

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF PUERTO RICO

IN RE:

LINCOLN RESTAURANTS INCORPORATED

Debtor

CASE NO.: 16-05006 (BKT)

CHAPTER 11

**DISCLOSURE STATEMENT
FOR
LINCOLN RESTAURANTS INCORPORATED.**

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I. INTRODUCTION

Pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. § 101, *et seq.* (the "Bankruptcy Code"), Lincoln Restaurants Incorporated. ("Lincoln"), Debtor and Debtor-in-possession in the above captioned case, provides this disclosure statement (the "Disclosure Statement") to all of its known creditors. The purpose of the Disclosure Statement is to provide such information as Debtor believes may be deemed necessary for its creditors to make an informed decision in exercising their rights to vote on Debtor's Plan of Reorganization (the "Plan") dated as of the date of the Disclosure Statement. The Plan is being filed with the Bankruptcy Court simultaneously herewith.

Debtor recommends that you vote to accept the Plan. Each creditor must, however, review the Plan and the Disclosure Statement carefully, including all Exhibits in their entirety, and determine whether or not to accept or reject the Plan based upon that creditor's independent judgment and evaluation. The description of the Plan in the Disclosure Statement is in summary form and is qualified by reference to the actual terms and conditions of the Plan, which should be reviewed carefully before making a decision to accept or reject the Plan. Capitalized terms not otherwise defined herein have the same meaning as set forth in the Plan. Other terms shall have the meaning ascribed to them in the Bankruptcy Code.

The information contained in the Disclosure Statement has been provided by Debtor based upon its knowledge of its records, businesses and affairs. Except as otherwise expressly indicated, the information provided by Debtor in the Disclosure Statement, has not been subject to audit or independent review.

Although great efforts have been made to be accurate, Debtor, its counsel and other

professional advisors do not warrant the accuracy of the information contained herein.

The Disclosure Statement has not yet been approved by the Bankruptcy Court as providing information deemed adequate to permit Debtor's creditors to make an informed judgment in exercising their right to vote for or against the Plan.

No representations concerning Debtor, including the value of its assets, or the aggregate dollar amount of claims which may be allowed are authorized other than as set forth in the Disclosure Statement. Any representations, warranties or agreements made to secure acceptance or rejection of the Plan by Debtor's creditors that differ from those contained in the Disclosure Statement should not be relied upon in voting on the Plan.

Debtor believes that the Plan provides the quickest recovery and will maximize the return to creditors on their Claims. **ACCORDINGLY, DEBTOR URGES ALL CREDITORS TO VOTE IN FAVOR OF THEIR PLAN.**

II. SUMMARY OF THE PLAN

The Plan specifies the manner in which the Claims and Interests are to be treated. Allowed Administrative Expense Claims and Allowed Priority Tax Claims are not classified for purposes of voting under the Plan, but the Plan does provide for the treatment of such Claims. The table below provides a summary of the treatment of the various Classes of Claims against Debtor, as well as of the Shareholder's Interests in LINCOLN. To the extent that the terms of the Disclosure Statement vary from those of the Plan, the terms of the Plan will control.

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| Description of Claim | Class Number(s) | Estimated Amount of Allowed Claims | Treatment and Estimated Recovery Under Plan |
|--|-----------------|------------------------------------|---|
| Holders of Allowed Administrative Expense Claims | N/A | \$132,970.93 | <p>Unimpaired.</p> <p>Estimated Recovery:100%</p> <p>Except as otherwise agreed to by Debtor and the Holder of an Allowed Administrative Expense Claim, each such Holder shall be paid in full in the regular course of Debtor's business or as authorized by the Court.</p> |
| Holders of Allowed Priority Tax Claims | N/A | \$89,083.46 | <p>Unimpaired.</p> <p>Estimated Recovery: 100%</p> <p>Holders of Allowed Priority Tax Claims shall be paid in deferred equal consecutive monthly installments commencing on the Effective Date of the Plan and continuing on the last day of each month thereafter over a 60-month period after the Effective Date, equal to the amount of such Allowed Priority Tax Claims, plus the statutory rate of interest prevailing during the month the Plan is confirmed, estimated at 3.25% per annum, provided that the payments to the holders of Allowed Priority Tax Claims is effected in a manner not less favorable than the most favored non-priority unsecured claims provided for in the Plan, other than those payments made to a Class of creditors consisting only of every unsecured claims that are less than or reduced to an amount as reasonably necessary for administrative convenience.</p> <p>Monthly payments for these claims are estimated in \$1,779.00.</p> |

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| Description of Claim | Class Number(s) | Estimated Amount of Allowed Claims | Treatment and Estimated Recovery Under Plan |
|--|------------------------|---|---|
| The Secured Claim of Banco de Desarrollo Economico (“BDE”) | Class 1 | \$329,059.11 | <p>Impaired.</p> <p>Estimated Recovery: 100%</p> <p>Debtor’s obligations to BDE will be restructured as a twenty one (21) year loan, with interest at 6.50% per annum, payable in two hundred fifty one (251) equal monthly installments in the amount of \$2,500.00 of principal and interest, and 1 last payment of \$1,748.50, commencing on the Effective Date of the Plan.</p> |
| Holders of Allowed General Unsecured Claims | Class 2 | \$629,453.60 | <p>Impaired.</p> <p>Estimated Recovery: 0.80%</p> <p>Holders of Allowed General Unsecured Claims shall be paid in deferred in 5 equal consecutive monthly installments in the amount of \$1,000.00, commencing on the Effective Date of the Plan.</p> |
| Interests of Debtor’s Shareholders | Class 3 | N/A | <p>Unimpaired.</p> <p>Estimated Recovery: N/A</p> <p>The Holders of the Equity Interests in Debtor will retain their shares unaltered.</p> |

For a more detailed description of the treatment of the foregoing Classes of Claims and Interests see “Treatment of Claims and Interests under the Plan”.

The Disclosure Statement has been prepared by Debtor to provide creditors with adequate information so that they can make an informed judgment as to the Plan. Each creditor should read the Disclosure Statement and the Plan in their entirety before voting on the Plan. No solicitation of votes on the Plan may be made except pursuant to the Disclosure Statement and no person has been authorized to utilize any information concerning Debtor's assets other than the information contained herein for purposes of solicitation.

III. INFORMATION ABOUT THE REORGANIZATION PROCESS

3.1 Purpose of a Disclosure Statement

This Disclosure Statement includes background information about Debtor and identifies the classes into which creditors have been placed by the Plan. The Disclosure Statement describes the proposed treatment of each of those classes if the Plan is confirmed. It also contains information concerning the prospects in the event of confirmation or, in the alternative, the prospects if confirmation is denied or the proposed Plan does not become effective.

Upon its approval by the Bankruptcy Court, the Disclosure Statement and the Exhibits thereto will have been found to contain, in accordance with the provisions of the Bankruptcy Code, adequate information of a kind and in sufficient detail to enable a reasonable, hypothetical investor, typical of a holder of impaired claims or interests to make an informed judgment about the Plan. Approval of the Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

3.2 Voting Procedure

All creditors entitled to vote on the Plan may cast their votes for or against the Plan by completing, dating, signing and causing the Ballot Forms accompanying the Disclosure Statement as **Exhibits A1 and A2** to be returned to the following address:

Lincoln Restaurants Incorporated.
c/o Pedro E. Vazquez Melendez, Arvelo & Vazquez, P.S.C.,
PO Box 9024025, San Juan, PR 00902-4025

The Ballots must be received **on or before 4:00 P.M. (Eastern Standard Time) on _____, 2017**, to be counted in the voting. Ballots received after this time will not be counted in the voting unless the Bankruptcy Court so orders.

Debtor recommends a vote for "ACCEPTANCE" of the Plan.

3.3 Ballots

Pursuant to the provisions of the Bankruptcy Code, only classes of claims or equity interests which are "impaired" under the terms and provisions of a plan are entitled to vote to accept or reject such plan.

Members of Classes 1, 2, and 4 are impaired under the Plan and entitled to vote. Members of impaired Classes will be asked to vote for acceptance or rejection of the Plan. A party who holds claims in more than one impaired Class should complete a Ballot for each Class with respect to the applicable portion of the claim included in each Class. .

3.4 The Confirmation Hearing

Pursuant to Section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing on confirmation of the Plan to commence on _____, at _____ M., or as soon thereafter as the parties can be heard. The Confirmation Hearing will be held before the

Honorable Brian K. Tester, United States Bankruptcy Judge, 300 Recinto Sur Street, San Juan, Puerto Rico 00901, at the courtroom which the Bankruptcy Court may designate.

At the Confirmation Hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interests of holders of claims and interests. The Bankruptcy Court will also receive and consider a Report of Plan Voting prepared by Debtor, summarizing the votes for acceptance or rejection of the Plan by parties entitled to vote.

The Confirmation Hearing may be adjourned from time to time without further notice except for the announcement of the adjourned date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

At the Confirmation Hearing, with respect to the Plan, the Bankruptcy Court will (i) determine whether the requisite votes have been obtained for each Class, (ii) hear and determine objections, if any, to the Plan and to the confirmation of the Plan, that have not been previously disposed of, (iii) determine whether the Plan meets the confirmation requirements of the Bankruptcy Code, and (iv) whether to confirm the Plan.

Any objection to confirmation of the Plan must be in writing, filed and served as required by the Bankruptcy Court pursuant to the order approving the Disclosure Statement, a copy of which is attached as **Exhibit B** hereto.

3.5 Acceptances Necessary to Confirm the Plan

The vote of each holder of an impaired claim is important, since at the Confirmation Hearing and as condition to the confirmation of the Plan on a consensual basis, 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 is deemed to have accepted the Plan if at least 2/3 in amount and more than 1/2 in number of the Allowed Claims of the Class members who actually cast ballots to accept or reject the Plan, accept the Plan. Further, unless there is acceptance of the Plan by all members of an impaired Class, the Bankruptcy Court must also determine that under the Plan, Class members will receive property of a value, as of the Effective Date, that is not less than the amount that such Class members would receive or retain if Debtor were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan.

3.6 Confirmation of the Plan without the Necessary Acceptances

If a Class or Classes of impaired Claims do not accept the Plan, Debtor will request confirmation of the Plan under the “cram down” provisions of Section 1129 (b) of the Bankruptcy Code, which permits confirmation, notwithstanding non-acceptance by one or more impaired classes if the Bankruptcy Court finds that the Plan does not discriminate unfairly against and is fair and equitable as to each non-accepting Class, as long as at least one class of impaired creditors votes to accept the Plan. Section 1129 (b) of the Bankruptcy Code requires among other things, that claimants must either receive the full value of their claims and if they receive less, that no Class with junior liquidation priority may receive anything. **THESE CALCULATIONS ARE BASED ONLY ON THE CLAIMS AMOUNTS AND NUMBER OF CREDITORS WHO ACTUALLY VOTE. ANY BALLOT THAT IS VALIDLY EXECUTED THAT DOES NOT CLEARLY INDICATE REJECTION OF THE PLAN SHALL BE DEEMED TO CONSTITUTE A VOTE FOR ACCEPTANCE**

OF THE PLAN. THE VOTE OF EACH CREDITOR IS IMPORTANT.

**IV. DESCRIPTION OF THE DEBTOR AND EVENTS
PRECEDING THE FILING OF DEBTOR'S CHAPTER 11 PETITION**

4.1 General Information

Debtor is a domestic closed corporation organized under the laws of the Commonwealth of Puerto Rico, incorporated on April 3, 2014, whose main business is the operation of Italian food restaurants. Debtor has only one shareholder and director, Mr. Francisco J. Vargas Robledo.

4.2 Events leading to the commencement of the Chapter 11 case.

At the moment of filing Debtor operated 3 Villa Fresh Italian Kitchen franchise located at Plaza Carolina (Carolina, PR), Plaza Rio Hondo (Bayamon, PR) and PR Premium Outlets (Barceloneta, PR). Due to the general financial crisis in Puerto Rico's economy, Debtor's sales began to decrease due the diminishing number of people visiting shopping malls. The decrease in revenues caused the non-payment and accrual of sales taxes payable to PR Department of Treasury and also the accrual of monthly lease payments to the landlords of all 3 establishments. Debtor's management has been involved in Debtor's restructuring and reorganization, for the purpose of remedying Debtor's financial problems and state of affairs, specifically, Debtor tried to renegotiate a substantial reduction of the monthly lease payments in order to continue operations on the before mentioned premises. The negotiations regarding the premises located at Plaza Rio Hondo were not successful, resulting on the filing, by landlord, of a process of eviction. Said event moved Debtor to file for protection of the Bankruptcy Code.

4.3 Debtor's Post-Petition Endeavors

Since the filing of the Chapter 11 petition, while operating as debtor-in-possession, Debtor has undertaken different efforts geared to completing its reorganization for the benefit of its estate and its creditors. Debtor's efforts concentrated on reaching an agreement for a relief on the monthly rent of the 3 stores operated by Debtor. Upon reaching an agreement with Plaza Carolina LP for the premises located at Carolina, debtors assumed the executory contract with landlord and also with the franchise. Notwithstanding, the negotiations with landlords for the premises located at Rio Hondo and PR Premium Outlets did not moved forward, reason why Debtor rejected the lease contract with both and also rejected the franchise agreement for each store. Debtor moved forward its efforts to identify other premises that will fit to Debtor's requirements. Debtor has already identified another place, which Debtor estimate that will be fully operational at the end of the current month.

As part of Debtor's efforts to reorganized, Debtor has reached an agreement with Secured Creditor Banco de Desarrollo Economico to restructure its current loan as specified in the present disclosure statement.

V. CLAIMS AGAINST DEBTOR AND ITS ASSETS

5.1 Avoidance of Actions

Claims against Debtor that are Allowed Claims, as defined in the Plan, will be entitled to Distribution pursuant thereto.

The Plan provides that only the holders of Allowed Claims, that is; holders of Claims not in dispute, not contingent, not unliquidated in amount and not subject to objection or

estimation, is entitled to receive distribution thereunder. Until a claim becomes an Allowed Claim, distribution will not be made to the holder of such claim.

5.2 Objections to Claims

The amounts set forth as due to Holders of unclassified and classified claims are estimates only, based upon Debtor's Schedules and/or its belief as to amounts due to Holders of the various Claims. Debtor is including as **Exhibit C** hereto a Summary of Claims and Plan Payments as of April 10, 2017.

All objections to Claims must be filed and served on the Holders of such Claims by the Claims Objection Bar Date. If an objection has not been filed to a proof of Claim or a scheduled Claim by the Claims Objection Bar Date, the Claim to which the proof of Claim or scheduled Claim relates will be treated as an Allowed Claim.

Any objections to Claims against Debtor are to be prosecuted by Debtor, including any application to estimate or disallow Claims for voting purposes. Except to the extent that a claim is already allowed pursuant to a final non-appealable order, Debtor reserves the right to object to claims.

VI. DESCRIPTION OF THE PLAN

The following is a summary of the significant provisions of the Plan and is qualified in its entirety by said provisions. The Plan is being filed with the Bankruptcy Court simultaneously herewith. In the event and to the extent that the description of the Plan contained in the Disclosure Statement is inconsistent with any provisions of the Plan, the provisions of the Plan shall control and take precedence. All creditors are urged to carefully

read the Plan.

6.1 Unclassified Claims

In accordance with Section 1123 (a) (1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims, secured and/or unsecured, are not classified in the Plan. A description of the unclassified claims and the claims in each class, as well as the estimated principal amounts of each as of the Effective Date and their treatment, are set forth in the Plan and summarized in pages 6 and 7 above. Administrative Expense Claims are generally the ordinary and necessary costs of administering and operating during a Chapter 11 case.

6.2 Administrative Expense Claims

Except as otherwise agreed to by Debtor and the Holder of an Allowed Administrative Expense Claim, each such Holder shall be paid in full in the regular course of business or as authorized by the Court.

6.3 Professional Fee Claims

The professionals retained in Debtor's Chapter 11 cases have and will incur fees and expenses from the date of their appointment through the Effective Date of the Plan. It is impossible to predict the amount of the professional administrative expense fees that will be incurred through the Effective Date of the Plan. As of the filing of this Disclosure Statement, Debtor has advanced \$5,000 in retainer fees, to Debtor's counsel. At present, Debtor estimates that additional Allowed Professionals Fee Claims will amount to around \$10,000.00 to \$12,000.00 for unpaid services rendered and expenses incurred up to the Confirmation of the

Plan to Debtor's Court appointed professional. All amounts paid to professionals through the Confirmation Date, including interim fees and expenses already paid are subject to final Bankruptcy Court approval. Debtor reserve the right to contest the allowance of any professional fees.

6.4 Priority Tax Claims

Priority Tax Claims are Claims entitled to priority pursuant to Section 507 (a)(8) of the Bankruptcy Code. Such Priority Tax Claims consist of unpaid estimated sales taxes for taxable year 2016, as accrued prior to the Petition Date. The estimated potential Priority Tax Claims are listed in **Exhibit C** hereto.

Holders of Allowed Priority Tax Claims shall be paid in deferred equal consecutive monthly installments commencing on the Effective Date of the Plan and continuing on the last day of each month thereafter over a 60-month period, equal to the amount of such Allowed Priority Tax Claims, plus the statutory rate of interest prevailing during the month the Plan is confirmed, estimated at 3.25% per annum, provided that the payments to the holders of Allowed Priority Tax Claims is effected in a manner not less favorable than the most favored non-priority unsecured claims provided for in the Plan, other than those payments made to a Class of creditors consisting only of every unsecured claims that are less than or reduced to an amount as reasonably necessary for administrative convenience.

These claims are estimated in \$89,084.00.

6.5 Classes of Claims and Equity Interests

As of the Petition Date, Debtor had a secured debt with Banco de Desarrollo

Economico. Debtor also has other non-priority unsecured debts, as more particularly described below and in page 8 hereof. The Plan classifies the various claims against Debtor.

A description of all classes of Claims and the Equity Interests, the estimated principal amount of each Class as of the Effective Date and its treatment are set forth below. The Classes of Claims and the Interests in Debtor set forth in the Plan are as follows:

- **Class 1 – The Secured Claim of Banco de Desarrollo Economico**, amounting to \$329,059.11 and claimed to be secured by Debtor's equipment and machinery.
- **Class 2 –Holders of Allowed General Unsecured Claims**, amounting to approximately \$629,453.60.
- **Class 3 –Interests of Debtor's Shareholders**, consisting of Mr. Francisco J. Vargas Robledo 100%.

6.6 Treatment of Claims and Interests

A. **Class 1 – The Secured Claim of Banco de Desarrollo Economico (BDE)**

- (a) Impairment and Voting – Class 1 is impaired under the Plan. BDE will be entitled to vote to accept or reject the Plan.
- (b) Distribution – Debtor's obligations to BDE will be restructured as a twenty one (21) year loan, with interest at 6.50% per annum, payable in two hundred fifty one (251) equal monthly installments in the amount of \$2,500.00 of principal and interest, and 1 last payment of \$1,748.50, commencing on the Effective Date of the Plan.

B. **Class 2 –Holders of Allowed General Unsecured Claims**

- (a) Impairment and Voting – Class 2 is impaired under the Plan. The Holders of Allowed General Unsecured Claims shall be entitled to vote to accept or reject the plan.

- (b) Distribution – Holders of Allowed General Unsecured Claims shall be paid an estimate of 0.80% of their claims in deferred in 5 equal consecutive monthly installments in the amount of \$1,000.00., commencing on the Effective Date of the Plan.

C. Class 3 – Interests of Debtor’s Shareholders

- (a) Impairment and Voting – Class 5 is unimpaired under the Plan. The Holders of the Equity Interests in Debtor are conclusively presumed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.
- (b) Treatment – The Holders of the Equity Interests in Debtor will retain their shares unaltered.

6.7 Means for Execution of the Plan

Payments and distribution under the plan will be paid with the available funds generated by Debtor’s operations

6.8 Debtor’s Post Confirmation Management

After confirmation of the Plan, Debtor will continue with its current Management, consisting of its President Mr. Francisco J. Vargas Robledo. His compensation package will consist of a \$42,000.00 yearly salary, the reimbursement of ordinary, necessary and reasonable business related expenses.

6.9 Executory Contracts and Unexpired Leases

With the exception of Debtor’s executory contracts with Plaza Carolina LP and Villa Pizza LLC for the premises on Plaza Carolina (Carolina, PR) all executory contracts were rejected and the entry of the Confirmation Order by the Bankruptcy Court, shall constitute approval of such rejection pursuant to Sections 365 (a) and 1123 (b) (2) of the Bankruptcy Code, all other of Debtor’s unexpired leases and executory contracts as set forth in Schedule G

to Debtor's Chapter 11 petition, which (i) have not expired by their own terms on or prior to the Confirmation Date, (ii) have not been assumed or rejected with the approval of the Bankruptcy Court on or prior to the Confirmation Date, (iii) are not the subject of a motion to reject which is pending on the Confirmation Date, shall be deemed assumed on the Effective Date, and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumption pursuant to Sections 365 (a) and 1123 (b) (2) of the Bankruptcy Code.

If the rejection of such an executory contract or unexpired lease results in a claim for damages by the other party or parties to such contract or lease, any claim for such damages, if not evidenced already by a filed proof of claim, shall be forever barred and shall not be enforceable against Debtor's Estate, or its properties or agents, successors, or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for Debtor on or before forty-five (45) days following the Confirmation Date. Debtor retains the right to object to any rejection damages claims filed in accordance with this Section.

VII. LIQUIDATION AND FINANCIAL ANALYSIS

7.1 Best Interest of Creditors and Comparison with Chapter 7 Liquidation

In the event Debtor's Chapter 11 case is converted to Chapter 7 of the Bankruptcy Code, a Chapter 7 Trustee will be appointed, Debtor would have to cease its commercial activities, and the Trustee would liquidate Debtor's assets pursuant to the provisions of the Bankruptcy Code, Debtor's employees would be dismissed, and after attending to the immediate issues of securing Debtor's assets, the Chapter 7 Trustee would move to sell the same, without the active participation of Debtor's employees and officers, subject to the

uncertainties and the atmosphere that such scenario creates, which will cause a devaluation of Debtor's assets as a going concern. Debtor's Liquidation Analysis as of April 10, 2017, is attached as **Exhibit D** hereto.

Certain assumptions and estimates have been made with respect to, among other things, the claims against Debtor and the nature and extent of its assets. The assumptions were utilized to prepare the Liquidation Analysis and are part thereof.

The Liquidation Analysis reveals that in the event of a liquidation of Debtor's assets there would be a substantial loss to its Estate, taking into account Chapter 7 costs of administration and the expected value of the Estate's assets in a liquidation scenario.

7.2 Feasibility of the Plan

A. Financial Projections

Debtor, has prepared financial projections (the "Projections") based on the confirmation and implementation of the Plan. The Projections are based upon estimates and assumptions that, although developed and considered reasonable by Debtor, are inherently subject to significant economic uncertainties and contingencies beyond its control, as well as to certain assumptions with regards to the value of assets that are subject to change. Accordingly, there can be no assurance that the projected performance reflected in the Projections will be realized, but Debtor considers them to be reasonable and realistic. (**Exhibit E** to this Disclosure Statement.)

As **Exhibit F**, Debtor is including a Summary of its Operating Reports to the present.

VIII. CHAPTER 11 PROCEEDINGS

8.1 Determination of Claims

The Plan specifies procedures for estimating disputed claims and objecting to claims. Debtor may object to Claims within thirty (30) days before the first date fixed by the Bankruptcy Court for the hearing on the confirmation of the Plan. No payments will be made under the Plan on account of Disputed Claims until their allowance by the Bankruptcy Court. The Plan provides that Distributions on Disputed Claims will be held in reserve until the Disputed Claims are allowed at which time the reserves will be distributed and the Claims will be treated according to the terms of the Plan.

Any Claims which (a) are not listed as Allowed Claims on Debtor's Schedules; (b) are not evidenced by a valid, a timely filed Proof of Claim; or (c) are not listed in the Plan or exhibits to the Plan as an Allowed Claim, shall not receive any distribution of cash or property under the Plan until they become Allowed Claims, and shall be disallowed and discharged if the Claims are not Allowed by Order of the Bankruptcy Court.

IX. ALTERNATIVES TO THE PLAN

If the Plan is not confirmed and consummated, the alternatives include (a) Debtor's liquidation under Chapter 7 of the Bankruptcy Code (b) dismissal of the Case, or (c) the proposal of an alternative plan.

A. Liquidation Under Chapter 7

If no plan can be confirmed, the Case may be converted to Chapter 7 of the Bankruptcy Code, and as indicated above, a Trustee would be elected or appointed to liquidate Debtor's

assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code.

As set forth in the Liquidation Analysis attached as **Exhibit D** hereto, other than Secured Creditors and Chapter 7 Administrative Claimants, no other creditors will receive any dividends under Chapter 7.

Thus, Debtor believes that General Unsecured Creditors would receive higher and prompt dividend under the Plan.

B. Dismissal of the Case

Dismissal of the Case would likely create substantial problems for all parties involved including, legal actions, which most likely would result, in the disregard of the orderly and structured equitable payments provided by the Plan under the provisions of the Bankruptcy Code. Therefore, dismissal of the Case is not a viable alternative for creditors.

C. Alternative Plan of Reorganization

If the Plan is not confirmed, Debtor could attempt to formulate a different plan. Debtor believes, however, that the Plan described herein will provide the greatest and most expeditious return to creditors.

X. TAX EFFECTS

Based on Debtor's net operating carry loss forwards, certain tax exemptions granted to Debtor by the Puerto Rico Treasury Department, and other provisions of the Internal Revenue Code of Puerto Rico of 2011, Debtor expects that the implementation of the Plan will not have

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any significant tax effects, if any.

XI. CONCLUSION

Debtor believes that the Plan is fair and reasonable and in the best interest of its Estate and Creditors and offers the best possible recoveries for Creditors. Debtor therefore urges Creditors to vote in favor of the Plan.

Dated: April 10, 2017.

LINCOLN RESTAURANTS INCORPORATED.

By:

/S/ Francisco J. Vargas Robledo
Mr. Francisco J. Vargas Robledo
President

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