plan is being accepted or rejected, shall in all events be counted as an acceptance of the Plan in the Vote Determination. Ballot forms which are received by telecopy, shall be included in the Vote Determination.

B. Vote Required

Pursuant to Sections 1126 and 1129 of the Bankruptcy Code, the Plan must be accepted by more than one half in number and two-thirds in amount of at least one class of "impaired" claims, as that term is defined at Section 1124 of the Bankruptcy Code, of those voting in order for the Plan to be confirmed. Only "impaired" Creditors or Claimants, as said terms are defined in the Plan, are entitled to vote to accept or reject the Plan. ONLY ENTITIES WHO AFFIRMATIVELY ACT BY SENDING

IN THEIR COMPLETED, EXECUTED BALLOTS TO THE CORTEGIANO FIRM BY THE DEADLINE SET FORTH ABOVE (UNLESS OTHERWISE EXTENDED BY THE DEBTOR OR BY ORDER OF THE BANKRUPTCY COURT) SHALL HAVE THEIR VOTES COUNTED IN THE VOTE DETERMINATION.

Under the Bankruptcy Code, a class of Creditors or Claimants whose Claims are “impaired” within the meaning of that term in the Bankruptcy Code, and which therefore is being solicited hereunder, will be deemed to have accepted the Plan if acceptances of the Plan are received from Creditors or Claimants holding at least two-thirds in amount and more than one-half in number of the Allowed Claims held by the Creditors or Claimants in that Class which affirmatively act by casting a Ballot to accept or reject the Plan on or before the above-stated deadline date.

In this case, Creditors whose Allowed Claims are includable in ALL Classes (1-3) designated under the Plan (which is described below) ARE impaired, and their vote (by casting Ballots on the Plan on or before the above-stated deadline for casting ballots) shall be counted in the Vote Determination.

C. Confirmation Hearing

The Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan for _____, 2018 at __:__ a.m./p.m. (Eastern Time), before the Honorable Carla E. Craig, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Eastern District of New York, Long Island Federal Courthouse, 271-C Cadman Plaza East, Brooklyn, New York 11201. The hearing may be adjourned from time to time without further notice other than by announcement in the Bankruptcy Court on the scheduled date of such hearing or any adjourned hearings thereof. Any objections to confirmation of the Plan must be in writing and served so as to be received by: (i) the Clerk of the United States Bankruptcy Court, Conrad B. Duberstein U.S. Courthouse, 271-C Cadman Plaza East Suite 1595, Brooklyn, NY 11201-1800, with a courtesy copy to the Chambers of Chief Judge Carla E. Craig; (ii) The Law Office of Mark L. Cortegiano, counsel to the Debtor, 65-12 69th Place, Middle Village, New York, 11379; and (iii) The Office of the United States Trustee, Attn: Rachel Weinberger, 201 Varick Street, Suite 1006, New York, New York 10014 to ensure RECEIPT by them on or before _____, 2018 at 5:00 p.m. (Eastern Time).

The Disclosure Statement and Plan have been filed with the United States Bankruptcy Court for the Eastern District of New York, and are available for viewing and downloading or printing over the internet at <http://ecf.nyeb.uscourts.gov> by registered users of the PACER system, and hard copies are available by written or telephonic request to the Law Office of Mark L. Cortegiano, 65-12 69th Place, Middle Village, New York 11379, telephone (718) 894-9500.

Accompanying this Disclosure Statement are copies of the following documents (**Exhibits A**):

A. The Plan

PART II - DEFINITIONS OF CAPITALIZED TERMS IN DISCLOSURE STATEMENT

For the purposes of this Disclosure Statement, and to the extent not otherwise provided herein, all capitalized terms in this Disclosure Statement which are not specifically defined herein, shall have the meanings assigned to them in Article I of the Plan, entitled "Definitions". Each definition set forth in such Article is specifically incorporated by reference into this Disclosure Statement, and all

Entities having a stake or interest in the Debtor's case are encouraged to refer to Article I of the Plan in the event there are capitalized terms in this Disclosure Statement with which they are unfamiliar.

PART III – BACKGROUND INFORMATION ABOUT THE DEBTOR

A. Historical Background of the Debtor

The Debtor, a New York limited liability company, was formed on February 18, 2009 to develop, open and operate restaurants from the premises located at the corner of Greenwich Avenue and Bank Street, which is known as 81 Greenwich Avenue, New York NY a/k/a 2 Bank Street, New York, NY (the "Premises"). The Debtor is owned 100% by Hector Sanz Izquierdo, who is the Debtor's sole member. The debtor is engaged in the restaurant business and operates two restaurants at the Premises: 1) Barraca which serves genuine Spanish tapas, paella and sangria; 2) Macondo West which specializes in gourmet Latin street food and handcrafted cocktails. Each restaurant seats 75 people and employ a total of approximately 70 people, full and part time.

Debtor is serviced by a commissary - Quimera 999 Atlantic, LLC (the "Commissary" or "Related Entity"). The Commissary is located 999 Atlantic Avenue in Brooklyn, New York, where Debtor also maintains its offices. The Commissary does food preparation such as sauces and butchering at its location so that the restaurants can fully utilize the Premises in Manhattan to service customers. The Commissary does not generate any independent revenue and all of its expenses are paid for by the Debtor. The lease for the Commissary is in the name of Quimera 999 Atlantic, LLC.

B. Events Leading to Chapter 11

The Debtor's financial difficulties were the result of two principal events. First, prior to opening either restaurant, the other member of Quimera Restaurant Group LLC, Mr. Maximo Tejado, died tragically in March 2012. Mr. Sanz Izquierdo was left to open and operate the restaurants alone. Barraca was opened in October 2012 and Macondo West was opened in September 2014. Second, despite being well reviewed and received, the restaurants opened during the recession and business was not as robust as originally anticipated. In fact, numerous restaurants in the vicinity of Debtor went out of business during the same time that Debtor opened and began to operate. Debtor was unable to service its debt and other obligations and fell into arrears. Debtor continued to operate in an effort to earn its way out of its financial problems. However, by the beginning of 2018, it was apparent that Debtor would not be able to do so.

PART IV - THE CHAPTER 11 CASE

A. The "Administration Period", Generally

The "administration" period refers to the time between the Filing Date and the date that a Final Order ultimately is entered in the Debtor's case confirming a chapter 11 Plan.

The Debtor commenced its chapter 11 case with the filing of a voluntary petition with the U.S. Bankruptcy Court for the Eastern District of New York on April 10, 2018 (the “Petition Date”).

No trustee has been appointed in the Debtor’s case. Consequently, the Debtor, throughout its chapter 11 case, has been continuing in possession of its property as a Debtor in Possession, and is, as of the date of this Disclosure Statement, continuing to manage its affairs as such, pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

B. Significant Events In Chapter 11

During the entire administration period, the Debtor has had the benefit of the breathing space accorded by virtue of the automatic stay under Section 362 of the Bankruptcy Code. The Debtor has availed itself of this protection, and has been able to accomplish the following:

a. To date, the Debtor has satisfied all the procedural requirements of the Bankruptcy Code, and complied with all of its fiduciary duties incumbent on Debtors in Possession. Chapter 11 schedules and statements were timely prepared and filed by the Debtor; new "DIP" accounts were opened, with all pertinent information in respect of these accounts immediately made known to the Bankruptcy Court and the Office of the U.S. Trustee for the Eastern District of New York (the "US Trustee"). The Debtor also has paid all the requisite quarterly fees to the US Trustee; prepared and filed all monthly financial statements as required by the US Trustee's Operating Guidelines and the Bankruptcy Rules through the June reporting period and will file any missing operating reports for Debtor or the Related Entity prior to the hearing on the adequacy of this Disclosure Statement on October 3, 2017; and appeared and submitted to examination at each and every Section 341 meeting held herein.

b. The Debtor retained counsel (the Cortegiano Firm) to assist it in its reorganization efforts, pursuant to an Order of the Bankruptcy Court.

c. The Debtor filed First Day Motions, including a Motion to Pay Certain Prepetition Employee Obligations and a Motion to Use Cash Collateral. Debtor’s Motion to Pay Certain Prepetition Employee Obligations was approved pursuant to an Order, dated April 17, 2018; Debtor’s Motion to Use Cash Collateral was granted on an emergency basis pursuant to an Order, dated April 17, 2018, then on an Interim Basis pursuant to an Order, dated April 19, 2018, and then as a Final Agreed Order Authorizing Limited Use of Cash Collateral And Granting Adequate Protection to Existing Lienholder, dated May 18, 2018 (the “Final Cash Collateral Order”), which Final Cash Collateral Order has been extended by five so-ordered stipulations that have allowed the Debtor to operate with the use of Tapas Credit LLC’s cash collateral through August 31, 2018, and a sixth stipulation, dated August 30, 2018, has been agreed to which allows the Debtor to operate with the use of Tapas’s cash collateral through September 14, 2018.

d. By Order of this Court, dated June 27, 2018, the last date for creditors to file claims in the Debtor’s case was fixed as August 6, 2018 for creditors and October 8, 2018 for government units. The Debtor continues to review the claims filed by its creditors, and reserves the right to bring a motion to object to or reclassify any claim.

e. By Order of this Court, dated July 6, 2018, the time for Debtor to file a proposed Plan, proposed Disclosure Statement, and a Motion Seeking approval of the proposed Disclosure Statement was fixed

as August 31, 2018 with a hearing to consider approval of the Debtor's proposed Disclosure Statement pursuant to 11 U.S.C. § 1125 and Bankruptcy Rule 3017 scheduled for October 3, 2018 at 2:00 p.m.

f. Prior to reaching the 120th day of its chapter 11 case, in compliance with the requirements of 11 U.S.C. §365(d)(4), the Debtor prepared and filed a motion seeking an extension of time to assume or reject the lease for the Premises which motion was granted by Order, dated August 9, 2018. The Debtor's time to Assume or Reject the Lease is November 6, 2018.

g. During the pendency of the Chapter 11 case, the Debtor has expended significant efforts determining how it could restructure so as to pay its creditors in full. Debtor analyzed various options including selling the Commissary and consolidating operations at the Premises, renovating the Premises to expand the seating and extending the hours of operations to serve additional meals, including breakfast. However, all of these options came with significant additional costs up front and insufficient guarantee of additional revenue. After all of these options were determined not to be feasible, Debtor concluded that its only option was to sell the business as a going concern.

h. Debtor determined that it would sell its business as an going concern in the beginning of August 2018. In light of the August 31, 2018 deadline to file a plan and disclosure statement, Debtor made its best efforts to find a likely buyer for the business. Mr. Sanz Izquierdo reached out to his extensive network of contacts in and out the restaurant business and retail food business to find a buyer who would be willing and able to commit to purchase the business in such short time frame. Debtor spoke to or met with approximately 30 different potential buyers for the Debtor's business. Ultimately, Debtor identified one individual who is willing to buy Debtor's business as a going concern. Debtor and the identified proposed purchaser (the "Proposed Purchaser") are currently negotiating the terms of the sale and Debtor will revise this Disclosure Statement and the Plan once final terms are agreed upon by the Debtor and the Proposed Purchaser.

i. The Debtor's largest and senior secured creditor, Tapas Credit LLC ("Tapas"), have engaged in discussions with counsel for Tapas ("Tapas") throughout the course of Debtor's bankruptcy. Now that Debtor has decided to sell its business and identified a proposed buyer, Debtor and Tapas are in discussions about the terms and structure of the sale as it relates to payment of Tapas' claim. The discussions are ongoing and the parties expect to come to an agreement regarding the sale and Tapas' claim once the terms of the sale to the Proposed Purchaser are finalized. The Debtor believes that such an agreement is necessary to confirm a plan.

g. The Debtor, in conjunction with its counsel, has prepared and filed a Plan of Reorganization and corresponding Disclosure Statement. The Debtor believes that confirmation of its Plan of Reorganization will be imminent, and will enable it exit bankruptcy and to maximize the value received by creditors because a sale of Debtor's business as a going concern will realize far greater value than a liquidation of only the Debtor's tangible assets. The Debtor therefore believes that its Chapter 11 case will be successful.

C. The Proposed Sale

As set forth above, after analyzing its options for reorganization, Debtor determined that the highest value to be achieved for the creditors was through the sale of the Debtor as a going concern.

Although Mr. Sanz Izquierdo originally intended to reorganize the Debtor by way of restructuring the restaurant and paying all of its creditors in full, the Debtor simply did not have the financial wherewithal to make the changes to the Premises or the Debtor's business that Mr. Sanz Izquierdo had initially hoped would allow for such a reorganization. After this determination was made at the beginning of August 2018, Mr. Sanz Izquierdo sought a buyer for the Debtor's restaurants as a going concern. Mr. Sanz Izquierdo reached out to his extensive network of contacts in and out the restaurant business and retail food business to find a buyer who would be willing and able to commit to purchase the business in such short time frame. Debtor spoke to or met with approximately 30 different potential buyers for the Debtor's business. Ultimately, Debtor identified one individual who is willing to buy Debtor's business as a going concern. Debtor and the Proposed Purchaser are currently negotiating the terms of the sale (the "Proposed Sale") and Debtor will revise this Disclosure Statement and the Plan once final terms are agreed upon by the Debtor and the Proposed Purchaser.

As the Debtor is in Chapter 11, the Proposed Sale to the identified Proposed Purchaser requires the approval of the Bankruptcy Court. Once the Debtor and the Proposed Purchaser agree to terms and execute a contract, the Debtor will seek Court approval of the Proposed Sale pursuant to a separate motion ("Sale Motion"). Debtor anticipates that the negotiation of terms and execution of a contract will conclude before the hearing on the approval of the Proposed Disclosure Statement on October 3, 2018.

D. Agreement with Tapas

Tapas has a first priority blanket secured lien on all of Debtor's assets, tangible, intangible or otherwise, in the amount of \$5,522,069.00 as is more fully described and supported in its proof of claim (Claim 5) filed on July 26, 2018. On April 5, 2018, Tapas obtained a pre-petition judgment in the amount of \$5,474,825.35 against, *inter alia*, the Debtor, Debtor's sole member, Hector Sanz Izquierdo, and the Related Entity, Quimera 999 Atlantic LLC. The judgment was entered in the New York State Supreme Court, New York County on April 5, 2018. Throughout the chapter 11 proceeding, the Debtor and Tapas Maspeth engaged in extensive discussions. Now that Debtor has decided to sell its business and identified a buyer, Debtor and Tapas are in discussions about the terms and structure of the sale as it relates to payment of Tapas' claim. The discussions are ongoing and the parties expect to come to an agreement regarding the sale and Tapas' claim once the terms of the sale to the Proposed Purchaser are finalized. The Debtor believes that such an agreement is necessary to confirm a plan.

PART V - THE DEBTOR'S PLAN

THIS PART REPRESENTS ONLY A SUMMARY OF THE DEBTOR'S PLAN. ALL CLAIMANTS AND CREDITORS ARE URGED TO READ THE PLAN IN FULL. ALL CREDITORS AND CLAIMANTS ARE FURTHER URGED TO CONSULT WITH COUNSEL AND/OR WITH EACH OTHER, IN ORDER TO FULLY UNDERSTAND THE PLAN. THE PLAN REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BETWEEN THE DEBTOR AND CREDITORS AND CLAIMANTS. THE PLAN IS HIGHLY COMPLEX, AND AN INFORMED JUDGMENT CONCERNING THE PLAN CANNOT BE MADE WITHOUT REVIEWING IT AND UNDERSTANDING IT.

A. General Overview

Sections 1122 and 1123(a) of the Bankruptcy Code require, among other things, that all Claims against the Debtor (except for Administration Claims and Priority Tax Claims) be divided into

classes designated under and by the Plan; that all Claims which are included in a certain designated class be substantially similar to all other Claims included in such class; and that each Claim in a particular class receive the same treatment, unless the holder of a particular Claim in such class agrees to a less favorable treatment than that generally provided under the Plan for such class. The aforesaid requirements ensure that all Entities who are similarly situated will receive the same treatment under the Plan, and that no favoritism occurs. The Debtor's Plan divides all Claims to and/or against the Debtor (except for Administration Expenses and Priority Tax Claims) into four (4) separate classes, described below. Although Debtor has not yet concluded its negotiations with the Proposed Purchaser of all of its assets and goodwill, Debtor anticipates that all classes under the plain will be "impaired", as that term is explained below.

In general, a Chapter 11 plan of reorganization must (i) divide Claims and equity interests into separate categories and classes, (ii) specify the treatment that each category and class is to receive under such plan, and (iii) contain other provisions necessary to implement the reorganization of a debtor. A Chapter 11 plan may specify that the legal, equitable, and contractual rights of the holders of Claims or equity interests in certain classes are to remain unchanged by the reorganization effected by the plan. Such classes are referred to as "unimpaired" and, because of such favorable treatment, are deemed to vote to accept the plan. Accordingly, it is not necessary to solicit votes from holder of Claims in such "unimpaired" classes. Pursuant to Section 1124(1) of the Bankruptcy Code, a class of claims or interests is "impaired," and entitled to vote on a plan, unless the plan "leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest."

Under the Plan, Debtor believes that the Holders of Claims in Classes 1, 2, 3 and 4, are impaired, inasmuch as they will receive a lesser amount on account of their Claims than they would be entitled to under applicable law. A Class is impaired if its legal, contractual or equitable rights are materially altered or reduced. This means that a creditor or class whose rights are impaired will receive less than they would have received, and at a later date, than they would have in the absence of an insolvency proceeding. The holders of Claims and Interests in Classes 1 - 4 are entitled to vote to accept or reject the plan. Pursuant to Section 1126 of the Bankruptcy Code, the Plan must be accepted by more than one half in number and two-thirds in amount of at least one class of impaired creditors of those voting in order for the Plan to be confirmed.

B. Impairment of Claims

Section 1124 of the Bankruptcy Code, as presently written, provides as follows:

... a class of claims or interests is impaired under a Plan unless, with respect to each claim or interest of such class, the Plan-

(1) leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder of such claim or interest; or

(2) notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default—

(A) cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in section 365(b)(2)

of [the Bankruptcy Code] or of a kind that section 365(b)(2) expressly does not require to be cured;

(B) reinstates the maturity of such claim or interest as such maturity existed before such default;

(C) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law;

(D) if such claim or such interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A), compensates the holder of such claim or interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and

(E) does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interest.

Section 1126(f) of the Bankruptcy Code provides that “... a class that is not impaired under a plan, and each holder of a claim or interest of such class, are conclusively presumed to have accepted the plan, and solicitation of acceptances with respect to such class from the holders of claims or interests of such class is not required”.

C. Summary and Treatment of Unclassified Claims Under the Debtor’s Plan

Pursuant to Section 1123 of the Bankruptcy Code, Administration Claims and Priority Tax Claims are not "classified" under a Plan.

A. Classification and Treatment of Claims and Equity Interests

Section 1122 of the Bankruptcy Code provides that a plan of reorganization shall classify the claims and equity interests of a debtor’s creditors and equity interest holders. In compliance with Section 1122, the Plan divides the holders of Claims and Equity into four (4) categories and four (4) classes, and sets forth the treatment offered to each class.¹ These Classes take into account the differing nature and priority of Claims against the Debtors.

The Plan segregates the various Claims against, and Interests in the Debtor into unclassified

¹ A debtor is required under Section 1122 of the Bankruptcy Code to classify the claims and interests of its creditors and interest holders into classes containing claims and interests that are substantially similar to the other claims or interests in such class. While the Debtor believe that its classification of all Claims and Equity Interests is in compliance with the provisions of Section 1122 of the Bankruptcy Code, it is possible that a holder of a Claim or Equity Interest may challenge the Debtor’s classification scheme and the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In such event, it is the present intent of the Debtor, to the extent permitted by the Bankruptcy Court, to modify the Plan to provide for whatever reasonable classification might be required by the Bankruptcy Court for Confirmation.

categories and classified claims as follows:

Unclassified

Category 1 - Administrative Expense Claims
(other than Administrative Professional Fees)

Category 2 - Administrative Professional Fees

Category 3 - U.S. Trustee's Fees

Category 4 - Priority Tax Claims

<u>Class</u>	<u>Status</u>
Class 1 - Allowed Secured Claim of Tapas	<u>Impaired</u> – entitled to vote to accept or reject the Plan.
Class 2 - Allowed Secured Claim of New York State Department of Taxation and Finance, New York State Department of Labor, New York City Office of Administrative Trials and Hearings	<u>Impaired</u> – entitled to vote to accept or reject the Plan.
Class 3 - General Unsecured Claims	<u>Impaired</u> – entitled to vote to accept or reject the Plan.
Class 4 - Equity Interests	<u>Impaired</u> –

Set forth below is a summary of the Plan's treatment of the various categories and Classes of Claims and Interests. This summary is qualified in its entirety by the full text of the Plan. In the event of an inconsistency between the Plan and the description contained herein, the terms of the Plan shall govern. The Plan is complicated and substantial. Time should be allowed for its analysis; consultation with a legal and/or financial advisor is recommended and should be considered.

1. Unclassified Categories of Claims – Administrative Expense Claims

Administrative Expense Claims include costs incurred in the operation of the Debtor's business after the Petition Date, the fees and expense of Professionals retained by the Debtor, and any statutory committee appointed to serve in the Chapter 11 case. Categories 1 – 3 of the Administrative Expense Claims are unimpaired under the Plan, and accordingly, such Claimants are deemed to accept the Plan. Category 4 of the Administrative Expense Claims are impaired and are entitled to vote to accept or reject the plan.

(a) Category 1 – Administrative Expense Claims (Other than Professional Fee Claims)

Under the Plan, all Allowed Administrative Expense Claims filed on or before the

Administrative Claims Bar Date shall be paid in full, in Cash, in such amounts as (a) are incurred in the ordinary course of business by the Debtor, (b) are Allowed by the Bankruptcy Court upon the later of the Effective Date, the date upon which there is a Final Order allowing such Administrative Expense Claim or any other date specified in such Order, or (c) may be agreed upon between the Holder of such Administrative Expense Claim and the Debtor pursuant to ordinary course repayment terms. As of August 31, 2018, the Debtor's ordinary course Administrative Expense Claims total \$0.00 and Debtor does not anticipate any such claims.

(b) Category 2 – Administrative Professional Fees

All entities seeking an award by the Bankruptcy Court of Professional Fees, or of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under Sections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code, (a) shall file their respective final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Confirmation Date within the time proscribed by the Court so that such application can be considered for allowance at the Confirmation Hearing, and (b) if granted, such an award by the Bankruptcy Court shall be paid in full in such amounts as allowed by the Bankruptcy Court (i) on the later of the Effective Date or the date such Administrative Professional Fee Claim becomes Allowed, (ii) upon such other terms as may be mutually agreed upon between such holder of an Allowed Administrative Professional Fee Claim and the Debtor or, on and after the Effective Date, the Reorganized Debtor, or (iii) in accordance with the terms of any applicable administrative procedures order entered by the Bankruptcy Court. All Administrative Professional Fees for services rendered in connection with the Chapter 11 Case and the Plan after the Confirmation Date, including, without limitation, those relating to the occurrence of the Effective Date and the resolution of Disputed Claims, shall be paid by the Reorganized Debtor upon receipt of an invoice therefore, without the need for further Bankruptcy Court authorization or entry of a Final Order. If the Reorganized Debtor and any Professionals cannot agree on the amount of post-Confirmation Date fees and expenses to be paid to such Professionals, such amount shall be determined by the Bankruptcy Court.

Allowed Administrative Professional Fees consist of the Claims of (i) Mark L. Cortegiano, Esq.; and (ii) any other professional retained by the Debtor, and approved by the Bankruptcy Court, in connection with the reorganization of the Debtor or the implementation of the Plan. The estimated net unpaid Allowed Professional Fee Claims as of the anticipated Confirmation Date are as follows²: Mark L. Cortegiano: \$40,000.00

(c) Category 3 – United States Trustee's Fees

Under the Plan, all United States Trustee statutory fees arising under 28 U.S.C. § 1930(a)(6) shall be paid in full, in Cash, in such amount as they are incurred in the ordinary course of business by the Debtor. The Debtor shall be responsible, through the entry of a final decree closing the case for the payment of United States Trustee quarterly fees, and pursuant to 31 U.S.C. § 3717, any interest

² These amounts are estimates. All Professionals will be filing Final Fee Applications to be heard on the same day as the Confirmation Hearing for services rendered during the Debtor's bankruptcy cases. Accordingly, these fees are subject to modification pursuant to Bankruptcy Court Final Fee Orders

assessed on unpaid Chapter 11 quarterly fees charged, assessed at the interest rate in effect as determined by the Treasury Department at the charges become past due. The Debtor estimates unpaid United States Trustee fees through Confirmation to be \$-0-.

(d) Category 4 –Priority Tax Claims

The term "Allowed Priority Tax Claims" is defined in the Plan, and is limited to Pre-Petition Tax Claims. In accordance with Section 1123 of the Bankruptcy Code, such Claims are not "classified" in a class under the Plan.

The priority tax claims are as follows:

a) New York State Department of Taxation and Finance (Proof of Claim 1-4):

i) Corporate Tax

Tax	Penalty	Interest	Total
\$500.00	0.00	\$2.87	\$502.87

ii) Withholding Tax

Tax	Penalty	Interest	Total
\$50.00	0.00	\$3,060.73	\$3,110.73

iii) Sales Tax

Tax	Penalty	Interest	Total
\$746,113.52	0.00	\$210,943.17	\$957,056.69

b) New York State Department of Labor (Unemployment Insurance) (Proof of Claim 2-2)

Contributions	Interest	Total
\$50,291.26	\$9,486.25	\$59,777.51

c) Department of the Treasury - Internal Revenue Service (Withholding/FICA & FUTA)(Proof of Claim 3-2)

Tax	Interest	Total
\$478,763.02	\$33,295.37	\$512,058.39

d) New York City Department of Finance (Commercial Real Estate Tax)

Tax	Interest	Total
\$94,388.47	\$13,699.62	\$108,088.09

The treatment of Allowed Priority Tax Claims is set forth in Article III of the Plan. Whether or not any funds will be paid to Allowed Priority Tax Claims is dependent upon the outcome of the negotiations with the Proposed Purchaser, the secured creditors and the various creditors in this class. Debtor anticipates that Category 4 is Impaired and may be paid zero percent (0%) of the Allowed amount of such Allowed Priority Tax Claim.

The Plan shall not enjoin or restrain the Priority Tax Claimants from taking or continuing any action to collect on any actual or potential claim or claims which they may assert or make against the Debtor's Members personally. Allowed Priority Tax Claims pursuant to §507(a)(8) of the Bankruptcy Code. The Debtor estimates the total of the above Allowed Priority Tax Claims to be \$1,640,594.28. Debtor disputes the New York City Department of Finance Claim for Commercial Real Estate tax and may Object to said Claim, and reserves the right to object to other Claims in this category.

2. Classified Categories of Claims

Pursuant to Section 1124 of the Bankruptcy Code, a class of claims or equity interests is impaired unless the legal, equitable, and contractual rights of the holders of Claims or equity interests in such class are not modified or altered. Holders of Allowed Claims and Interest in impaired classes are entitled to vote on a debtor's plan of reorganization. Under the Debtor's Plan, Classes 1, 2, 3, and 4, are impaired and have the right to vote to accept or reject the Plan.

(a) Class 1 – Allowed Secured Claim of TAPAS

Class 1 consists of the Holder of the Allowed Secured Claims of Tapas. The Holder of the Class 1 Allowed Secured Claim of Tapas is impaired under the Plan and is entitled to vote to accept or reject the Plan. The Debtor estimates that the Class 1 Allowed Secured Claims of Tapas totals \$5,522,069.00.

(b) Class 2 – Allowed Secured Claims of New York State Department of Taxation and Finance, New York State Department of Labor, New York City Office of Administrative Trials and Hearings

Class 2 consists of the Holders of the Allowed Secured Claims of New York State Department of Taxation and Finance, New York State Department of Labor, New York City Office of Administrative Trials and Hearings. The Holders of the Class 2 Allowed Secured Claims are impaired under the Plan and are entitled to vote to accept or reject the Plan. The Debtor disputes the claim of the New York City Office of Administrative Trials and Hearings and reserves the right to object to said Claim. The Debtor estimates that the Class 2 Allowed Secured Claims total \$287,143.23.

(c) Class 3 - Allowed Unsecured Claims

Class 3 consists of the Holders of Allowed Unsecured Claims. The Holders of the Class 3 Allowed Unsecured Claims consist of scheduled claims as well as penalties set forth in the Claims of Governmental Agencies. The Debtor disputes the claim of the Landlord (Claim 6) and reserves the right to object to this Claim and other Claims in this Class. The Holders of the Class 3 Allowed Unsecured Claims are impaired. The Debtor estimates that the Class 3 Allowed Unsecured Claims total \$2,340,647.21.

(b) Class 4 – Equity Interest Holders

Class 4 consists of the claims of Holder of equity interest of Hector Sanz Izquierdo in the Debtor. Mr. Sanz Izquierdo is an Insider. The Holder of the Class 4 Claims Allowed Interest shall not retain any interest in the Debtor and the Class 4 Claim is impaired.

(c) Retiree Benefits

The Debtor has never funded or maintained any retiree benefit plans, funds or programs as defined in Section 1114 of the Bankruptcy Code, for the purpose of providing or reimbursing payments for retired employees or their spouses and dependents for medical, surgical, or hospital care benefits, or benefits in the event of sickness, accident, disability, or death under any plan, fund or program (through the purchase of insurance or otherwise). Accordingly, the Plan does not make provisions to pay any such benefits under Section 1129(a)(13) of the Bankruptcy Code.

3. Voting Classes

All classes of Claims are impaired and have the right to vote to accept or reject the Plan.

B. Sale Procedures

In connection with confirmation of the Debtor's Plan, the Debtor is seeking to sell all of its assets and goodwill to the Proposed Purchaser, subject to approval by this Court by way of the Sale Motion, will be subject to higher and better offers at auction.

Bidding Procedures and Auction

The proposed sale of the Debtor's assets and goodwill to the Proposed Purchaser, subject to approval by this Court by way of the Sale Motion, will be subject to higher and better offers at auction. When Debtor seeks approval of the proposed sale by the Sale Motion, the Sale Motion will include and seek approval of bidding and auction procedures as well. The bidding and auction procedures will also be added to the Plan and Disclosure Statement by amendment. The Proposed Purchaser may also seek a break-up fee as part of those procedures, which will also be included in the Sale Motion and added to the Plan and Disclosure Statement by amendment.

C. Means for Implementation of the Plan

1. Plan Funding. The Plan will be funded by the Proposed Sale. Once an agreement has been reached with the Proposed Purchaser and Tapas, Debtor will be able to ascertain what funds, if any, will be available to each Category or Class of Claims.

2. Means for Implementation: The Plan will be implemented by means of the Proposed Sale. Once an agreement has been reached with the Proposed Purchaser and Tapas, Debtor will be able to ascertain the timing required to effectuate the Proposed Sale and make payment under the Plan. The terms of the Proposed Sale will be set forth in the Sale Motion for approval by the Bankruptcy court and may include terms such the transfer of the assets of the Debtor free and clear of all liens, claims and encumbrances of any kind or nature whatsoever pursuant to Sections 363(b), (f), (k) and (m) and 1123(b)(4) and 1129 of the Bankruptcy Code.

a) Turnover and Release of Property of the Estate Upon Sale.

In general, and subject to the approval of the Proposed Sale, no later than the Closing Date, all persons or entities who are in possession of any property (personal or real) of the Debtor's estate, shall be required to make available for conveyance, all such property of the estate, to the Proposed Purchaser, including but not limited to providing all books and records accounting for such time in which they were in possession to the Debtor.

b) Tax Exemption. This Plan contemplates that the Proposed Sale shall not subject to any tax as provided for in Section 1146(a) of the Bankruptcy Code.

D. Miscellaneous Plan Provisions

1. Resolution Of Disputed Claims & Reserves

(a) Objections. The Debtor or a party in interest shall file all objections to the allowance of any Claims with the Bankruptcy Court, in writing, no later than sixty (60) days after the Effective Date.

(b) Amendment of Claims. Claims may be amended only up to seven (7) days prior to the Effective Date unless agreed upon, in writing, by the Debtor and the holder of such Claim and as approved by the Bankruptcy Court or as otherwise permitted by the Code and Bankruptcy Rules.

(c) Estimation of Disputed Claims. The Debtor reserves the right to seek an order or orders from the Bankruptcy Court estimating the maximum dollar amount of Allowed and Disputed Claims in each Class of Claims, inclusive of contingent and/or unliquidated Claims, or otherwise determining and fixing the amount of the Disputed Claims Reserve for each Class, and may seek to set the amount of any particular Claim for final allowance purposes pursuant to §§105 and 502(c) of the Bankruptcy Code. This estimate shall be used to calculate and fix distributions to holders of Allowed Claims and the amount of the respective Disputed Claims Reserve. Such a procedure may also be utilized for Administrative Claims, Priority Tax Claims and Priority Claims. In the event the Debtor seeks to estimate such Claims, Disputed Claims Reserves shall be established for each such category of Claims.

(d) Disputed Claims Reserve. In the event that a Disputed Claim is not resolved by

the Effective Date and the Disbursing Agent decides, in its discretion, to effectuate distributions to holders of Allowed Claims in the same or junior Classes to the Disputed Claim, the Disbursing Agent shall to the extent that sufficient funds are available in the Distribution Fund, reserve, on account of each Disputed Claim, in cash, the amount that would otherwise be distributable to such holder were such Disputed Claim an Allowed Claim in order to permit distributions under Article III hereof to proceed. The cash so reserved for the holder of such Disputed Claim shall be distributed to such holder only after and to the extent that such Disputed Claim becomes a subsequently Allowed Claim. The holder of a subsequently Allowed Claim shall not be entitled to any additional interest on the Allowed Claim, regardless of when distribution thereon is made to or received by such holder. Any balance remaining in reserve after all Disputed Claims have been resolved shall be distributed as soon as practicable in accordance with Article III of this Plan.

(e) Distributions to Holders of Subsequently Allowed Claims. All distributions to

holders of subsequently Allowed Claims, to the extent entitled to be paid under this Plan, shall be paid upon the later to occur of, (i) as soon as practicable after the Effective Date and (ii) the entry of a Final Order Allowing such Claim.

(f) Disputes Regarding Rights to Payments or Distribution. In the event of any

dispute between and among Claimants (including Persons asserting the right to receive the disputed payment or distribution) as to the right of any Person to receive or retain any payment or distribution to be made to such Person under this Plan, the Debtor may, in lieu of making such payment or distribution to such entity, remit the disputed portion of the Claim into an escrow account, as ordered by a court of competent jurisdiction or as the interested parties to such dispute may otherwise agree among themselves. Notwithstanding anything to the contrary, the Debtor shall make distributions on account of the undisputed portion of a Claim to such Claimants.

(g) Setoff. Except as otherwise provided in the Plan, the Confirmation Order, or in agreements previously approved by Final Order of the Bankruptcy Court, the Debtor's estate or Reorganized Debtor, as the case may be, may, pursuant to Section 553 of the Bankruptcy Code or applicable non-bankruptcy law, offset against any Claim and any distribution to be made on account of such Claim, any and all of the Claims, rights and causes of action of any nature that the Debtor or the estate may hold against the Holder of such Claim; provided, however, that neither the failure to effect such a setoff, the allowance of any Claim hereunder, any other action or omission of the Debtor or the estate, nor any provision of this Plan shall constitute a waiver or release by the Debtor or the estate of any such Claims, rights and causes of action that the Debtor or the estate may possess against such Holder. To the extent the estate fails to set off against a Creditor and seek to collect a Claim from such Creditor after a distribution to such Creditor pursuant to the Plan, the estate shall be entitled to full recovery on its Claim against such Creditor.

(h) Claims Procedures Not Exclusive. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. On and after the Confirmation Date, Claims which have been estimated may subsequently be compromised, settled, withdrawn, or otherwise resolved without further order of the Bankruptcy Court.

2. Unclaimed Property

Except as otherwise provided herein, in the event any Claimant fails to claim any distribution within four (4) months from the date of such distribution, such Claimant shall forfeit all rights thereto, and to any and all future payments, and thereafter the Claim for which such cash was distributed shall be treated as a disallowed Claim. In this regard, distributions to Claimants entitled thereto shall be sent to their last known address set forth on a proof of claim filed with the Bankruptcy Court or if no proof of claim is filed, on the Schedules filed by the Debtors or to such other address as may be designated by a Creditor. The Disbursing Agent, Debtor and Reorganized Debtor shall use their collective best efforts to obtain current addresses for all Claimants. The Disbursing Agent shall notify the Debtor of all returned distributions. All unclaimed cash shall be returned to the Reorganized Debtor.

3. Exculpation

Neither the Debtor nor any of its respective members, shareholders, officers, directors, employees, attorneys, advisors, agents, representatives and assigns (the “Released Parties”) shall have or incur any liability to any entity for any action taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, Confirmation or consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into, or any other action taken or omitted to be taken in connection with the chapter 11 case or the Plan and any related agreement except for bad faith, willful misconduct, gross negligence, breach of fiduciary duty, malpractice, fraud, criminal conduct, unauthorized use of confidential information that causes damages, and/or ultra vires acts.

Notwithstanding any other provision hereof, nothing in Sections 8.2 or 8.3 of the Plan shall (a) effect a release of any claim by the United States Government or any of its agencies or any state and local authority whatsoever, including, without limitation, any claim arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against the Released Parties, nor shall anything in Sections 8.2 or 8.3 of the Plan enjoin the United States or any state or local authority from bringing any claim, suit, action or other proceedings against any of the Released Parties referred to herein for any liability whatever, including, without limitation, any claim, suit or action arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority, nor shall anything in this Plan exculpate any party from any liability to the United States Government or any of its agencies or any state and local authority whatsoever, including liabilities arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against the Parties referred to herein, or (b) limit the liability of the Debtor’s professionals to the Debtor pursuant to Rule 1.8(h)(1) of the New York Rules of Professional Conduct.

4. Injunction

Upon the Confirmation Date, but subject to the occurrence of the Effective Date, all persons who have held, hold or may hold Claims or Interests are enjoined from taking any of the following actions against or affecting the Debtor or assets of the Debtor with respect to such Claims, Interests

or Administrative Claims, except as otherwise set forth in the Plan, and other than actions brought to enforce any rights or obligations under the Plan or appeals, if any, from the Confirmation Order:

(i) Commencing, conducting or continuing in any manner, directly or indirectly, any suit, action, arbitration, or other proceeding of any kind against the Debtor or the assets of the Debtor regarding the Claims or Interests.

(ii) Enforcing, levying, attaching, or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree, or order against the Debtor, the assets of the Debtor;

(iii) Creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtor, the assets of the Debtor;

(iv) Asserting any setoff, right of subrogation, or recoupment of any kind, directly or indirectly, against the Debtor, the assets of the Debtor; and

(v) Proceeding in any manner and any place whatsoever that does not conform to or comply with the provisions of the Plan.

5. Amendment, Modification, Withdrawal or Revocation of the Plan.

The Debtor reserves the right, in accordance with the Bankruptcy Code, to amend or modify the Plan prior to the Confirmation Date or as soon as practicable thereafter. After the Confirmation Date, the Debtor may, subject to order of the Bankruptcy Court, and in accordance with Section 1127(b) of the Bankruptcy Code, remedy any defect or omission or reconcile any inconsistencies in the Plan in such manner as may be necessary to carry out the purposes and intent of the Plan.

6. Retention of Jurisdiction

The Debtor and such other applicable parties in interest as set forth in the Plan reserve the right, as set forth in the Plan, to institute preference, fraudulent conveyance, and other litigation claims within the time period proscribed by the Bankruptcy Code, Bankruptcy Rules, other applicable law, or such time period as may be fixed by the Bankruptcy Court.

The Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 Case and the Plan pursuant to, and for the purposes of, Sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

(a) To determine all controversies relating to, or concerning, the allowance of Claims upon objection to such Claims by any party in interest;

(b) To determine requests for payment of Claims entitled to priority under Section 507(a)(2) of the Bankruptcy Code, including any and all applications for compensation or Professional Persons;

(c) To determine and, if necessary, liquidate, any and all Claims arising from the rejection of any Executory Contracts;

(d) To determine any and all applications, adversary proceedings, and contested or litigated matters over which the Bankruptcy Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 157 and 1334;

(e) To determine all disputed, contingent or unliquidated Claims;

(f) To determine requests to modify this Plan pursuant to Section 1127 of the Code, or to remedy any defect or omission or reconcile any inconsistencies in this Plan or the Confirmation

Order to the extent authorized by the Bankruptcy Code;

(g) To make such orders as are necessary or appropriate to carry out the provisions of this Plan;

(h) To resolve controversies and disputes regarding the interpretation or enforcement of the terms of this Plan; and

(i) To enter a final decree closing the Chapter 11 Case.

7. Contracts and Unexpired Leases

All leases and executory contracts to which the Debtor is a party to as of the Petition Date shall be assumed or rejected by motion pursuant to Section 365 of the Bankruptcy Code to be made by November 6, 2018, pursuant to this Court's August 9, 2018. Any Claim by the Landlord of the Premises (Claim 6) will be resolved or provided for in such motion. Debtor disputes Landlord's Claim and reserves the right to object to same.

8. Post-Confirmation Fees, Final Decree

Payment of all Post-Confirmation fees shall be subject to approval by the Bankruptcy Court.

The Debtor shall be responsible for filing post-Confirmation reports with the Bankruptcy Court and the Disbursing Agent shall effectuate payment all quarterly fees required under 28 U.S.C. § 1930 and applicable interest under 31 U.S.C. § 3717, on behalf of the Debtor who shall remain responsible therefor, until the earlier of (a) conversion or dismissal of this chapter 11 case or (b) entry of a final decree closing this chapter 11 case. A final decree shall be entered as soon as practicable after distributions have commenced under the Plan.

I. PLAN CONFIRMATION AND EXECUTION

The following is a brief summary of the provisions of the Bankruptcy Code respecting acceptance and confirmation of a plan of reorganization. Holders of Claims and Equity Interests are encouraged to review the relevant provisions of the Bankruptcy Code and/or to consult their own attorneys.

A. Acceptance of the Plan

This Disclosure Statement is provided in connection with the solicitation of acceptances of the Plan. The Bankruptcy Code defines acceptance of a plan or reorganization by a class of Claims as acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number, of the allowed Claims of that class that have actually voted or are deemed to have voted to accept or reject a plan. The Bankruptcy Court will confirm the Plan only if it finds that all of the requirements of Section 1129(a) or (b) of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan (i) is accepted by at least one impaired Class of Claims and Interests or, if rejected or deemed rejected by an impaired Class, "does not discriminate unfairly" and is "fair and equitable" as to each rejecting class; (ii) is feasible; and (iii) is in the "best interest" of Creditors and Interest Holders impaired under the Plan.

B. Solicitation of Votes

Each Holder of a Claim and Equity Interest in Classes 1, 2, 3, and 4 have been sent a ballot together with this Disclosure Statement. The ballot is to be used for voting to accept or reject the Plan.

The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be mailed or delivered by hand or courier so that they are ACTUALLY RECEIVED no later than 5:00 p.m. (Eastern Standard Time) on _____, **2018** at the following address:

Mark L. Cortegiano, Esq.
65-12 69th Place
Middle Village, NY 11379

TO BE COUNTED. YOUR BALLOT MUST BE ACTUALLY RECEIVED BY 5:00 P.M. (EASTERN STANDARD TIME) on _____, 2018.

Each Holder of an Allowed Claim in Classes 1, 2, 3, and 4 shall be entitled to vote to accept or reject the Plan as provided for in the order approving the Disclosure Statement. A vote may be disregarded if the Bankruptcy Court determines that such vote was not solicited or procured in good faith and in accordance with the Bankruptcy Code.

C. Fair and Equitable Test; Cramdown.

Notwithstanding a rejection by a Class of impaired Creditors, the Bankruptcy Court may confirm the Plan and the Plan will be binding upon all Classes, including the Classes rejecting the Plan, if it is demonstrated to the Bankruptcy Court that at least one impaired Class of Claims has accepted the Plan and that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to each non-accepting Class. A plan does not discriminate unfairly if the legal rights of a dissenting Class are treated in a manner consistent with the treatment of other Classes whose legal rights are similar to those of the dissenting Class and if no Class receives more than it is entitled to on account of its Claims or Equity Interests.

The Bankruptcy Code establishes different “fair and equitable” test for General Unsecured Claims and Equity Interests as follows:

(a) General Unsecured Claims. Either (i) each Holder of a General Unsecured Claim in a non-accepting Impaired Class receives or retains under the Plan property of a value, as of the Effective Date, equal to the Allowed amount of such Claim, or (ii) the Holders of any Claims or Equity Interests that are junior to the Claims of the dissenting Class will not retain any property under the Plan.

(b) Equity Interest Holders. Under the Plan, the Class 4 Equity Interests shall not retain his Interests in the Debtor.

D. Confirmation

1. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. Notice of the Confirmation Hearing of the Plan has been provided to all known holders of Claims and Equity Interests or their representatives along with this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent Confirmation Hearing. At the Confirmation Hearing, the Bankruptcy Court will (i) determine whether the Plan has been accepted by the requisite majorities of each voting class; (ii) hear and determine all objections to the Plan and to confirmation of the Plan; (iii) determine whether the Plan meets the requirements of the Bankruptcy Code and has been proposed in good faith; and (iv) confirm or refuse to confirm the Plan.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to Confirmation of the Plan must be in writing, must conform with the Bankruptcy Rules and the Local Rules of the Bankruptcy Court, must set forth the name of the objectant, the nature and amount of Claims or Equity Interests held or asserted by the objectant against the Debtor's Estate or property, and the basis for the objection and the specific grounds in support thereof. Such objection must be filed with the Bankruptcy Court together with proof of service thereof, and served upon:

To the Debtor:

Mark L. Cortegiano, Esq.
65-12 69th Place
Middle Village, NY 11379

To the Office of the United States Trustee:

Office of the United States Trustee
Eastern District of New York
201 Varick Street
Suite 1006
New York, NY 10014
Attn: Rachel Weinberger, Esq.

so as to be received no later than the date and time designated in the notice of the Confirmation Hearing.

2. Statutory Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Debtor will request that the Bankruptcy Court determine that the Plan satisfies the requirements of Section 1129 of the Bankruptcy Code. If so, the Bankruptcy Court shall enter an order confirming the Plan. The applicable requirements of Section 1129 of the Bankruptcy Code are as follows:

- (a) The Plan must comply with the applicable provisions of the Bankruptcy Code;
- (b) The Debtor must have complied with the applicable provisions of the Bankruptcy Code;
- (c) The Plan has been proposed in good faith and not by any means forbidden by law;
- (d) Any payment made or promised to be made by the Debtor under the Plan for services or for costs and expenses in, or in connection with, these Chapter 11 cases, or in connection with the Plan and incident to the Reorganization Case, has been disclosed to the Bankruptcy Court, and any such payment made before Confirmation of the Plan is reasonable, or if such payment is to be fixed after Confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;
- (e) The Debtor has disclosed the identity and affiliation of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of the Debtor under the Plan. Moreover, the appointment to, or continuance in, such office of such individual, is consistent with the interests of holders of Claims and Equity Interests and with public policy, and the Debtor has disclosed the identity of any insider that the Reorganized Debtor will employ or retain, and the nature of any compensation for such insider.
- (f) Feasibility and “Best Interest” Tests: The Bankruptcy Code requires that in order to confirm the Plan the Bankruptcy Court must find that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtor (the “Feasibility Test”). For a Plan to meet the Feasibility Test, the Bankruptcy Court must find that the Debtor will possess the resources and working capital necessary to remain a viable entity and meet its obligations under the Plan. In addition, the Bankruptcy Court must determine that the values of the distributions to be made under the Plan to each Class will equal or exceed the values which would be allocated to such Class in a liquidation under Chapter 7 of the Bankruptcy Code (the “Best Interest Test”). The Best Interest Test with respect to each impaired Class requires that each holder of a Claim or Interest in such Class either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code.

To determine if the Plan is in the best interest of each class, the probable results of Chapter 7 liquidation must be compared with the results proposed under the Plan. In a Chapter 7 liquidation, creditors and interest holders of a debtor are paid from available assets generally in the following order, with no lower class receiving any payments until all amounts due to senior classes have

either been paid in full or payment in full is provided for: (i) first to secured creditors (to the extent of the value of their collateral); (ii) next to priority creditors, (iii) next to unsecured creditors, (iv) next to debt expressly subordinated by its terms or by order of the Bankruptcy Court, and (v) last to holders of equity interests. The Debtor's plan proposes to pay all non-insider claims in order of priority with the available proceeds from the sale of Debtor's assets under the Proposed Sale. Once the terms of the Proposed Sale are agreed to, the Plan and this Disclosure Statement will be amended to indicate the specific amount, if any, to be paid to each Class from the Proposed Sale. The Debtor believes that if this Chapter 11 case was converted to a Chapter 7 liquidation there would be a significant time delay in which the claimants would receive a distribution, if any, and the value of the Debtor's assets would not include any goodwill which would significantly reduce any recovery. In a Chapter 7 case, there would likely be a delay in the marshaling of the Debtor's assets and additional costs and delays. Therefore, the Plan proposes to maximize the value of the assets in the most cost-efficient and expedient manner.

(g) The Plan therefore satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, including the "best interest" and feasibility requirements. The Plan is "fair and equitable" and "does not discriminate unfairly". The Plan complies with all other requirements of Chapter 11 of the Bankruptcy Code and the Plan has been proposed in good faith.

(h) The Plan therefore satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, including the "best interest" and feasibility requirements. The Plan is "fair and equitable" and "does not discriminate unfairly". The Plan complies with all other requirements of Chapter 11 of the Bankruptcy Code and the Plan has been proposed in good faith.

E. Financial Information

(a) Debtor's Schedules of Assets and Liabilities. Schedules of the Debtor's assets and liabilities have been respectively filed with the Clerk of the Court and may be inspected by all interested parties.

(b) Post-Petition Liabilities. During the Debtor's Chapter 11 period, the Debtor has accumulated no post-petition obligations and additional administrative expenses, other than those attributable to duly retained professionals and United States Trustee Fees pursuant to 28 U.S.C. §1930. The Debtor shall be pay these claims in full, in Cash, in such amounts as (a) are Allowed by the Bankruptcy Court upon the Effective Date.

(c) The Estimated Amounts Required On Confirmation: To Be Determined.

(d) Liquidation Analysis. If this case were liquidated under Chapter 7 of the Bankruptcy Code as opposed to the means set forth herein, all Classes of Creditors would receive less than under the Plan because the Debtors business would not be sold as a going concern. There would also be significant delay in marshaling and selling the assets as well as additional costs. After careful review of the Debtor's estimated recoveries in a liquidation scenario the Debtor has concluded that the recovery to creditors will be maximized by the Plan. The Debtor believes that

its business and assets have a value that would be maximized in a Chapter 11 reorganization. According to the liquidation and other analyses prepared by the Debtor with the assistance of their financial advisors, the value of the Debtor's Estate is considerably greater in a Chapter 11 reorganization than as in a liquidation pursuant to Chapter 7 of the Bankruptcy Code.

THE DEBTOR THEREFORE RECOMMENDS ACCEPTANCE OF THE PLAN. CREDITORS SHOULD ALSO CONSULT AMONG THEMSELVES AND THEIR COUNSEL IN DETERMINING WHETHER TO ACCEPT THE PLAN.

II. POST-CONFIRMATION MATTERS

A. Disbursement of Funds and Delivery of Distribution

To the extent that the Proposed Sale requires a Disbursing Agent, the Disbursing Agent shall be the Cortegiano Firm, Attorneys for the Debtor (the "Disbursing Agent"). The Disbursing Agent anticipates receiving the amounts required on confirmation under the Plan on or prior to the confirmation hearing.

The Disbursing Agent shall not be liable for any distributions made in accordance with this Plan. Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole cent (rounding down in the case of .50 or less and rounding up in the case of more than .50).

The Disbursing Agent shall, with the consent of the Debtor, establish a reserve from available cash necessary in order to satisfy post-confirmation fees and expenses of the Professionals and the Disbursing Agent, respectively.

The Disbursing Agent shall not be liable to the Debtor, any creditor or any other person, firm or corporation, for any error of judgment or for any mistake of law or fact or any act done caused to be done, or omitted to be done, by the Disbursing Agent or any of its agents. The Disbursing Agent shall be liable only for acts of willful misconduct, gross negligence or breach of fiduciary duty by itself or such agents.

With respect to services to be rendered by the Disbursing Agent, the Debtor's estate shall pay the reasonable compensation and out-of-pocket expenses incurred by the Disbursing Agent upon submission of written invoice. In the event of a dispute with respect thereto, such dispute shall be subject to determination by the Bankruptcy Court.

B. Unclaimed Cash

Except as otherwise provided herein, in the event any Claimant fails to claim any distribution within four (4) months from the date of such distribution, such Claimant shall forfeit all rights thereto, and to any and all future payments, and thereafter the Claim for which such cash was distributed shall be treated as a disallowed Claim. In this regard, distributions to Claimants entitled thereto shall be sent to their last known address set forth on a proof of claim

filed with the Bankruptcy Court or if no proof of claim is filed, on the Schedules filed by the Debtor, as may have been amended from time to time, or to such other address as may be designated by a Creditor, such notification having been received at least two (2) weeks prior to a distribution so as to allow the Debtor adequate time to update its records. In the case of distributions to entities which are returned due to an incorrect, incomplete or out of date address, the Debtor, in its sole discretion, shall take those steps deemed reasonable and appropriate to ascertain a correct or new address of any such entity. Nothing contained in the Plan or this Disclosure Statement will require the Debtor to attempt to locate any holder of an Allowed Claim. If after such reasonable and appropriate steps, a correct or new address cannot be found, then such entity shall forfeit all rights to such unclaimed distribution, which shall be deposited into the Plan Distribution Fund for redistribution to the Class 3 General Unsecured Claimants.

C. Dissolution of the Debtor

On the Consummation Date, subject only to the obligations imposed under the Debtor's Plan, the Debtor shall be deemed to be dissolved and have no continuing existence, and the officers and directors shall be deemed to have resigned their respective offices, subject only to the Debtor's obligations arising under the Plan. The Debtor shall have the obligation to formally wind-up the affairs of the Debtor, including but not limited to, filing final tax returns and filing the requisite dissolution documentation with the State of New York. The costs incurred in the winding-up of the Debtor shall be deemed to be Administration Expenses to be paid in accordance with the Plan.

D. Avoidance and Recovery Actions

The Reorganized Debtor, for and on its behalf and on behalf of its estate, will not prosecute any causes of action under Sections 510, 544, 547, 548, 550 and 553 of the Bankruptcy Code.

E. Events of Default

The occurrence of any of the following events shall constitute an event of default under the Plan ("Event of Default"):

(a) The failure of the Debtor to make any payment required to be made under the Plan, which failure shall have remained uncured for a period of ten (10) days after the date such payment is required to be made, unless the time for such payment has been extended in accordance with the Plan.

(b) The failure of the Debtor to comply with any of the covenants contained in the Plan, which failure shall remain uncured for a period of ten (10) days after the Debtor has received written notice of such failure.

(c) In the event that the Debtor defaults under the provisions of the Plan, and such default is not cured, then, at the option of any creditor or the United States Trustee, a motion may be filed with the Bankruptcy Court seeking an Order of the Bankruptcy Court compelling the Debtor to make such payment or act in a manner consistent with the provisions of the Plan or seeking the conversion this Chapter 11 Case to a Chapter 7 proceeding.

III. TAX CONSEQUENCES OF CONFIRMATION

Confirmation may have federal income tax consequences for the Debtor and holders of Claims and Interests. The Debtor has not obtained and does not intend to request a ruling from the Internal Revenue Service (the "IRS"), nor has the Debtor obtained an opinion of counsel with respect to any tax matters. Any federal income tax matters raised by confirmation of the Plan are governed by the Internal Revenue Code and the regulations promulgated thereunder. Creditors and holders of Interests are urged to consult their own counsel and tax advisors as to the consequences to them, under federal and applicable state, local and foreign tax laws, of the Plan. The following is intended to be a summary only and not a substitute for careful tax planning with a tax professional. The federal, state and local tax consequences of the Plan may be complex in some circumstances and, in some cases, uncertain. Accordingly, each holder of a Claim or Interest is strongly urged to consult with his or her own tax advisor regarding the federal, state and local tax consequences of the Plan, including but not limited to the receipt of cash and/or stock under this Plan.

A. Tax Consequences to the Debtor.

The Debtor may not recognize income as a result of the discharge of debt pursuant to the Plan because Section 108 of the Internal Revenue Code provides that taxpayers in bankruptcy proceedings do not recognize income from discharge of indebtedness. However, a taxpayer is required to reduce its "tax attributes" by the amount of the debt discharged. Tax attributes are reduced in the following order: (i) net operating losses; (ii) general business credits; (iii) capital loss carryovers; (iv) basis in assets; (v) passive activity loss and credit carryovers; and (vi) foreign tax credit carryovers.

B. Tax Consequences to Unsecured Creditors.

An unsecured creditor that receives cash in satisfaction of its Claim may recognize gain or loss, with respect to the principal amount of its Claim, equal to the difference between (i) the creditor's basis in the Claim (other than the portion of the Claim, if any, attributable to accrued interest), and (ii) the balance of the cash received after any allocation to accrued interest. The character of the gain or loss as capital gain or loss, or ordinary income or loss, will generally be determined by whether the Claim is a capital asset in the creditor's hands. A creditor may also recognize income or loss in respect of consideration received for accrued interest on the Claim. The income or loss will generally be ordinary, regardless of whether the creditor's Claim is a capital asset in its hands.

IV. ALTERNATIVES TO THE PLAN AND CONSEQUENCES OF NOT CONFIRMING

Among the possible consequences if the Bankruptcy Court should not confirm the Plan are the following: (1) an alternative plan could be proposed or confirmed; or (2) the Chapter 11 Case could be converted to liquidation under Chapter 7 of the Bankruptcy Code.

A. Alternative Plans

As previously mentioned, with respect to an alternative plan, the Debtor and its professional advisors have explored various alternative scenarios and believe that the Plan enables

the holders of Claims and Equity Interests to realize the maximum recovery under the circumstances. The Debtor believes that the Plan is the best plan that can be proposed and serves the best interest of the Debtor and other parties-in-interest.

B. Chapter 7 Liquidation

For a discussion of Chapter 7 liquidation, see Section V, D, 2, (f) above entitled “Plan Confirmation and Execution – Confirmation – Statutory Requirements for Confirming a Plan – Feasibility and ‘Best Interest’ Test.” The Debtor believes that if this Chapter 11 case was converted to Chapter 7 liquidation, any Class of Allowed Claims would receive less than under the Plan because the Debtor would not be sold as a going concern and only after a likely delay in the marshaling of the Debtor’s assets including the liquidation and auction of the Debtor’s assets which would cause a delay in a distribution to creditors and incur additional costs.

V. RECOMMENDATION AND CONCLUSION

The Debtor and its professional advisors have analyzed different scenarios and believe that the Plan is preferable to a conversion to cases under Chapter 7 of the Bankruptcy Code. The Plan will provide greater recoveries than those available in liquidation to all holders of Claims. Any other alternative would cause significant delay and uncertainty, as well as substantial administrative costs.

ACCORDINGLY, THE DEBTOR BELIEVES THAT THE PLAN PROVIDES THE BEST RECOVERY POSSIBLE FOR CLAIMHOLDERS AND THE DEBTOR STRONGLY RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN.

THE FOREGOING IS A BRIEF SUMMARY OF THE PLAN AND SHOULD NOT BE RELIED ON FOR VOTING PURPOSES. THE PLAN REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BETWEEN THE DEBTOR AND ITS CREDITORS, AND SHOULD BE READ TOGETHER WITH THIS DISCLOSURE STATEMENT IN ORDER THAT AN INTELLIGENT AND INFORMED JUDGMENT CONCERNING THE PLAN CAN BE MADE.

Dated: Middle Village, New York
August 31, 2018

QUIMERA RESTAURANT GROUP LLC

By: /s/ Hector Sanz Izquierdo

Hector Sanz Izquierdo, Managing Member

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