

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

-----x	:	Case No. 16-40679 (ESS)
	:	
IN RE:	:	Chapter 11
	:	
SALTY DOG REST., LTD.,	:	Judge Elizabeth S. Stong
	:	
Debtor in Possession.	:	
	:	
-----x	:	

**DEBTOR’S DISCLOSURE STATEMENT IN SUPPORT OF THE DEBTOR’S
SECOND AMENDED CHAPTER 11 PLAN OF REORGANIZATION**

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE DEBTOR’S
CHAPTER 11 PLAN OF REORGANIZATION. ACCEPTANCES OR REJECTIONS MAY
NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY
THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED
FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT.

Dated: January 10, 2017
New York, New York

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I. INTRODUCTION AND OVERVIEW

Salty Dog Rest., Ltd., debtor and debtor in possession (together, the “Debtor”) in the above-captioned Chapter 11 Case filed February 24, 2016, submit this disclosure statement, as it may be amended, (the “Disclosure Statement”) in support of the Debtor’s Chapter 11 Second Amended Plan of Reorganization dated November 18, 2016, as it may be amended (the “Plan”). Any capitalized terms used in the Disclosure Statement but not defined shall have the meanings ascribed to them in the Plan. A copy of the Plan is attached as **Exhibit 1**. The Debtor believes that the Plans is in the best interest of Creditors and recommends that they vote to accept the Plan.

A. Introduction.

On February 24, 2016 (the “Petition Date”), the Debtor commenced its chapter 11 case (the “Chapter 11 Case”) by filing a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (the “Code”). The Chapter 11 Case is being administered in the United States Bankruptcy Court for the Eastern District of New York (the “Bankruptcy Court”) before the Honorable Elizabeth Stong, United States Bankruptcy Judge. No trustee or examiner has been appointed and there is no unsecured creditors committee in this Chapter 11 Case; the Debtor has continued in the possession of its assets and the management of its business as debtor-in-possession (“DIP”) in accordance with sections 1107 and 1108 of the Bankruptcy Code.

The Disclosure Statement, submitted in accordance with section 1125 of the Bankruptcy Code, contains adequate information regarding the Plan. The Disclosure Statement is being distributed to enable you to make an informed judgment about the Plan. The Disclosure Statement describes the provisions of the Plan and contains information concerning, among other

matters: (1) the Debtor's pre- and post-petition history, business, and liabilities; and (2) the assets available for distribution under the Plan. The Debtor strongly urges you to carefully review the Plan and the Disclosure Statement (including all Exhibits) before making a decision to accept or reject the Plan. You should pay particular attention to the provisions affecting or impairing your rights as a Creditor.

On **January 12, 2016**, following a hearing, the Bankruptcy Court approved this Disclosure Statement as containing adequate information to enable a hypothetical reasonable investor, typical of holders of Claims receiving the Disclosure Statement, to make an informed judgment about the Plan. Under section 1125 of the Bankruptcy Code, the Bankruptcy Court authorized the Debtor to send you the Disclosure Statement and to solicit your acceptance or rejection of the Plan. The Bankruptcy Court has not, however, passed on the Plan itself, nor conducted a detailed investigation into the contents of the Disclosure Statement. The Bankruptcy Court's approval of the Disclosure Statement does not constitute an endorsement of the Plan, nor does it represent a guaranty of the completeness or accuracy of the information set forth herein.

Your vote on the Plan is important. Without acceptance of the Plan, there may be protracted delays, the confirmation of another plan or liquidation under chapter 7 of the Bankruptcy Code. These alternatives are not likely to provide as large a distribution to holders of Allowed Claims as does the Plan. Accordingly, the Debtor urges you to accept the Plan by completing and returning the enclosed ballot(s) no later than **January 12, 2017 at 5:00 p.m.** prevailing Eastern Time.

B. Disclaimers.

THE DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE. THE PURPOSE OF THE DISCLOSURE STATEMENT IS TO PROVIDE “ADEQUATE INFORMATION” OF A KIND, AND IN SUFFICIENT DETAIL, AS FAR AS IS REASONABLY PRACTICABLE IN LIGHT OF THE NATURE AND HISTORY OF THE DEBTOR, WHICH WOULD ENABLE A HYPOTHETICAL REASONABLE INVESTOR TYPICAL OF HOLDERS OF CLAIMS IN EACH CLASS TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN. SOLELY FOR CREDITORS’ CONVENIENCE, THIS DISCLOSURE STATEMENT ONLY SUMMARIZES THE PLAN’S TERMS. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING. ALTHOUGH THE DEBTOR BELIEVES THE SUMMARIES IN THE DISCLOSURE STATEMENT ARE FAIR AND ACCURATE IN ALL MATERIAL RESPECTS, THE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN ITSELF. NO REPRESENTATIONS CONCERNING THE DEBTOR’S FINANCIAL CONDITION OR ANY ASPECT OF THE PLAN OTHER THAN AS SET FORTH IN THE DISCLOSURE STATEMENT ARE AUTHORIZED BY THE DEBTOR. YOU SHOULD NOT RELY ON ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE THAT ARE OTHER THAN AS CONTAINED IN OR INCLUDED WITH THIS DISCLOSURE STATEMENT. EXCEPT AS OTHERWISE NOTED, ALL FACTUAL INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR AND IS TRUE AND CORRECT BASED ON ITS REVIEW

OF ITS BOOKS AND RECORDS AND TO THE BEST OF ITS KNOWLEDGE, INFORMATION AND BELIEF. THE DEBTOR CANNOT AND DOES NOT WARRANT, HOWEVER, THAT THE FINANCIAL AND OTHER INFORMATION IS TRUE AND CORRECT IN ALL MATERIAL RESPECTS. THE CONTENTS OF THE DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS LEGAL OR BUSINESS ADVICE. EACH CREDITOR SHOULD CONSULT ITS OWN LEGAL COUNSEL AND ACCOUNTANT AS TO LEGAL OR OTHER MATTERS CONCERNING ITS CLAIM.

C. Overview of the Chapter 11 Process.

Chapter 11 of the Bankruptcy Code contains numerous provisions, the general effect of which is to provide a debtor with “breathing space” within which to propose a restructuring of their obligations to third parties. The filing of a bankruptcy petition creates a bankruptcy “estate” comprising all of a debtor’s property interests. Unless the Bankruptcy Court appoints a trustee for cause, a debtor in a chapter 11 case remains in possession and control of all its assets as a “debtor -in-possession” or “DIP.”

In a chapter 11 case, a debtor may continue to operate its business in the ordinary course on a day-to-day basis without Bankruptcy Court approval. Bankruptcy Court approval is only required for certain kinds of transactions, such as certain financing transactions, and transactions outside of the ordinary course of a debtor’s business. The filing of the bankruptcy petition gives rise to what is known as the “automatic stay” which generally enjoins creditors from taking any action to collect or recover obligations owed by a debtor prior to the commencement of a chapter 11 case. The Bankruptcy Court, however, can grant relief from the automatic stay under certain specified conditions or for cause. The Bankruptcy Code authorizes the creation of one or more official committees to protect the interests of some or all creditors or interest holders. The fees

and expenses of counsel and other professionals employed by a debtor and approved by the Bankruptcy Court are generally borne by a bankruptcy estate. A chapter 11 debtor emerges from bankruptcy by successfully confirming a plan of reorganization. A plan may either be consensual or non-consensual and provides, among other things, for the treatment of the claims of creditors and interests of shareholders, if any.

D. Plan Summary.

The following is a summary of the material provisions of the Plan and is qualified in its entirety by reference to the full text of the Plan and the definitions therein, a copy of which is attached hereto as **Exhibit 1**.¹ The Debtor has premised the Plan upon the business reality that no Creditor or third-party would make a good faith offer to pay fair market value for the Debtor's remaining marketable Assets, *i.e.*, its used restaurant and bar equipment (the "Equipment"), or the corporation, (i) in the absence of a long term lease to its Premises,² (ii) while it remains subject to the current audited New York State Sales Tax Claim of at least \$284,435.86 and (iii) while it remains liable for the defense of many personal injury litigation Claims filed against the Debtor without benefit of insurance coverage for legal fees or damages (See **Exhibit 8**), which aggregate more than \$120,000,000.

However, the Debtor's three Stockholders, who collectively own 100% of its Equity Interests and have been profitably operating the Debtor for nearly 20 years (See **Exhibit 7**), want to continue to operate the Debtor's business in order to use its operational profits to pay its

¹ The meanings of capitalized terms used in Plan are set forth in Article I thereof, any Exhibit to the Plan or to the Disclosure Statement, the Bankruptcy Code or the Bankruptcy Rules.

² The Debtor's lease to its Premises expired in December 2015. The Debtor currently occupies the Premises without a long term lease, on a month to month basis.

NYSDOTF tax indebtedness (as such final amount as may be eventually determined) and to pay the Debtor's General Unsecured Trade Creditors, while trying to obtain a renewal or new lease of the Premises at the same time.

The Debtor obtained a Court Order approving the retention of a professional Equipment appraiser, Senser Appraisal Associates ("Senser") dated September 7, 2016, stating both the fair market value of the Debtor's Assets on a "sales comparison" basis and on a "forced liquidation" basis by a chapter 7 trustee such as would likely occur. A copy of the Appraisal is attached as **Exhibit 3**.

Premised upon the appraisal, the Debtor proposes a Plan upon Confirmation of which its Stockholders will pay at least (i) the appraised value of the Equipment into a Post-Confirmation Liquidating Trust (the "Trust") and the Debtor will transfer (ii) the net Cash remaining from the sale of the Debtor's remaining inventory of liquor, wine and beer (the "Inventory") into the Trust, both for the benefit of, and payment to, those Creditors not otherwise being paid directly by the Debtor. A copy of the Trust Agreement is attached as **Exhibit 2**. In exchange for agreeing to pay those Debts, the Trust agrees to assume all liability for such Claims, including legal defense, if any, pursuant to the Plan. In addition to the Cash Contribution, the Stockholders have agreed to pay the Debtor up to \$120,000 of additional funds to enable the Debtor to pay the fees and expenses of the Debtor's Professionals³ as they may subsequently be approved by the Court.

Accordingly, the Trust will distribute its Cash as follows: to (a) Creditors who are senior in priority, primarily Allowed Priority Non-tax Claims and (b) Administrative Expenses

³ The Debtor's Professionals have consented to the Debtor making such payments of approved Fees of Professionals over a maximum of four (4) months following the Effective Date

including the quarterly fees of the U. S. Trustee's Office. Any remaining funds in the Trust will be distributed to Allowed Class 4(c) Claimholders and other holders of Allowed CUDS PI Claims who may have entered or subsequently obtain judgments against the Debtor.

The Stockholders will continue to operate the Debtor in business after Confirmation of the Plan so that the Debtor can pay from future profits on a quarterly basis for 20 quarters after the Effective Date:

(i) an additional aggregate of \$96,683.00 to the Holders of Allowed Claims of Unsecured Trade Creditors (such amount representing 75% of their aggregate Claims (\$128,910.69) unless the Debtor and such Creditors agree to alternative treatment which will not affect distributions to any other Creditors); and

(ii) the NYSDOTF tax indebtedness in the sum of \$284,435.86 (or such final amount as may be eventually determined as due after audit). At the same time, the Stockholders will remain personally liable for the such unpaid NYSDOTF Sales Tax Claim in the event that under their operation the Debtor cannot pay, or otherwise resolve such Sales Tax Claim.

The proposed Plan specifically provides for all Claims against the Debtor to be discharged pursuant to the Plan and for the Debtor to continue in business. The Trust will also provide for the appointment of Robert P. Fadel, President of the Debtor, as Post-Confirmation Trustee, who will monitor and defend against Claims, including certain contingent, unliquidated and disputed personal injury claims ("CUD PI Claims") for which valid Proofs of Claim have been filed against the Debtor. The Post-confirmation Trustee will make objections to certain Claims, and administer the Cash which will be transferred to the Trust for the benefit of Allowed Claims of Creditors.

The Post-Confirmation Trustee will also be primarily responsible for distribution of the Trust's Cash, as set forth on Page 6 above, to allowed Administrative (including the quarterly fees of the U. S. Trustee's Office), Priority Non-Tax, and all Claims in Class 4(c), objecting to Claims (and for continuing objections to Claims commenced by the Debtor) against the Debtor's estate that are inconsistent with the Debtor's books and records or are otherwise legally or factually unsupported.

As required by the Bankruptcy Code, the Plan provides for the classification and treatment of Claims against the Debtor. The Plan designates five Classes of Claims against the Debtor. These Classes and their corresponding treatments take into account the differing nature and priority of the various Claims under the Bankruptcy Code.

1. *Description of Property to Be Distributed Under the Plan: The Debtor shall transfer the following property to the Trust, and distribute the proceeds to Allowed Creditors in accordance with the Bankruptcy Code and the terms of the Plan:*
 - a. The proceeds of Avoidance Actions, and Fraudulent Conveyance Actions, if any, in the Post-Confirmation Trustee's sole discretion, recoveries of which would exceed litigation costs and expenses; however, the Debtor does not believe it has any Avoidance or Fraudulent Conveyance actions to prosecute.
 - b. The Stockholders' Cash Contribution⁴ in the amount of \$15,000 representing approximately 133% of the appraised forced liquidation value of all the Debtor's Assets, *i.e.*, its furniture, fixtures and equipment (the "Equipment"), which together with the estimated \$20,000 in Cash from the Debtor's liquidated Inventory

⁴ The Capital Contribution will be made by the Debtor's Stockholders to the Trust after the Confirmation Date. At least seven (7) days prior thereto, the Debtor will file a statement setting forth the availability of the funds to be contributed.

as of Confirmation, will aggregate approximately \$35,000 which will be deposited into the Trust for the benefit of Creditors.

- c. Except as may be otherwise agreed, the Holder of an Allowed Claim will receive a *pro rata* share of the available Trust Assets in full settlement of its Claim pursuant to the Bankruptcy Code.
- d. The costs of administering the Trust including the fees and expenses of any professionals retained by the Trustee, if any, will be paid by the Debtor prior to Confirmation of the Plan and from the Trust Assets before Distributions are made to Allowed Creditors. Therefore, the Plan contemplates Distributions to Holders of Allowed Claims only if and/or when, the amount of those Claims has been determined.

The Post-Confirmation Trustee will be responsible for administering and distributing the funds under the Plan while the Debtor will continue to remain an operating business after Confirmation of the Plan.

E. Summary of Classification and Treatment of Claims

As of the Bar Date of September 5, 2016, the Debtor's records reflected an estimate \$1,000 of Administrative Claims, \$0.00 of Secured Claims, \$284,435.86 in NYSDOTF Priority Tax Claims and approximately \$128,910.69 of General Unsecured Trade Claims were timely filed by the Bar Date. The Schedules list no secured Claims. Some of the Claims listed on the Schedules are duplicative of the filed Claims and the Debtor has not yet fully reconciled those filed Claims with the Scheduled Claims.

The following chart briefly summarizes the treatment of Claims under the Plan. Amounts listed below are estimated. Actual Claims and distributions will vary depending upon the outcome of objections to Claims and the outcome of the audit of the Debtor's New York State sales tax account by the NYSDOTF. The audit may result in a substantial increase in the amount of secured, priority and unsecured taxes owed to the State of New York, in which case, pursuant

to the rule of absolute priority, such Allowed tax Claims may have priority against non-priority General Unsecured Claims to a majority of the Trust's Assets.

(This chart begins on the following page; it is only a summary of the classification and treatment of Claims under the Plan. The dollar estimates contained in this chart are as of June 1, 2016. Reference should be made to other sections of this Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims. Reference should also be made to section 1 above for a description of the Trust Assets.)

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
Unclassified	Administrative Claims other than those held by the New York State Department of Tax and Finance (the "NYSDOTF") (if any).	<p style="text-align: right;">\$0.00</p> <p>Administrative expenses are paid currently by the Debtor. Debtor's Professional fees are estimated to be approximately \$120,000 as of Confirmation. To the extent that the Court approves professional fees, the Debtor has agreed to pay such approved fees first from the Trust to the extent available upon such approval, and thereafter from such cash Contribution of \$120,000 from the Stockholders to the Debtor's Cash reserves as may accumulate prior to Confirmation with any balance paid thereafter, over four months, after quarterly payments are made monthly pursuant to the Plan.</p>	The Holders of such Claims shall be paid Cash on the later of the Effective Date or as soon as practicable thereafter, and the date Claim becomes an Allowed Claim, or such other treatment to which parties may agree.	100%

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
	Administrative Claims held by the NYSDOTF.	\$1,000.00	Except as otherwise stated in the Plan or any order of the Court, the Administrative Claims held by the NYSDOTF shall be treated (but not classified) with the Priority Tax Claims held by the NYSDOTF and the Class 1(a) Secured Tax Claim (collectively, the “ NYSDOTF Claims ”). Treatment of the NYSDOTF Administrative Claims shall be in full satisfaction, settlement, release and discharge of, and in exchange for the NYSDOTF Administrative Claims.	100%

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
Unclassified	Priority Tax Claims <i>other</i> than those held by the NYSDOTF (if any).	\$1,000.00	Cash in an amount equal to the Allowed Priority Tax Claim (i) on the Effective Date or as soon as practicable after the later of (a) the Effective Date or (b) the date the Claim becomes an Allowed Priority Tax Claim, if any, (ii) in equal quarterly payments, beginning on the Effective Date and continuing over a period ending not later than five (5) years after the Effective Date together with interest at the federal funds rate of interest on the Effective Date or (iii) as may be otherwise agreed between the Debtor (or either of them, or a third party) and the Holder of each Allowed Priority Tax Claim.	100%

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
	Priority Tax Claims held by the NYSDOTF.	\$284,435.86 ⁵	<p>a. Except as otherwise stated in the Plan or any order of the Court, the Priority Tax Claims held by the NYSDOTF shall be treated (but not classified) with the treatment of the Administrative Claims held by the NYSDOTF and the Class 4(a) Secured Tax Claim.</p> <p>b. Except to the extent that the Holder of the NYSDOTF Administrative Claim has been paid prior to the Effective Date, agrees to a different treatment, or is treated in a different manner under the Plan, the Holder of the NYSDOTF Administrative Claim shall receive from the Debtor quarterly payments of Cash in the amount of approximately \$14,222 (i) on or as soon as is practicable after the Effective Date, (the “Effective Date Distribution”) and (ii) similar payments on each</p>	100%

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This *estimated* amount of Priority Tax Claims will be determined upon completion of the current sales tax audit by the NYSDOTF and any objections to or appeals therefrom by the Debtor. The Debtor’s accountant advises that he believes that upon review, the total Priority Tax Claim of \$284,435.86 could well be reduced by approximately \$50,000 to approximately \$233,211.10 and payable in quarterly amounts of \$11,661. However, if there is no reduction in the Priority Tax Claim after review, the Debtor will pay the NYSDOTF \$14,222 quarterly for 20 quarters (approximately \$4,740 per month).

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
			<p>anniversary date the Effective Date of the Plan for 20 consecutive quarters until the NYSDOTF Administrative Claim has been fully satisfied.</p> <p>c. All Distributions to or on account of the NYSDOTF Claims shall be in full satisfaction, settlement, release and discharge of, and in exchange for the NYSDOTF Claims.</p> <p>d. All Distributions to or on account of the NYSDOTF Claims shall be applied (i) first, to the NYSDOTF Administrative Claim, (ii) second, to the NYSDOTF Priority Claim, and (iii) third, to the Class 4(a) Secured Tax Claim.</p> <p>e. All Distributions to or on account of the NYSDOTF Claims shall first be applied to principle and thereafter to interest.</p> <p>f. Interest shall accrue on account of the NYSDOTF Claims at the lesser of (i) the rate applicable under Section 511(b) of the Bankruptcy Code on the Effective Date or (ii) eight percent (8%) per annum.</p> <p>g. Prepayment of all or any part of the amounts due on account of the DOTF Claims shall be</p>	

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
			<p>applied first to principle and thereafter to interest.</p> <p>i. Distributions to Holders of the NYSDOTF Claims other than the Effective Date Distribution or the Quarterly Distributions shall be made by the Debtor at its sole direction.</p> <p>j. It shall be an event of default solely under this Article III (A)(4) if the Debtor fails to make any payment to the Holder of the NYSDOTF Claims as provided in the Plan.</p> <p>k. In the event of any such default under this Article III(A)(4), the Holders of the NYSDOTF Claims shall provide written notice to the Debtor and their counsel. Such notice shall, at a minimum (a) identify the nature of the default, (b) state the amount of the default, if any, (c) notify the Debtor of the last date upon which such default can be cured and (d) notify the Debtor that if such default is not cured, the Holders of the NYSDOTF Claims may take action under appropriate</p>	

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
			<p>non-bankruptcy law. m. Upon receipt of such written notice of default, the Debtor shall have a period of thirty (30) days from receipt of such notice to cure such default and during such thirty (30) days, the Holders of the NYSDOTF Claims shall take no action against the Debtor. If such default is cured by the Debtor on or within said thirty (30) day period, then the Plan shall continue in full force and effect as if no default had occurred.</p>	
Class 1:	Secured Tax Claims			

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
Class 1(a):	The Secured Claim of the Internal Revenue Service (if any)	Unknown ⁶	A. Except to the extent that a Holder of an Allowed Class 1(a) Secured Tax Claim, if any, has been paid prior to the Distribution Date or agrees to a different treatment, on or as soon as is practicable after the Effective Date each Holder of a Class 1(a) Allowed Secured Tax Claim shall receive at the Debtor's sole discretion, Cash in an amount equal to the Allowed Amount of its Allowed Secured Tax Claim (a) on the Effective Date or as soon as practicable after the later of (i) the Effective Date and (ii) the date the Claim becomes an Allowed Secured Tax Claim, or (b) in equal quarterly payments, plus interest at the federal funds rate, beginning on the Distribution Date and continuing over a period ending not later than five (5) years after the Distribution Date. Payment will be in full satisfaction, settlement, release and discharge of, and in exchange for the Allowed Class 1(a) Secured Tax Claim. Distributions to the Holder of the Allowed	100%

⁶

The IRS has filed an amended Proof of Claim reducing this Claim to \$0.00.

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
			<p>Tax Claim. Distributions to the Holder of the Allowed Class 1(a) Secured Tax Claim shall be made by the Debtor, at the Debtor's sole discretion. It shall be an event of default solely under this Article III(B)(1)(b) (x) if the Debtor fails to make any payment to the Holder of the Class 1(a) Secured Tax Claim as provided in the Plan, (y) if the Debtor fail to pay any post-confirmation tax liabilities owing to the Holder of the Class 1(a) Secured Tax Claim or (z) if the Debtor fail to file post-confirmation tax returns by the due date of the return or of any extension of time permitted under title 26, U.S. Code.</p> <p>B. In the event of any such default under this Article III(B)(1)(b), the Holder of the Class 1(a) Allowed Secured Claim shall provide written notice to the Debtor and its counsel. Such notice shall, at a minimum (a) identify the nature of the default, (b) state the amount of the default, if any, (c) notify the Debtor of the last date upon which such default can be cured and (d) notify the Debtor that if</p>	

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
			<p>the default, (b) state the amount of the default, if any, (c) notify the Debtor of the last date upon which such default can be cured and (d) notify the Debtor that if such default is not cured, the Holder of a Class 1(a) Allowed Secured Tax Claim may collect any unpaid liabilities through the administrative collection provisions of the title 26, U.S. Code. Upon receipt of such written notice of default, the Debtor shall have a period of thirty (30) days from receipt of such notice to cure such default and during such thirty (30) days, the Holder of a Class 1(a) Allowed Secured Tax Claim shall take no action against the Debtor. If such default is cured by the Debtor on or within said thirty (30) day period, then the Plan shall continue in full force and effect as if no default had occurred.</p> <p>C. If the Debtor fails to cure such default on or within said thirty (30) day period, then the Holder of a Class 1(a) Allowed</p>	

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
			provisions of the Internal Revenue Code, and the automatic stay of 11 USC 362(a) is lifted solely to permit the Holder of a Class 1(a) Allowed Secured Tax Claim to collect any unpaid Claims owing to it without further order of the Court.	
Class 2:	Priority Non-Tax Claims (if any).	\$0.00	Should such Claims be filed, on or as soon as is practicable after the Distribution Date, the Disbursing Agent shall pay to each Holder of an Allowed Priority Non-Tax Claim Cash in an amount equal to the Face Amount of such Allowed Priority Non-Tax Claim.	100%

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
Class 3:	Secured Non-Priority Claims (if any).	\$0.00	Any such allowed Claim shall retain its Lien in the property securing the debt. The Plan leaves unaltered the legal, equitable and contractual rights to which the claimant is entitled under its agreement and security documents. The Debtor shall continue to make current payments of monthly principal and interest to such allowed claimant. Any pre-Petition Date arrears that are owed to such claimant shall be paid in full on the Effective Date.	100%
Class 4:				

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
Class 4(a):	The Secured Claim of the NYSDOTF.	Unknown ⁷	<p>a. Except as otherwise stated in the Plan or any order of the Court, treatment of the Priority Tax Claims held by the NYSDOTF and the Administrative Claims held by the NYSDOTF shall be treated (but not classified) with and shall also satisfy the Class 4(a) Secured Tax Claims.</p> <p>b. Upon full payment of the Class 4(a) Secured Tax Claims, the NYSDOTF shall release its lien against the Debtor' property and shall record such lien with the appropriate New York State governmental entity.</p>	100%

⁷ This *estimated* amount will be determined upon completion of the current sales tax audit by the NYSDOTF and any objections or appeals thereof by the Debtor.

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
Class 4(b):	General Unsecured Trade Claims	\$128,910.69	<p>Except as may be otherwise agreed between the Debtor and Holders of such Claims, the Holder of an Allowed Class 4(b) Claim will receive on or as soon as is practicable after the Distribution Date, from the Disbursing Agent, the Debtor shall pay to each Holder of an Allowed General Unsecured Trade Claim, Cash in an amount equal to seventy-five percent (75%) of the Face Amount of such Allowed Unsecured Trade Class 4(b) Claim payable quarterly by the Debtor for the next 20 consecutive quarters following the Effective Date as indicated below.</p> <p>A. Except to the extent that a Holder of an Allowed Class 4(b) General Unsecured Trade Claim, if any, has been paid prior to the Distribution Date or agrees to a different treatment, on or as soon as is practicable after the Effective Date each Holder of a Class 4(b) General Unsecured Trade Claim shall receive at the Debtors' sole discretion (a) on the Effective Date or as soon as practicable after the later of (i) the Effective Date and</p>	@ 75% = \$96,683.00

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
0035991.15			<p>Debtor's sole discretion (a) on the Effective Date or as soon as practicable after the later of (i) the Effective Date and (ii) the date the Claim becomes an Allowed General Unsecured Trade Claim, or (b) a pro rata share of the net profits generated by the Debtor's business operation in quarterly payments of approximately \$4,849.15 beginning on the Distribution Date and continuing over a period ending not later than five (5) years after the Distribution Date. Payment will be in full satisfaction, settlement, release and discharge of, and in exchange for the Allowed Class 4(c) General Unsecured Trade Claim. Distributions to the Holder of the Allowed Class 4(b) General Unsecured Trade Claim shall be made by the Debtor at the Debtor's sole discretion. It shall be an event of default solely under this Article III (B)(1)(b), (x) if the Debtor fails to make any payment to the Holder of the Class 4(b) General Unsecured Trade Claim as agreed with such Holder, (y) if the Debtor fails to pay any post-confirmation</p>	

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
Class 4(c):			<p>payment owing to the Holder of the Class 4(b) General Unsecured Trade Claim as agreed with such Holder, or (z) fails to file post-confirmation tax returns by the due date of the return or of any extension of time permitted under title 26, U.S. Code.</p> <p>B. In the event of any such default under this Article III(B)(1)(b), the Holder of the Class 4(b) Allowed General Unsecured Trade Claim shall provide written notice to the Debtor and their counsel. Such notice shall, at a minimum(a) identify the nature of the default, (b) state the amount of the default, if any, (c) notify the Debtor of the last date upon which such default can be cured and (d) notify the Debtor that if Claim Distributions to the Holder of the Allowed Class 4(b) General Unsecured Trade Claim shall be made by the Debtor, at the Debtor's sole discretion. Upon receipt of such written notice of default, the Debtor shall have a period of thirty (30) days</p>	

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % of Recovery
			<p>days from receipt of such notice to cure such default and during such thirty (30) days, the Holder of a Class 4(c) Allowed General Unsecured Trade Claim shall take no action against the Debtor. If such default is cured by the Debtor on or within said thirty (30) day period, then the Plan shall continue in full force and effect as if no default had occurred.</p> <p>C. If the Debtor fails to cure such default on or within said thirty (30) day period, then the Holder of an Allowed Class 4(c) General Unsecured Trade Claim may collect any unpaid liabilities from the Debtor; in the case of such uncured default, the automatic stay of 11 USC 362(a) is lifted solely to permit the Holder of an Allowed Class 4(c) General Unsecured Trade Claim to collect any unpaid Claims owing to it without further order of the Court.</p>	

Class	Description	Est. Allowed Claims as of September 5, 2016 (Bar Date)	Treatment	Est. % Recovery
Class 4 (c)	General Contingent, Unliquidated Disputed and unsecured PI Litigation Claims (“CUD PI Claims”)	\$120,000,000.00 ⁸	Holders of an Allowed Class 4(c) Claim, currently stayed under the Bankruptcy Code, will receive a <i>pro rata</i> distribution of the net proceeds, if any, of Cash remaining in the Post-Confirmation Trust after payment of Administrative Claims and Allowed Priority non-tax Claims. Distribution shall be made (a) on a date that is 60 days after the CUD PI Claims have been reduced to judgment or (b) the date a Class 4(c) Claim becomes an Allowed Claim pursuant to a Final Order.	1%
Class 5	Equity Interest Holders	Three (3) Equity Interest Holders of the Debtor	These holders will retain their Equity Interests after Confirmation.	100%

F. Voting on the Plan.

1. *Who May Vote.*

⁸ \$120,000,000.00 is the approximate stated amount of the Proofs of Claim filed by counsel for various CUD PI Claimants; approximately \$100 million of these Claims were filed by a single law firm on behalf of 10 related plaintiffs in the same action, subject to the Debtor’s Objection filed with the Court and returnable on January 31, 2017.

The Plan divides Allowed Claims into Classes. Under the Bankruptcy Code, only classes that are “impaired” are entitled to vote (unless the class receives no compensation or payment, in which event the class is conclusively deemed to have rejected the Plan). A class is impaired if the legal, equitable, or contractual rights attaching to the claims of the class are modified, other than by curing defaults and reinstating maturities.

Under the Plan, Administrative, Priority Tax Claims and Equity Interests are unclassified and are not entitled to vote. Classes 1, 2, 3 and 5 are unimpaired and conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Classes 4(a), 4(b) and 4(c) are impaired and, therefore, are the Classes of Creditors entitled to vote.

2. *How to Vote.*

A form of Ballot is being provided to the members of Class 4(a), Class 4(b) and Class 4(c) by which Creditors in those Classes may vote to either accept or reject the Plan. To vote on the Plan, please complete the enclosed Ballot by (1) indicating that you either accept or reject the Plan and (2) signing your name and mailing the Ballot.

BALLOTS WITH ORIGINAL SIGNATURES (NOT COPIES, FAXES OR EMAILS) MUST BE COMPLETED, SIGNED AND MAILED SO AS TO BE RECEIVED BY DEBTOR’ COUNSEL NO LATER THAN 5:00 P.M. EASTERN TIME ON JANUARY 11, 2017 AT THE FOLLOWING ADDRESS OR THEY WILL NOT BE COUNTED:

Randall S. D. Jacobs, PLLC
Attorney for Debtor Salty Dog Rest., Ltd.
Attn: Randall S. D. Jacobs, Esq.
30 Wall Street, 8th Floor
New York, New York 10005

IF YOUR BALLOT IS NOT PROPERLY COMPLETED, SIGNED AND RECEIVED AS DESCRIBED, IT WILL NOT BE COUNTED.

Any signed Ballot returned without any indication that the voting creditor accepts or rejects the plan will be deemed a ballot accepting the Plan. Any signed Ballot returned without an amount will be deemed in the amount set forth on the Debtor's Schedules.

IF YOUR BALLOT IS DAMAGED OR LOST, YOU MAY REQUEST A REPLACEMENT BY ADDRESSING A WRITTEN REQUEST TO COUNSEL FOR THE Debtor.

G. Confirmation of the Plan.

1. *Objections to Confirmation.*

Any objections to confirmation of the Plan must be in writing and must be filed with the Bankruptcy Court and served on the Debtor and its counsel listed below so that such objections so as to be *received* on or before **February _____, 2017:**

Counsel for the Debtor:

Randall S. D. Jacobs, Esq,
30 Wall Street, 8th Floor,
New York, New York 10005
Tel: (212) 709-8116
Fax: 973 226 8897.
Email: rsdjacobs@chapter11esq.com

The Debtor:

Salty Dog Rest., Ltd.
Attn: Robert P. Fadel, President
7509 Third Avenue
Brooklyn, New York 11209
Tel: 718 238 0030
Email: rob0415@gmail.com

2. *Hearing on Confirmation.*

The Bankruptcy Court has set **February 16, 2017 at 10:30 a.m.** for a hearing (the “Confirmation Hearing”) to determine whether the requisite number of Creditors has accepted the Plan and whether the other requirements for confirmation of the Plan have been satisfied. The Confirmation Hearing will be held at the United States Bankruptcy Court, Eastern District of New York, 271 Cadman Plaza East, Courtroom 3529, Brooklyn, NY 11201-1800 before the Honorable Elizabeth S. Stong, U.S.B.J. The Confirmation Hearing may be continued from time to time and day to day without further notice. If the Bankruptcy Court confirms the Plan, it will enter the Confirmation Order.

III. HISTORY OF THE DEBTOR AND THE CHAPTER 11 CASE.

A. History of the Debtor and Reasons for Filing Chapter 11.

The Debtor has been engaged in business as a sports Bar and restaurant located at its sole Premises at 7509 Third Avenue, Brooklyn, NY 11209 since approximately 1997. The Debtor’s operations have been generally profitable over that period. However, three unrelated events combined to necessitate the Debtor’s filing its Chapter 11 Case.

1. *Loss of Insurance Coverage:* Although the Debtor is currently operating the Bar with liability insurance, the Debtor’s former general insurance carrier, Indemnity Insurance Corporation RRG (“IICRRG”), had gone out of business in 2013, been liquidated in Delaware in 2014 (See **Exhibit 8** attached hereto) and became unable to defend the Debtor against the ongoing personal injury actions, CUD PI Claims, filed against it as listed in the Debtor’s Statement of Financial Affairs (“SOFA”). The failure of IICRRG alone resulted in the Debtor being unable to pay the legal costs of defending these actions nor bear the burden of any

substantial verdict which might be entered against it, thereby necessitating the filing of this Chapter 11 Case.

2. *Loss of Lease Renewal:* Although the Bar has been operating out the same location for nearly 20 years, its landlord, Da Luigi Realty (the “Landlord”), failed to offer it any renewal of its lease to the Premises (the “Lease”) when it expired in December 2015. As a result, the Bar currently operates without a written lease to its Premises, on a month-to-month basis. Notwithstanding continuing negotiations, the Debtor has not been able to obtain a new or renewal Lease agreement from the Landlord. The Debtor believes that internal disagreement among the Landlord’s owners is preventing its negotiations from succeeding and it intends to continue to pursue negotiations for a long-term lease even if it has to continue to operate on a month-to-month basis for the foreseeable future.

3. *Sales Tax Liability and Audits:* The Debtor’s business has been the subject of sales tax audits conducted by the NYSDOTF regarding its sales tax liability every 33 months; it has just completed another such audit. The amount initially claimed by the NYSDOTF, approximately \$284,000, is so large that the Debtor believes it is overstated and has recently been authorized by the Court to retain Certified Public Accountant Denis L. Abramowitz, CPA, PLLC, an expert sales tax accounting for bars and restaurants, as the Debtor’s accountants in chapter 11 and to assist its dealing with the most recent audit and to review prior audits.

Notwithstanding these problems, the Debtor’s profitable operation of the Bar generated annual sale for calendar year 2015 of approximately \$1.5 million and it intends to continue in business after Confirmation (See **Exhibit 7**). The Bar employs five (5) full and sixteen (16) part-time employees. Three Stockholders, Robert P. Fadel, George Kabberz and Steven Fadel,

own 100% Equity Interests of the Debtor. The Debtor is unaware of any known secured claims against is as stated in Schedule D attached to the Petition.

A summary of the Debtor's Assets and liabilities have been filed as Schedules with the Bankruptcy Court

B. The Debtor's Assets and Liabilities.

On the Petition Date, the Debtor listed approximately \$15,000 in Assets and \$128,910.69 in liabilities on its Schedules. Those Assets consisted entirely of the Equipment which the Debtor believed would generate such proceeds from a forced liquidation sale by a chapter 7 Trustee. The Court approved equipment appraiser, Senser Appraisal Associates ("Senser") in its September 7, 2016 report, concluded that a forced sale of the Assets by a chapter 7 Trustee, not in the ordinary course of business, and would necessarily result in substantially less proceeds received, estimating the recovery therefrom would be less than \$12,000.⁹ See **Exhibit 3**.

C. Significant Events During the Chapter 11 Case.

1. *Professionals Employed by the Debtor.*

On the Petition Date, the Debtor was represented by Randall S. D. Jacobs, PLLC in the Chapter 11 Case; an order approving his representation of the Debtor was entered on the docket on April 6, 2016. On the same date, the Debtor's application to retain its pre-Petition accounting firm of Carey Dobosh, CPA, LLC, to provide accounting services in the Chapter 11 Case was approved. Shortly thereafter, however, the Debtor applied to the Court to replace the Dobosh Firm with Denis L. Abramowitz, CPA, PLLC, due to its expertise in dealing with the NYSDOTF

⁹ Senser believes that if the Debtor otherwise could sell the Assets outside of chapter 11 in ordinary course of business, using the "market comparison" approach, the fair market value of the Debtor's Assets would otherwise be approximately \$71,000.

and sales tax auditing, an ongoing issue with the Debtor and its experience as Chapter 11 accountant to restaurants; the application was granted by entry of such an order on October 19, 2016.

Prior to the Petition Date, the firm of Darrow Everett, LLP, 1115 Broadway, 12th Floor, New York NY 10010, defended Salty Dog Rest., Ltd. against multiple CUDS PI Claims alleging almost \$10 million in damages. Finally, On June 9, 2016, the Bankruptcy Court granted the Debtor's motion to retain Senser, a restaurant equipment appraiser, to provide a reliable valuation of the Equipment and thereby ensure that the proposed \$15,000 Stockholder's Contribution to the Trust to be distributed to Creditors amounts to at least 133% of the appraised liquidation value of Debtor's Assets.

2. *The CUDS PI Litigation.*

Prior to the Petition Date, the Debtor had been sued by approximately six (6) plaintiffs¹⁰ alleging nearly \$10 million in damages arising from personal injuries allegedly having occurred on the Debtor's Premises which were initially insured by the Debtor's liability insurance carrier IICRRG. However, IICRRG filed a liquidation petition in the Chancery Court of the State of Delaware under Case No. C.A. No. 8601-VCL on July 26, 2013 and on November 7, 2013 that Court issued a Rehabilitation and Injunction Order permanently staying all insurance transactions involving IICRRG (including defense of legal claims against policy holders) and appointing the

¹⁰ Since the Filing Date, approximately ten (10) additional CUD PI Claims have been filed against the Debtor with the Bankruptcy Court alleging additional "damages" for personal injuries in the estimated amount of approximately \$110 million, aggregating approximately \$120 million. However, the Debtor believes these Claimed damages are speculative, intentionally inflated and has filed objections scheduled to be heard on January 31, 2017.

Commissioner as Receiver.¹¹ On April 10, 2014 the Court found that IICRRG was insolvent and ordered it liquidated. See **Exhibit 8** hereto. The Chancery Court established a Bar Date for all claims against IICRRG as of January 16, 2015, with all claims filed thereafter considered late and assigned to a lower priority class.¹² The Debtor's counsel in its personal injury cases has advised that it has no record of the Debtor having filed a claim of any kind against the defunct IICRRG prior to the Bar Date; the Debtor believed that there were no assets available for any such distribution; moreover, even if a claim had been filed, the Debtor does not believe that IICRRG was capable of making any distribution whatsoever on account of such claim. The Debtor replaced IICRRG with another liability insurer prior to the Filing Date.

3. *Taxes Owed to the NYSDOTF.*

The Debtor has been audited by the NYSDOTF every 33 months which has recently completed the latest such audit asserting a tax liability of \$284,435.86. However, the Debtor has retained accountants, Abramowitz CPA, PLLC, with expertise in NYSDOTF taxation and audits to review the determination of the amount of unpaid taxes claimed owed to the NYSDOTF by the Debtor on both a pre-Petition and Administrative Claim basis. The NYSDOTF has filed Proofs of Claim with \$233,211.10 thereof claimed as Priority Taxes. As of the date hereof, Abramowitz had recently begun the process of reviewing the NYSDOTF Audit, .

4. *Court Approved Appraiser's Evaluation of the Equipment.*

¹¹ A copy of the Rehabilitation and Injunction Order is attached hereto as **Exhibit 8**.

¹² For further information see www.delawareinsurance.gov/departments/berg/-rehab_bureau_IICRRG.shtml.

The Debtor's motion to retain Senser Appraisers, a professional restaurant equipment appraiser, was granted in order to ensure an accurate valuation of the Equipment and thereby determine that the proposed amount of the Stockholder's Contribution equals 133% of the appraised value of Debtor's Equipment, its only marketable assets.¹³

5. *Claims Process and Bar Date.*

In a Chapter 11 case, pre-petition claims against a debtor are generally established either as a result of being listed in the debtor's schedules of assets and liabilities as not being contingent, unliquidated or disputed or through assertion by the creditor in a timely filed proof of claim. Claims asserted by creditors are then either allowed or disallowed. If allowed, a Claim will be recognized and treated pursuant to the Plan. If disallowed, the Creditor will have no right to obtain any recovery on or to otherwise enforce the Claim against the Debtor.

6. *Filing of Statements and Schedules.*

On the Petition Date, the Debtor filed with the Bankruptcy Court its Schedules of Assets and Liabilities and Statements of Financial Affairs, which set forth, inter alia, pre-petition Claims against the Debtor based on the Debtor's books and records and the Debtor's assets, including all of its real and personal property. As set forth above, the Debtor's leased Premises offers no financial value for Creditors. Each of the Claims is as numbered on the Claims Register maintained by the Clerk of the Court. Some of the Claims were also filed by the Creditor's Proof of Claim form claim against the Debtor. As of the date hereof, the amount owed on account of

¹³ The Debtor's Inventory of liquor, wine and beer are generally sold to and consumed by its customers virtually on a daily basis and replenished by corresponding new deliveries on the same basis. Thus the if the Debtor were to be liquidated in Chapter 7, the Inventory would be sold until exhausted, not replenished, prior to the Trustee's sale and thus none would remain for liquidation. However the net proceeds of the sale of such Inventory estimated at a maximum of about \$20,000, would be added to the Debtor's Assets in the Trust.

Claim 2 by the IRS has been reduced to \$0 pending further determination. The Debtor's only valuable assets as listed on the Schedules are the unaffixed furniture and fixtures removable from the Premises and the kitchen and bar equipment (collectively, the Equipment).

7. *Bar Date for Filing Proofs of Claim.*

By its order dated July 19, 2016 the Bankruptcy Court set **September 5, 2016 as the Bar Date**, the deadline for filing Proofs of Claim with the Bankruptcy Court for any non-governmental pre-petition Claims against the Debtor. *Governmental proofs of claim must have been filed by November 4, 2016.* A deadline to file Administrative Claims against the Debtor will be established under the Plan.

8. *Filed Claims and the Claims Objections Process.*

The Debtor has preliminarily reviewed filed Claims. Prior to Confirmation the Debtor anticipates that it will object to Claims that are lacking in legal or factual merit, including those that (i) assert improper secured or priority status; (ii) are asserted in amounts in excess of the amounts actually owed; (iii) do not allege an enforceable legal obligation of any of the Debtor; (iv) include post-petition interest and other disallowable charges; or (v) are otherwise objectionable, such as duplicate claims, *etc.* The Debtor has filed an objection to 11 specific Proofs of Claim filed without any explanation or documentary support aggregating approximately \$120 Million which is scheduled to be heard by the Bankruptcy Court on January 31, 2017.

After Confirmation, objections to Claims will be made by the Post-Confirmation Trustee, who will also continue any objections to Claims commenced prior to Confirmation. For the purposes of this Disclosure Statement, the Debtor has estimated what it believes the liability will

be to the Holders of Claims in each Class. However, the actual aggregate amount of Allowed Claims in any Class may ultimately differ significantly from the Debtor's estimates. Any variance from those estimates will affect projected distributions potentially resulting in a materially higher or lower distribution than currently projected.

As of August 31, 2016, the Debtor's records reflect that an estimate \$1,000 of Administrative Claims, \$0.00 of Secured Claims, \$284,435.86 of total NYSDOTF Tax Claims and approximately \$128,910.69 of General Unsecured Trade Claims were timely filed by the Bar Date. The Schedules list no secured Claims. Some of the Claims listed on the Schedules are duplicative of the filed Claims and the Debtor has not yet fully reconciled those filed Claims with the Scheduled Claims. Five law firms representing approximately sixteen (16) CUD PI Claimants have filed Proofs of Claim for personal injuries aggregating approximately \$120 million, in contingent, unsecured, disputed and unliquidated Claims arising from injuries allegedly suffered by a family member at the Debtor's Premises.

IV. DESCRIPTION OF THE PLAN.

THE PRINCIPAL PROVISIONS OF THE PLAN AS THEY RELATE TO THE TREATMENT OF CLASSES OF ALLOWED CLAIMS ARE SUMMARIZED BELOW. THE DISCUSSION OF THE PLAN THAT FOLLOWS CONSTITUTES A SUMMARY ONLY AND SHOULD NOT BE RELIED UPON FOR VOTING PURPOSES. YOU ARE URGED TO READ THE PLAN IN FULL IN EVALUATING WHETHER TO ACCEPT OR REJECT THE PLAN. IF ANY INCONSISTENCY EXISTS BETWEEN THIS SUMMARY AND THE PLAN, THE TERMS OF THE PLAN CONTROL. ALL

**CAPITALIZED TERMS NOT OTHERWISE DEFINED HAVE THE MEANINGS
ASCRIBED TO THEM IN THE PLAN.**

A. Overview.

The Plan provides for the transfer of a Stockholder's Cash Contribution and the net Cash remaining together with the proceeds of certain Causes of Action, if any, to the Trust, reconciliation of outstanding Claims against the estate by the Post-Confirmation Trustee in consultation with the Debtor and its Professionals, and the making of Distributions to Allowed Creditors under the Plan in accordance with the rule of absolute priorities and the Bankruptcy Code.

The Plan categorizes the Claims against the Debtor into distinct Classes. In accordance with the Bankruptcy Code, Administrative Claims and Priority Tax Claims are not classified. The Plan also provides that expenses incurred by the Debtor during the Chapter 11 Case will be paid in full (or as may otherwise be agreed by all parties) and specifies the manner in which holders of Allowed Claims in each Class will be treated. If there is any discrepancy between this description of the Plan's treatment of Creditors and that set forth in the Plan, the terms of the Plan are controlling.

B. Classes, Impairment and Voting Rights.

1. ***Class 1: Secured Tax Claims.*** *Secured Tax Claims, if any, are unimpaired and are not entitled to vote to accept or reject the Plan.*
2. ***Class 2: Priority Non-Tax Claims.*** *Priority Non-Tax Claims, if any, are unimpaired and are not entitled to vote to accept or reject the Plan.*
3. ***Class 3: Secured Claims.*** *Secured Claims, if any, are unimpaired and are not entitled to vote to accept or reject the Plan.*
4. ***Class 4: Unsecured Claims:***

- a. **Class 4(a):** Secured Priority Claims of NYSDOTF, if any.
- b. **Class 4(b):** General Unsecured Trade Claims. General Unsecured Trade Claims are impaired and are entitled to vote to accept or reject the Plan.
- c. **Class 4(c):** General Contingent, Unliquidated, Disputed personal injury litigation (CUD PI Claims), currently stayed by the automatic stay under the Bankruptcy Code, are impaired; their unliquidated, claim amounts are either valued at \$1.00 for the purpose of voting on the Plan or otherwise may be estimated by the Court for that purpose.

5. **Class 5: Equity Interests** are unimpaired and are not entitled to vote to accept or reject the Plan.

C. Unclassified Claims.

1. *Administrative Claims.*

Administrative Claims are Claims for administrative expenses of the kind described in sections 503(b) and 507 of the Bankruptcy Code, including, without limitation (a) the actual and necessary costs and expenses of preserving the Estate of the Debtor incurred after the commencement of the Chapter 11 Case, (b) Claims for fees and expenses of Professionals pursuant to sections 328, 330, and 331 of the Bankruptcy Code, and (c) Claims given the status of Administrative Claims by statute or Final Order of the Bankruptcy Court, including, but not limited to (x) fees, if any, due to the United States Trustee under 28 U.S.C. § 1930(a)(6) and (y) professional compensation and reimbursement of expenses to Professionals retained by the Debtor.

The Debtor estimates that the total of unpaid Administrative Claims primarily from the Debtor's Professionals, will be approximately \$120,000¹⁴ as of the Effective Date. If the actual

¹⁴ The Administrative Tax Claim held by the NYSDOTF is estimated at approximately \$1,000 as of the date hereof. The actual amount of Administrative Claims against the estate may be more or less on or after the Effective Date.

fees and expenses of the Professionals Allowed or other Allowed Administrative Claims are higher or lower than currently projected or estimated this, amount will change.

The Debtor has not included any amounts required to be paid in order to “cure” defaults under executory contracts to be assumed pursuant to section 365(b) of the Bankruptcy Code, as they currently estimate that amount to be zero.

Except as otherwise provided in the Plan, and subject to the requirements set forth therein, on, or as soon as reasonably practicable after the later of (i) the Effective Date and (ii) the date an Administrative Claim becomes an Allowed Administrative Claim, a Holder of an Allowed Administrative Claim shall receive, in full satisfaction, settlement, release and discharge of and in exchange for the Allowed Administrative Claim, (a) Cash equal to the unpaid portion of the Face Amount of the Allowed Administrative Claim or (b) such other treatment as to which the Holder and the Debtor shall have agreed; provided, however, that Allowed Administrative Claims with respect to liabilities incurred by the Debtor in the ordinary course of business during the Chapter 11 Case may be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto.

All Administrative Claims not filed by the Administrative Claims Bar Date shall be deemed waived. The Administrative Claims Bar Date for all holders of Administrative Claims, except those of Professional Persons and for fees payable to the United States Trustee pursuant to 28 U.S.C. § 1930 shall be as provided in the Confirmation Order.

D. Priority Tax Claims.

1. *Priority Tax Claims.*

Priority Tax Claims shall be treated (but not classified) as Unsecured Claims against the Debtor for any tax, charge, levy, fee, impost, customs duties or other assessment by a governmental unit and to the extent those Claims are entitled to priority in payment under section 507(a)(8) of the Bankruptcy Code. While the present audited Priority Tax Claim of the NYSDOTF is \$284,435.69 the Debtor believes that the total may be reduced to \$233,435.86 upon review of its objection to the audit.

2. *Priority Tax Claims other than those held by the NYSDOTF.*

Except to the extent that a Holder of an Allowed Priority Tax Claim has been paid prior to the Effective Date or agrees to a different treatment, each Holder of an Allowed Priority Tax Claim shall receive, at the Debtor's sole discretion, Cash in an amount equal to the Allowed Priority Tax Claim (i) on the Effective Date or as soon as practicable after the later of (a) the Effective Date or (b) on the date the Claim becomes an Allowed Priority Tax Claim, (ii) in equal quarterly payments, beginning on the Effective Date and continuing over a period ending not later than five (5) years after the Effective Date together with interest at the federal funds rate of interest on the Effective Date. All payments shall be applied first to principle and thereafter to interest.

3. *Priority Tax Claims held by the NYSDOTF.*

Except as otherwise stated in the Plan or any order of the Court, the Priority Tax Claims held by the NYSDOTF shall be treated (but not classified) with the treatment of the Administrative Claims held by the NYSDOTF and the Class 4(a) Secured Tax Claim.

Except to the extent that the Holder of the NYSDOTF Administrative Claim has been paid prior to the Effective Date, agrees to a different treatment, or is treated in a different manner

under the Plan, the Holder of the NYSDOTF Administrative Claim, if any, shall receive from the Debtor (i) on or as soon as is practicable after the Effective Date, pro-rated among each of such Priority Tax Claims) payment in full on the Distribution Date.

The NYSDOTF Priority Tax Claims shall also receive quarterly Payments in the amount of \$14,222 on account thereof which shall continue until the earlier of five (5) years after the Effective Date or until the NYSDOTF Claims have been fully satisfied or unless such Claims are reduced upon review of the Audit.

All Distributions to or on account of the NYSDOTF Claims shall be in full satisfaction, settlement, release and discharge of, and in exchange for the NYSDOTF Claims.

- a. All Distributions to or on account of the NYSDOTF Claims shall be applied (i) first, to the NYSDOTF Administrative Claim, (ii) second, to the NYSDOTF Priority Claim, and (iii) third, to the Class 4(a) Secured Tax Claim, if any.
- b. All Distributions to or on account of the NYSDOTF Claims shall first be applied to principle and thereafter to interest.
- c. Interest shall accrue on account of the NYSDOTF Claims at the lesser of (i) the rate applicable under Section 511(b) of the Bankruptcy Code on the Effective Date or (ii) eight percent (8%) per annum.
- d. Prepayment of all or any part of the amounts due on account of the NYSDOTF Claims shall be permitted.

- e. Any and all such prepayments shall be applied first to principle and thereafter to interest.
- f. Distributions to Holders of the NYSDOTF Claims other than the Effective Date Distribution or the Quarterly Distributions shall be made by the Trust, at Debtor's sole discretion.
- g. It shall be an event of default solely under this Article III(A)(4) if the Debtor fails to make any payment to the Holder of the NYSDOTF Claims as provided in the Plan.
- h. In the event of any such default under this Article III(A)(4), the Holders of the NYSDOTF Claims shall provide written notice to the Debtor and its counsel. Such notice shall, at a minimum (a) identify the nature of the default, (b) state the amount of the default, if any, (c) notify the Debtor of the last date upon which such default can be cured and (d) notify the Debtor that if such default is not cured, the Holders of the NYSDOTF Claims may take action under appropriate non-bankruptcy law.
- i. Upon receipt of such written notice of default, the Debtor shall have a period of thirty (30) days from receipt of such notice to cure such default and during such thirty (30) days, the Holders of the NYSDOTF Claims shall take no action against the Debtor. If such default is cured by the Debtor on or within said thirty (30) day

period, then the Plan shall continue in full force and effect as if no default had occurred.

E. Classified Claims.

1. *Unimpaired Claims.*

- a. Class 1(a): Secured Tax Claims. Except to the extent that a Holder of an Allowed Class 1(a) Secured Tax Claim has been paid prior to the Distribution Date or agrees to a different treatment, on or as soon as is practicable after the Effective Date each Holder of a Class 1(a) Allowed Secured Tax Claim shall receive from the Debtor, at the Debtor's sole discretion, Cash in an amount equal to the Allowed Amount of its Allowed Secured Tax Claim (a) on the Effective Date or as soon as practicable after the later of (i) the Effective Date and (ii) the date the Claim becomes an Allowed Secured Tax Claim, or (b) in equal quarterly payments, plus interest at the federal funds rate, beginning on the Distribution Date and continuing over a period ending not later than five (5) years after the Distribution Date. Payment will be in full satisfaction, settlement, release and discharge of, and in exchange for the Allowed Class 1(a) Secured Tax Claim. Distributions to the Holder of the Allowed Class 1(a) Secured Tax Claim shall be made by the Debtor at the Debtor's sole discretion. It shall be an event of default solely under this Article III(B)(1)(b) (x) if the Debtor fails

to make any payment to the Holder of the Class 1(a) Secured Tax Claim as provided in the Plan, (y) if the Debtor fails to pay any post-confirmation tax liabilities owing to the Holder of the Class 1(a) Secured Tax Claim or (z) if the Debtor fails to file post-confirmation tax returns by the due date of the return or of any extension of time permitted under title 26, U.S. Code.

- b. In the event of any such default under this Article III(B)(1)(b), the Holder of the Class 1(a) Allowed Secured Claim shall provide written notice to the Debtor and its counsel. Such notice shall, at a minimum (a) identify the nature of the default, (b) state the amount of the default, if any, (c) notify the Debtor of the last date upon which such default can be cured and (d) notify the Debtor that if such default is not cured, the Holder of a Class 1(a) Allowed Secured Tax Claim may collect any unpaid liabilities through the administrative collection provisions of the title 26, U.S. Code. Upon receipt of such written notice of default, the Debtor shall have a period of thirty (30) days from receipt of such notice to cure such default and during such thirty (30) days, the Holder of a Class 1(a) Allowed Secured Tax Claim shall take no action against the Debtor. If such default is cured by the Debtor on or within said thirty (30) day period, then the Plan shall continue in full force and effect as if no default had occurred.

- c. If the Debtor fails to cure such default on or within said thirty (30) day period, then the Holder of a Class 1(a) Allowed Secured Tax Claim may collect any unpaid liabilities through the administrative collection provisions of the Internal Revenue Code, and the automatic stay of 11 USC 362(a) is lifted solely to permit the Holder of a Class 1(a) Allowed Secured Tax Claim to collect any unpaid Claims owing to it without further order of the Court.
- d. The Debtor estimates that the total amount of Secured Tax Claims is approximately \$1,000, a Class 1(a) Secured Tax Claim.

2. *Class 2: Priority Non-Tax Claims.*

None are known to exist against the Debtor. Except to the extent that a Holder of an Allowed Class 2 Priority Non-Tax Claim, if any, has been paid prior to the Distribution Date or agrees to a different treatment, on or as soon as is practicable after the Distribution Date, the Disbursing Agent for the Debtor shall pay to each Holder of an Allowed Priority Non-Tax Claim Cash in an amount equal to the Face Amount of such Allowed Priority Non-Tax Claim. Payment will be in full satisfaction, settlement, release and discharge of, and in exchange for the Allowed Class 2 Priority Non-Tax Claim. Distributions to Holders of Allowed Class 2 Priority Non-Tax Claims shall be made by the Debtor, the , at the Debtor's sole discretion.

3. *Class 3: Secured Claims. None are known to exist against the Debtor.*

4. *Class 5: Equity Interests. Three Stockholders hold all equal percentages of the Equity Interests.*

5. *Impaired Unsecured Claims.*

- a. Class 4(a) Secured Tax Claims. A Secured Tax Claim may exist only to the extent that the value of the Debtor's property exceeds the value of any superior lien. The remaining balance of a tax claim would either be a general unsecured claim or a priority tax claim.
- b. Priority tax claim status is granted to certain "allowed unsecured claims of governmental units" under 11 U.S.C. 507(a)(8). This Section of the Bankruptcy Code preclude a tax claim from being treated as both a priority tax claim and a secured claim. The categories of priority tax claims include the following:
 - (1) Taxes "on or measured by income or gross receipts" as defined in detail by statute.
 - (2) Unsecured property taxes assessed prior to the bankruptcy but last payable without penalty less than one year prior to the filing of the petition.
 - (3) "A tax required to be collected or withheld and for which the debtor is liable in whatever capacity."
 - (4) Certain employment taxes as defined in detail by statute.
 - (5) Certain excise taxes as defined in detail by statute.
 - (6) Certain customs duties as defined in detail by statute.

Except as otherwise stated in the Plan or any order of the Court, treatment of the Priority Tax Claims held by the NYSDOTF and the Administrative Claims held by the NYSDOTF shall be treated (but not classified) with and shall also satisfy the Class 4(a) Secured Tax Claims.

Upon full payment of the Class 4(a) Secured Tax Claims, the NYSDOTF shall release its lien against the Debtor's property and shall record such lien with the appropriate New York State governmental entity.

Class 4(a): is Impaired and the Holders of Claims, if any, are entitled to vote on the Plan.

Class 4(b): General Unsecured Trade Claims. Except as may be otherwise agreed, the Holder of an Allowed Class 4(b) Claim is impaired and entitled to vote on the Plan.

No Holder of an Allowed Class 4(b) General Unsecured Claim shall receive interest on its Allowed Claim. Distributions to Holders of Allowed Unsecured Claims shall be made from net proceeds of the Cash held in the Trust and not from the Debtor.

If a Class 4(b) or 4(c) General Unsecured Disputed and Unliquidated Claim is not an Allowed Claim on a Distribution Date, the Holder of that Claim will receive its Distribution as soon as practicable after the Claim becomes an Allowed Claim.

Class 4(b) is Impaired and the Holders of Claims are entitled to vote on the Plan. Except to the extent that a Holder of an Allowed Class 4(b) Claim has been paid prior to the Distribution Date or agrees to a different treatment, the Debtor calculates it will pay approximately \$96,000 to satisfy all of the Class 4(b) Allowed Claims which the Debtor intends to pay Cash in an amount equal to the a *pro rata* share of the profits earned each calendar quarter (i) starting on the Effective Date or as soon as practicable after the later of (a) the Effective Date or (b) on the date the Claim becomes an Allowed General Unsecured Trade Claim (ii) in equal quarterly payments of approximately \$4,849.15 beginning on the Effective Date and continuing over a period ending not later than five (5) years after the Effective Date together with interest at the federal funds rate of interest on the Effective Date unless the creditor shall agree to different treatment with the

Debtor. All payments shall be applied first to principle and thereafter to interest. directly to such Allowed Holders from its earned profits from continued operations.

6. *Estimation of Claims for Voting Purposes.*

- a. Bankruptcy courts have the power to estimate claims of creditors in cases under §502(c), title 11, chapter 11 of the Bankruptcy Code for purposes of allowance, and under Rule 3018 of the Rules for temporary allowance for purposes of voting on a plan of reorganization.
- b. The Code and Rules are silent regarding, among other things, the sufficiency of evidence and burden of proof necessary to estimate a claim; the appropriate discovery period; and whether following estimation a full litigation of the claim is appropriate to protect the due process rights of the claimant. There also is no rule limiting a Bankruptcy Court's authority as to the type of claim to be estimated, such that claims requiring a jury trial or class action claims, or claims for which relief from the automatic stay may have been granted, may be subject to estimation.
- c. Estimation Under Code §502(c). Under Code §502(c), a Bankruptcy Court must estimate any claim for allowance purposes that is (i) contingent or unliquidated, the liquidation of which would "unduly delay" the administration of the bankruptcy case, or

(ii) a right to payment based upon an equitable remedy for breach of performance.

- d. Unless an objection is filed under Rule 3018, the Debtor will treat CUD PI Claims as having a value of \$1.00 (One Dollar) solely for voting purposes on the Plan of Reorganization.

7. *Estimation Under Rule 3018.*

- a. A Bankruptcy Court may estimate a claim that has been objected to for the limited purpose of voting on a plan of reorganization. Objections to claims may be filed prior to or after confirmation of a plan. If filed prior to confirmation of a plan, unless by agreement or court order, a claimant that is the recipient of an objection may be barred from voting its claim or having its vote count.

F. Means for Implementing the Plan.

1. *Transfer of 100% of the Appraised Liquidation Value of All of the Debtor's Assets, and the Allowed CUDS PI Claims to the Post-Confirmation Trust.*

The Debtor will transfer the Cash Contributed by its Stockholders in an amount at least equal to the appraised liquidation value of all of the Debtor's Assets (its Equipment, furniture, fixtures, etc.), as appraised by Court approved Senser Appraisal Associates' report dated September 7, 2016 (See **Exhibit 3** attached hereto), together with any net Cash remaining in the Debtor's bank or Premises from liquidation of its Inventory, to the Trust which will assume liability for payment of those claims not otherwise paid in quarterly installments by the Debtor, pursuant to the priorities established by Bankruptcy law: *i.e.*, Administration Expenses, Allowed

Priority Non-Tax Claims, General Unsecured CUDS PI Claims which obtain a judgment against the Trust,. (See **Exhibit 8** attached hereto.) As a result, the Debtor shall be relieved of all liability for such CUDS PI claims or judgments, including the legal defense thereof, arising therefrom.

2. *Transfer of Objections to Claims to the Post-Confirmation Trust.*

The Debtor will transfer (i) its rights to commence objections to Claims and (ii) its rights to continue objections to Claims pending as of the Confirmation Date to the Trust. To the extent that any CUDS PI Claims are prosecuted, the Trust shall retain the Debtor's former defense counsel to defend against such claims; however, since payment of Priority Non-Tax Claims, Administrative Claims and Allowed Fees of Professionals before any other Allowed Claims will likely exhaust the Trusts' funds, such retainer shall await such prosecution of those Claims.

3. *Funding of the Post-Confirmation Trust.*

The Trust will be funded by a Contribution in the amount of a minimum of \$15,000 from its Stockholders, together the net Cash proceeds of the liquidation of the Debtor's Inventory (estimated at approximately \$20,000) together with proceeds of any successful Causes of Action for Avoidance or Fraudulent Transfers, if any, aggregating approximately \$35,000.

4. *Establishment, Governance, and Administration of the Trust.*

On or before the Effective Date, the Debtor shall execute the Trust Agreement and shall take all other steps necessary to establish and deposit the Cash Contribution funding described above into the Trust in accordance with and pursuant to the terms of the Plan. The Debtor's Stockholders shall pay into the Trust the appraised Cash value of all of its Equipment, its remaining valuable assets (at least \$15,000, approximately 130% of Appraisal Value of the Equipment). The Debtor believes that after Priority Non-Tax and Administrative Expenses have

been paid that there will be little if any funds remaining with which to pay and Allowed Class 4(c) Claims. See **Exhibit 3**. The Causes of Action are all PI CUDS Claims which were defended or would have been defended by now liquidated and insolvent insurer IICRRG. The Debtor does not currently believe that financially meaningful preference or fraudulent conveyance actions exist. Accordingly, the primary means for satisfying Allowed Claims of CUDS PI Creditors is the Cash Contribution to be made by the Debtor's Stockholders added to the liquidated Inventory proceeds. The Post-Confirmation Liquidating Trust will distribute all of its deposited proceeds pursuant the Plan and within the terms of the Bankruptcy Code. Robert P. Fadel has agreed to serve as the Post-Confirmation Trustee of the Trust as well as the Post-Confirmation Administrative Trustee.

- a. Any recoveries from successful Causes of Action for Fraudulent Conveyance or Avoidance Actions, although the Debtor does not believe there will be any recoveries on these Causes of Action, minus expenses associated with the defense and of the PI CUDS Claims, together with the Contribution shall be deposited into the Trust for the payment of Distributions to Holders of Class 4(c) Claims.
- b. The Post-Confirmation Trustee can also pursue collection of outstanding accounts receivable, if any, and object to Claims (or continue any objections to Claims that are commenced by the Debtor prior to Confirmation). From and after the Effective Date, the Post-Confirmation Trustee or his agent shall be authorized,

without any supervision or approval of the Bankruptcy Court or the US Trustee, as the case may be, to employ and compensate such persons, including counsel, financial advisors and accountants, as he or she may deem necessary to enable him or her to perform his or her functions under the Plan and under the Trust Agreement and the reasonable fees and costs of such employment and other expenditures shall be paid first out of the Trust Assets.

- c. Notwithstanding any other term or provision of the Plan, the Post-Confirmation Trustee shall have sole authority and responsibility for investigating, analyzing, defending, litigating, and otherwise administering CUDS PI Claims. The Post-Confirmation Trustee may compromise and settle any Cause of Action without the consent or approval of the Debtor. The Post-Confirmation Trustee is authorized to approve compromises or settlements of the Causes of Action and related PI CUDS Claims and/or Disputed Claims and to execute all necessary documents to effectuate same, including releases and stipulations of settlement or release, upon such notice and further order of the Bankruptcy Court as may be required. Subject to the rule of absolute priorities, the Bankruptcy Code, and the final resolution of the NYS sales tax Audit, the CUDS PI Claimants may be beneficiaries of the Trust. The Post-Confirmation Trustee shall

serve without compensation or receive a token \$1.00 aggregate fee. The Post-Confirmation Administrative Trustee shall assume take control of the Trust upon the Confirmation of the Plan and distribution of the Trust assets pursuant to the Plan. Finally, the Post Confirmation Administrative Trustee shall prepare and deliver quarterly reports of all activities to the Reorganized Debtor which shall file same with the Office of the US Trustee and the Bankruptcy Court and pay all of the fees of the U. S. Trustee's Office.

5. *Retention and Preservation of Causes of Action.*

In accordance with section 1123(b)(3) of the Bankruptcy Code and except as may otherwise be provided by order of this Court, the Debtor and its Estate shall retain all of defenses arising under applicable state laws, including, without limitation, preference and fraudulent transfer claims, if any, and all other causes of action of a trustee and debtors in possession (the "Defenses") under the Bankruptcy Code or other federal or state law. The Debtor shall transfer those Defenses to the Trust. The Post-Confirmation Trustee will have the authority and responsibility of evaluating, and, if appropriate pursuing any Avoidance Actions and other Causes of Action in accordance with the Plan and the Trust Agreement.

G. Treatment of Executory Contracts and Unexpired Leases.

1. *Assumed or Rejected Contracts and Leases.*

Except as otherwise provided in the Confirmation Order or the Plan, the Confirmation Order shall constitute an order under section 365 of the Bankruptcy Code assuming all

prepetition executory contracts and unexpired leases to which the Debtor is a party, to the extent such contracts or leases are executory contracts or unexpired leases, on and subject to the occurrence of the Effective Date, unless such contract or lease (a) previously shall have been assumed, assumed and assigned, or rejected by the Debtor, (b) previously shall have expired or terminated pursuant to its own terms before the Effective Date, or (c) is the subject of a pending motion to assume or reject on the Confirmation Date. There are no maintenance arrears owed to the condominium association with respect to the New Jersey Property that must be cured as a condition of assumption.

H. Bar to Rejection Damages.

If the rejection of an executory contract or unexpired lease gives rise to a Claim by the other party or parties to the contract or lease, the Claim shall be forever barred and shall not be enforceable against the Post-Confirmation Trustee (in such capacity) Assets unless a Proof of Claim is filed and served on the Post-Confirmation Trustee within thirty (30) days after service of a notice of the Effective Date or such other date as is prescribed by the Bankruptcy Court.

I. Distributions.

1. *Distribution Date.*

The Distribution Date is the date upon which initial distributions are made by the Disbursing Agent to Holders of Allowed Claims entitled to receive Distributions under the Plan, which shall be the date on which the Post-Confirmation Trustee determines in the exercise of his prudent business judgment that there are sufficient funds to make a Distribution. Except as otherwise provided in the Plan, all Distributions to be made on account of Allowed Claims as of the Effective Date shall be made on the Distribution Date. Distributions on account of Claims

that first become Allowed Claims after the Distribution Date shall be made pursuant to the terms and conditions of the Plan and the Trust Agreement.

No Distribution shall be made on account of any Allowed Claim or portion thereof that (i) has been satisfied after the Petition Date pursuant to an order of the Bankruptcy Court; (ii) is listed in the Schedules as contingent, unliquidated, disputed or in a zero amount, and for which a Proof of Claim has not been timely filed or to which an objection has been filed by the Debtor, (iii) is evidenced by a Proof of Claim that has been amended by a subsequently filed Proof of Claim that purports to amend the prior Proof of Claim, except to the extent that the amended Claim is Allowed.

2. *Subsequent Distribution Dates.*

The Disbursing Agent shall determine subsequent Distribution dates in his or her sole reasonable discretion as and when there is sufficient Cash in the Trust to warrant a Distribution or when distributable operating profits are available. Such Distributions will be made pursuant to the provisions of the Plan governing the applicable Class and without interest.

3. *De Minimis Distributions.*

The Disbursing Agent shall not have any obligation to make a Distribution on account of an Allowed Claim if the amount to be distributed to the specific Holder has a value less than five dollars (\$5).

4. *Allocation of Plan Distributions Between Principal and Interest.*

To the extent that any Allowed Claim entitled to a Distribution under the Plan is composed of indebtedness and accrued but unpaid interest thereon, the Distribution shall, for all tax purposes, be allocated to the principal amount of the Claim first and then, to the extent the

consideration exceeds the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid interest.

5. *Distribution Record Date.*

Neither the Debtor nor the Disbursing Agent will have any obligation to recognize the transfer of any Allowed Claim that occurs after the close of business on the Distribution Record Date, and will be entitled for all purposes in and under the Plan to recognize and distribute only to those Holders of Allowed Claims who are Holders as of the close of business on the Distribution Record Date. Instead, the Disbursing Agent shall be entitled to recognize and deal for all purposes under the Plan with only those record Holders stated on the official claims register as of the close of business on the Distribution Record Date. The Distribution Record Date will be not more than 60 days after the Bankruptcy Court determines the amount of compensation and reimbursement of expenses owed to Professionals, and may be changed by order of the Bankruptcy Court.

6. *No Distributions Pending Allowance.*

Notwithstanding any other provision of the Plan, no Distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to the Disputed Claim have been settled or withdrawn or have been determined by Final Order, and the Disputed Claim, or some portion thereof, has become an Allowed Claim.

To the extent that a Claim is not a Disputed Claim but is held by a Holder that is or may be liable to the Debtor on account of a Cause of Action, no Distributions shall be made with respect to all or any portion of such Claim unless and until such Claim and liability have been

settled or withdrawn or have been determined by Final Order of the Bankruptcy Court or such other court having jurisdiction over the matter.

7. *Distributions After Allowance.*

Distributions to the Holder of a Disputed Claim, to the extent that it ultimately becomes an Allowed Claim, will be made in accordance with provisions of the Plan that govern distributions to Holders in that Class.

J. Setoffs.

Unless otherwise authorized by a Final Order, any Holder of a Claim must assert any setoff or recoupment rights against a claim by the Debtor against such entity by filing an appropriate motion seeking authority to setoff or recoup on or before the Distribution Date or will be deemed to have waived and be forever barred from asserting any right to setoff against a claim by the Debtor notwithstanding any statement to the contrary in a Proof of Claim or any other pleading or document filed with the Bankruptcy Court or delivered to the Debtor or the Post- Confirmation Trustee.

K. Procedure for Treating and Resolving Disputed, Contingent and/or Unliquidated Claims.

1. *Objection Deadline; Prosecution of Objections.*

Except as set forth in the Plan with respect to Professional Fee Claims and Administrative Claims, all objections to Claims must be filed and served on the Holders of such Claims no later than the Claims Objection Deadline, as such Deadline may be extended by the Bankruptcy Court. If an objection has not been filed to a Proof of Claim or the Schedules have not been amended with respect to a Claim that (i) was Scheduled by the Debtor but (ii) was not Scheduled as

contingent, unliquidated and/or disputed, by the Claims Objection Deadline, as the same may be extended by order of the Bankruptcy Court, the Claim to which the Proof of Claim or Scheduled Claim relates will be treated as an Allowed Claim if the Claim has not been allowed earlier.

L. Releases, Injunction and Exculpation.

1. *Releases by the Debtor.*

On the Effective Date, the Debtor, on behalf of themselves and its Estate shall release unconditionally, and shall be deemed to forever release unconditionally, the Debtor's Professionals, solely in its capacities as such, from any and all claims, obligations, suits, judgments, damages, rights, causes of action and liabilities whatsoever (other than the right to enforce the performance of its respective obligations, if any, to the Debtor under the Plan, and the contracts and other agreements delivered under the Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured. known or unknown, foreseen or unforeseen, directly or derivatively, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Chapter 11 Case, the Plan or this Disclosure Statement provided, however, that notwithstanding the foregoing nothing contained herein is intended to or shall operate as a release of any claims for fraud, willful misconduct or gross negligence. The foregoing shall not release and shall not be deemed or construed to release Avoidance Actions or the recipients of any transfers that are avoidable or recoverable under Chapter 5 of the Bankruptcy Code.

M. Injunction

Except as otherwise provided in the Plan, the Confirmation Order shall provide, among other things, that from and after the Effective Date all Entities who have held, hold or may hold Claims against the Debtor are permanently enjoined from taking any of the following actions against the Debtor or its Estate, or any of its property on account of any such Claims: (1) commencing or continuing, in any manner or in any place, any action or other proceeding; (2) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (3) creating, perfecting or enforcing any lien or encumbrance; (4) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtor unless authorized under the Plan; and (5) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan; provided, however, that nothing contained in the Plan shall preclude such Persons from exercising its rights pursuant to and consistent with the terms of the Plan or the Confirmation Order.

N. Exculpation and Limitation of Liability.

Except as otherwise provided in the Plan and to the extent permissible under section 1125(e) of the Bankruptcy Code, the Debtor and its Professionals and any of such parties' successors and assigns, shall not have or incur any claim, action, proceeding, Cause of Action, suit, account, controversy, agreement, promise, right to legal remedies, right to equitable remedies, right to payment or Claim (as defined in section 101(5) of the Bankruptcy Code), whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether or not asserted directly or derivatively, in

law, equity or otherwise to one another or to any Holder of a Claim, or any other party in interest, or any of its respective agents, employees, representatives, financial advisors, attorneys, or any of its successors or assigns, for any act or omission originating or occurring on or after the Petition Date through and including the Effective Date in connection with, relating to, or arising out of the Debtor, the Chapter 11 Case, negotiation and filing of the Plan or any prior plans, filing the Chapter 11 Case, the pursuit of confirmation of the Plan or any prior plans, the consummation of the Plan, the administration of the Plan or the property to be liquidated and/or distributed under the Plan, except for fraud, willful misconduct or gross negligence as determined by a Final Order of a court of competent jurisdiction, and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to its duties and responsibilities under the Plan.

O. Term of Bankruptcy Injunction or Stays.

All injunctions or stays provided for in the Chapter 11 Case under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date unless otherwise provided in the Plan. Upon the Effective Date, the injunction provided under the Plan shall apply.

P. Indemnification Obligations.

Except as otherwise provided in the Plan, an order of the Bankruptcy Court or any agreement or document entered into in connection with the Plan, any and all indemnification obligations that the Debtor have pursuant to a contract, instrument, agreement or other document or applicable law shall be deemed rejected (if and to the extent executory) as of the Effective Date.

Q. Miscellaneous Matters.

1. *Services by and Fees and Expenses of Professionals.*

Fees and expenses of Professionals for services rendered and costs incurred after the Petition Date and prior to the Effective Date will be fixed by the Bankruptcy Court after notice and a hearing and such fees and expenses will be paid in accordance with the terms and conditions of the Plan.

2. *Final Fee Application of Estate Professionals.*

All final requests for payment of Professional Fee Claims (the “Final Fee Applications”) must be filed no later than thirty (30) days after the Effective Date. Objections, if any, to Final Fee Applications must be filed and served on counsel for the Debtor, the requesting Professional and the US Trustee no later than thirty (30) days from the date on which the Final Fee Application is served and filed. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code, the Allowed amounts of the Professional Fee Claims shall be determined by the Bankruptcy Court.

R. Conditions Precedent to Plan Effectiveness.

1. *Conditions Precedent to Plan Effectiveness and Effective Date.*

The Effective Date will occur when the conditions set forth in Article VIII of the Plan have been satisfied. Article VIII of the Plan specifies that it is a condition precedent to the effectiveness of the Plan that: (i) the Confirmation Order shall have been entered and become a Final Order and shall provide that the Debtor is authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the agreements or documents created in connection with the Plan and the Trust or effectuate, advance or further the purposes thereof; (ii) all other actions, documents and agreements necessary to implement the Plan shall

have been effected or executed including, without limitation, the Trust Agreement; (iii) the Confirmation Order shall fix a deadline for the filing of requests for payment Administrative Claims and (iv) the Debtor shall have sufficient Cash to enable all required payments necessary to Confirmation to be made.

2. *Waiver of Conditions.*

The Debtor may waive, at any time, without notice, leave or order of the Bankruptcy Court, and without any formal action other than proceeding to consummate the Plan, the conditions set forth in Article VIII of the Plan.

V. RISK FACTORS.

The following is intended as a summary of certain material risks associated with the Plan. Each Creditor must analyze and evaluate the Plan and this Disclosure Statement as a whole to determine whether there are any other risk factors that might pertain to them.

A. Satisfaction of Conditions to Effective Date.

The failure to satisfy any of the conditions precedent to the occurrence of the Effective Date will prevent confirmation of the Plan.

1. *Voting Risks.*

For the Plan to be confirmed, each Impaired Class is given the opportunity to accept or reject the Plan. With regard to the Impaired Classes that vote on the Plan, the Plan will be deemed accepted by each of the Impaired Classes if it is accepted by holders of Claims of such Class who hold at least two-thirds ($\frac{2}{3}$) in dollar amount and more than one half ($\frac{1}{2}$) in number (50% +1) of the total Claims of the Class actually voting on the Plan. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes. To confirm the Plan, the Debtor must satisfy the requirements of section 1129(a) of the Bankruptcy Code.

Although the Debtor believes that the Plan will satisfy those requirements, there can be no assurance that the Bankruptcy Court will reach the same conclusion or that the Confirmation Order, if challenged on appeal, will be affirmed. If the Plan does not receive the required support from Creditors, the Debtor may amend the Plan to provide alternative treatment to a dissenting class or may seek to confirm the Plan through the “cramdown” provisions of 11 U.S.C. § 1129(b). If the Plan does not confirm or does not become effective, the Debtor could ask that the Chapter 11 Case be converted to a case under chapter 7 or dismissed. Any objection to the Plan by a party in interest could either prevent, or delay for a significant period of time, confirmation of the Plan.

2. *Objection Risks.*

Pursuant to section 1129(a)(15), if the Holder of an Allowed Unsecured Claim objects to Confirmation of the Plan, the Court cannot confirm the Plan unless;

- a. the value, as of the effective date of the plan, of the property to be distributed under the plan on account of such claim is not less than the amount of such claim; or
- b. the value of the property to be distributed under the plan is not less than the projected disposable income of the debtor (as defined in section 1325(b)(2)) to be received during the 5-year period beginning on the date that the first payment is due under the plan, or during the period for which the plan provides payments, whichever is longer.

Under this section, if a Creditor holding an Allowed Unsecured Claim objects to Confirmation of the Plan, the Court, in ruling on the objection, will be required to determine

whether the value of the payments to be made to the objecting Creditor are equal to or greater than the amount of the Claim or whether the value of the payments to be made under the Plan are equal to or greater than the “projected disposable income” of the Debtor to be received during the 5-year period beginning on the Distribution Date or during the period for which the plan provides payments, whichever is longer.

iii.. *Risk of Loss of Renewal or New Lease to Business Premises*

Although the Bar has been operating out the same location for nearly 20 years, its landlord, Da Luigi Realty (the “Landlord”), failed to offer it any renewal of its lease to the Premises (the “Lease”) which expired in December 2015. As a result, the Bar currently operates without a written lease to its Premises, on a month-to-month basis. Notwithstanding continuing negotiations, the Debtor has not been able to obtain a new or renewal Lease agreement from the Landlord. The Debtor believes that internal disagreement among the Landlord’s owners is preventing its negotiations from succeeding and it intends to continue to pursue negotiations for a long-term lease even if it has to continue to operate on a month-to-month basis for the foreseeable future. However, if the Debtor is unsuccessful in obtaining a renewal or new lease, the Debtor will likely have to move its business to another location, preferably nearby to its present location, which moving costs are likely to be substantial taken together with other costs of opening a new location. The Debtor’s Stockholders have agreed that in such an event, they will contribute the necessary additional capital to finance relocation.

VI. REQUIREMENTS FOR CONFIRMATION.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of section 1129 of the Bankruptcy Code have been satisfied with respect to the Plan, in which event the Bankruptcy Court will enter an order confirming the Plan. The Debtor will be required to

demonstrate that the Plan complies with all of the provisions set forth above. The Debtor believes that the Plan satisfies all of the statutory requirements for confirmation of the Plan. The following subsections discuss some of the most important requirements of section 1129(a) of the Bankruptcy Code.

A. Acceptances Necessary to Confirm Plan.

At the Confirmation Hearing, the Bankruptcy Court must determine, among other things, whether each Impaired Class has accepted the Plan. Under Section 1126 of the Bankruptcy Code, an Impaired Class of Claims is deemed to have accepted a plan if a plan has been accepted by creditors of that class that hold at least two-thirds ($\frac{2}{3}$) in amount and more than one-half ($\frac{1}{2}$) in number (50%+1) of the allowed Claims of such class held by creditors that have accepted or rejected the plan. Class 4(a), Class 4(b) and Class 4(c) are Impaired Classes entitled to vote to accept or reject the Plan. Classes 1, 2 and 3 are not impaired and so are conclusively presumed to have accepted the Plan.

In determining acceptances of the Plan, Ballots will only be counted if: (1) properly completed (*e.g.*, containing an original signature); (2) timely received; and (3) the holder's Claim is duly scheduled by the Debtor as other than disputed, contingent, or unliquidated, or if the Creditor has timely filed with the Bankruptcy Court a proof of claim that is not a Disputed Claim. *The Ballot that you received does not constitute a proof of claim.*

In calculating whether a Creditor has voted for or against the Plan, the Debtor will not consider Ballots that do not properly indicate an acceptance or a rejection. If you are in any way uncertain whether or not your Claim has been correctly scheduled, you should review the Schedules and any amendments that are on file with the Bankruptcy Court. Do not contact the Debtor, its attorneys or the Bankruptcy Court with questions about the scheduling of your Claim. Any

information they, or anyone else, may give that is inconsistent with the Schedules themselves is unauthorized, void, and of no effect.

B. Feasibility of Plan.

Section 1129(a)(11) of the Bankruptcy Code requires, as a condition to confirmation, that the Bankruptcy Court finds that confirmation of a 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 under the plan, unless such liquidation or reorganization is proposed under the plan. This requirement is called “feasibility.”

The Debtor’s projections are attached as **Exhibit 4**. Those projections show that the Debtor will not require further financial reorganization or liquidation after creation and funding of the Trust with an amount equal to 100% of the Debtor’s marketable assets. Because the Plan provides the liquidation of all of the Trust Assets and the distribution of the proceeds to Holders of Allowed Claims, concern that the Debtor will need further financial reorganization is not an issue and, therefore, the Plan is by its nature and terms, feasible.

The Debtor has prepared a *pro forma* budget, attached as **Exhibit 6**, showing its projected income and expenses for five (5) years following an anticipated Effective Date of January 31, 2016. The budget shows that the Debtor will be able to make the payments called for in the Plan without the need for further liquidation or reorganization. See **Exhibit 9**.

C. Best Interest of Creditors Test.

Confirmation requires, among other things, that each holder of a Claim in an Impaired Class either: (i) accepts the Plan; or (ii) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value the holder would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code. This requirement is commonly referred to as the “Best Interests Test.”

1. *Chapter 7.*

To determine the value that the holders of Impaired Claims would receive if the Debtor were liquidated, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of assets and properties of the Debtor in the context of a chapter 7 liquidation case. Section 704 of the Bankruptcy Code requires a chapter 7 trustee to collect and reduce to money the property of the estate as expeditiously as is compatible with the best interests of parties in interest. In the case of the Debtor, a chapter 7 trustee would be administering an estate made up largely of the same Trust Assets that are available for Creditors under the Plan. The Cash available for satisfaction of Allowed Claims would consist of the proceeds resulting from the disposition of assets of the Debtor, augmented by Cash, if any, held by the Debtor at the time of the commencement of the chapter 7 case. That Cash amount would then be reduced by the amount of any Claims secured by the assets, if any, the costs and expenses of the liquidation, and additional Administrative Claims and other Priority Claims that may result from the use of chapter 7 for the purposes of liquidation. The costs of liquidation under chapter 7 would include fees payable to the trustee in bankruptcy, as well as those that might be payable to his or her attorneys and to other professionals that the trustee may engage, plus any unpaid expenses incurred by the Debtor during the Chapter 11 Case that would be allowed in the chapter 7 cases, such as compensation for attorneys, accountants or other professionals and costs and expenses of the Debtor. These Administrative Claims would have to be paid in Cash, in full, from the liquidation proceeds before the balance of those proceeds could be made available to pay other Priority Claims and Allowed General Unsecured Claims from the Chapter 11 Case.

2. *Liquidation Analysis.*

The Post-Confirmation Trustee intends to defend against the CUDS PI Claims. There may be additional Causes of Action, such as preferences or fraudulent conveyances, that the Trust may investigate and pursue that may result in recoveries for the benefit of the Debtor's Estate that would augment the proceeds of any asset sales. Moreover, to the extent that any Claims are disallowed, the total amount of Allowed Claims will also decrease, leading to a greater distribution to each Creditor.

The Liquidation Analysis attached as **Exhibit 5** provides the likely value that would be obtained if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. The Debtor believes that liquidation of the Trust Assets under chapter 11 will result in a greater distribution to creditors than under chapter 7 because in a chapter 7 case (i) there would be the additional expense of compensation payable to a chapter 7 trustee and the trustee's professional fees and (ii) the Chapter 7 trustee would not be able to obtain a Capital Contribution from Debtor's Stockholders to fund any payment to General Unsecured Creditors.

D. Classification.

In accordance with section 1122 of the Bankruptcy Code, the Plan provides for the classification of four (4) basic Classes of Claims. Section 1122(a) permits a plan to place a claim or an interest in a particular class only if the claim or interest is substantially similar to the other claims or interests in that class. The Debtor believes that the classification of Claims under the Plan is appropriate and consistent with applicable law.

E. Confirmation of Plan Without Necessary Acceptances.

The Plan may be confirmed, even if it is not accepted by all of the Impaired Classes of Creditors, if the Bankruptcy Court finds that the Plan does not discriminate unfairly and is fair and equitable with respect to the Classes that are impaired and have not accepted the Plan. Provision for

this type of confirmation is set forth in section 1129(b) of the Bankruptcy Code and is commonly referred to as “cramdown.”

1. *No Unfair Discrimination.*

A plan of reorganization “does not discriminate unfairly” if (a) the legal rights of the non-accepting Impaired Class are treated in a manner that is consistent with the treatment of other classes whose legal rights are intertwined with those of the non-accepting class, and (b) no class receives payments in excess of that which it is legally entitled to receive for its allowed claim. The Debtor believes that under the Plan (i) all Impaired Classes of Claims are treated in a manner that is consistent with the treatment of other Classes of Claims with which its legal rights are intertwined, if any, and (ii) no Class of Claims will receive payments or property with an aggregate value greater than the aggregate value of the Allowed Claims in such Class. Accordingly, the Debtor believes that the Plan does not discriminate unfairly as to any Impaired Class.

2. *Fair and Equitable Test.*

A plan is “fair and equitable” with respect to unsecured creditors if either: (i) each holder of an unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed claim; or (ii) the holders of claims that are junior to the claims of the non-accepting class do not receive any property under the plan on account of such claims and interests. Under the Plan, there are no creditors with priority junior to the General Unsecured Creditors. By definition, the Plan is fair and equitable with respect to Class 4(c) regardless of whether the General Unsecured Creditors accept or reject the Plan. The cramdown provisions are complex and this summary is not intended to be a complete statement of the law in this area.

3. *The Rule of Absolute Priority*

A plan is "fair and equitable" only if the Allowed value of Claims are to be paid in full, or if the Holder of any Claim or Interest that is junior to dissenting creditors, if any, will not receive or retain any property under the Plan on account of such junior claim or interest. § 1129(b)(2)(B)(ii). Accordingly, the rule is Equity Interest Holders cannot receive distributions pursuant to the Plan prior to any dissenting holder of a junior claim or interest. The Plan also provides that the Stockholders will retain their Equity Interests in the reorganized Debtor, only upon condition they contribute "substantial" and "essential" funding of the Debtor to the extent of all Allowed Administrative Claims and approved compensation of the Debtor's Professionals. Each of the three Stockholders have agreed to make such contributions to the Debtor for payment of the Debtor's Professionals estimated at approximately \$120,000 and accordingly, they will remain Equity Holders and Mr. Robert Fadel will remain the President of the Reorganized Debtor. In addition, the Cash Contribution equivalent to the appraised value of all of the Debtor's Equipment will be contributed by the Stockholders to the Post-Confirmation Trust and the Debtor will also transfer therein proceeds of the sale of its Inventory as of Confirmation to the Trust. The Trust will first pay allowed Administrative Claims and Expenses, allowed Priority Non-Tax Claims, if any, and as much of Allowed Professional Fees as possible before the Equity Holders payment thereof shall begin. Any cash remaining in the Trust, after the such payments are distributed will be allocated to pay any of the CUDS PI Claims which result in a judgment. The Debtor will not pay allowed Priority Tax Claims or Allowed General Unsecured Trade Creditors on the Effective Date in full, but will pay both (i) all Priority Tax Claims in full over 20 quarters following the Effective Date and (ii) the Allowed Claims of General Unsecured Trade Creditors will also be paid in the sum of \$0.75 on the dollar over the same period, unless such Unsecured Trade Creditors agree to other treatment.

VII. EFFECT OF CONFIRMATION.

A. Binding Effect of Confirmation.

Confirmation will bind the Debtor, all Creditors and other parties in interest to the provisions of the Plan whether or not the Claim of the Creditor is impaired under the Plan and whether or not the Creditor has voted to accept the Plan.

B. Vesting of Assets Free and Clear of Liens, Claims and Interests.

Except as otherwise provided in the Plan or in the Confirmation Order, upon the Effective Date, title to all assets and property of the Debtor and all property of its Estate shall revert in the Debtor and each and every Claim, demand or cause of action that the Debtor had or had power to assert immediately prior to the Confirmation Date will, except as provided in the Plan vest in the Post-Confirmation Trustee free and clear of all liens, claims and interests, subject to the Plan and the Debtor shall continue in business.

C. Good Faith.

Confirmation of the Plan shall constitute a finding that (i) Plan has been proposed in good faith and in compliance with applicable provisions of the Bankruptcy Code, and (ii) the solicitation of acceptances or rejections of the Plan has been in good faith and in compliance with applicable provisions of the Bankruptcy Code.

D. No Limitations on Effect of Confirmation.

Nothing contained in the Plan will limit the effect of Confirmation as described in section 1141 of the Bankruptcy Code.

E. Section 1146 Exemption.

Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan, or the making or delivery of an instrument of transfer under the Plan, may not be taxed under any law imposing a stamp tax or similar tax. Thus, any sales of real property shall be free of these taxes.

VIII. FEDERAL INCOME TAX CONSIDERATIONS.

Consummation of the Plan, including certain cancellation of indebtedness of the Debtor and other actions required under the Plan may result in recognition of income, deductions, gain or loss to the Debtor and the possible incurrence of taxes, which may constitute an Administrative Expense Claim. The Federal income tax consequences to a particular Creditor will depend primarily upon whether that Creditor's claim constitutes a security for Federal income tax purposes. The determination as to whether any particular Claim constitutes a security is complex and depends on facts and circumstances surrounding the origin and nature of the Claim. The receipt of Cash by the holder of an Allowed General Unsecured Claim against the Debtor may be a fully taxable transaction. Accordingly, Holders of those Claims may recognize gain or loss in an amount equal to the difference between (i) the amount realized in satisfaction of the Claim (other than in respect of any Claim for accrued but interest, and excluding any portion required to be treated as imputed interest due to the post-Effective Date distribution of such consideration following the resolution of any Disputed Claims in the same class), and (ii) the holder's adjusted tax basis in its Claim (other than any Claim for accrued but unpaid interest).

NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY HOLDER OF A CLAIM. EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX

**ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX
CONSEQUENCES OF THE PLAN.**

IX. ALTERNATIVES TO THE PLAN.

The Debtor believe that, if the Plan is not confirmed or is not confirmable, the only realistic alternative Plan is conversion to chapter 7 pursuant to which a trustee would be appointed to liquidate any remaining assets of the Debtor for distribution to Creditors in accordance with the priorities established by the Bankruptcy Code. For the reasons discussed above, the Debtor believe that Confirmation of the Plan would provide each holder of a General Unsecured Claim entitled to receive a distribution under the Plan with a recovery that is expected to be at least as much and likely greater than it would receive in a liquidation under chapter 7 of the Bankruptcy Code.

X. CONCLUSION.

The Debtor believe that the Plan is in the best interest of Creditors and urge Creditors to vote to accept the Plan.

Dated: Brooklyn, New York
January 10, 2017

/s/ Robert P. Fadel
Robert P. Fadel, President

Randall S. D. Jacobs, PLLC
*Attorney for debtor and
debtor-in-possession Salty Dog Rest., Ltd.*

By: /s/ Randall S. D. Jacobs

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EXHIBITS

Exhibit 1
Chapter 11 Joint Plan of Reorganization

EXHIBIT 2
Post-Confirmation Trust Agreement

EXHIBIT 3
Appraised Value of Assets

Pursuant to Article II of the Plan, upon Confirmation the following property will deposited into the Trust:

1. The \$15,000 Cash Contribution by the Stockholders equal to approximately 133% of the appraised value of the Debtor's Assets as appraised by Senser Appraisal Associates in its report dated September 7, 2016, a copy is attached hereto as **Exhibit 3**.
2. The Cash proceeds of the Debtor's liquidation of its Inventory (liquor, wine and beer, etc.) as of the Confirmation Date, estimated to be approximately \$20,000.
3. Recoveries from Avoidance Actions, if Any. All claims and causes of action arising under Bankruptcy Code sections 502, 510, 541, 542, 544, 545, 547 through 551 and/or 553, or under related state or federal statutes and common law, including, without limitation, fraudulent transfer laws, if any, whether or not litigation is commenced to prosecute such causes of action; *provided*, however, that avoidance actions shall not be deemed to include those causes of action released, waived and/or discharged pursuant to the Plan or an order of the Bankruptcy Court.

EXHIBIT 4
Projection of Sales and Earnings 2016-2021

EXHIBIT 5
Liquidation Analysis as of February 20, 2017

EXHIBIT 6
Post-Confirmation Budget 2017

EXHIBIT 7
Summary of Operations January 1, 2016-October 31, 2016

EXHIBIT 8
Liquidation Order of IICRRG in Delaware Court

EXHIBIT 9

Estimated Cash Available to the Debtor at Confirmation February 20, 2017