Melissa S. Hayward
Texas Bar No. 24044908
MHayward@HaywardFirm.com
Julian Vasek
Texas Bar No. 24070790
JVasek@HaywardFirm.com
HAYWARD & ASSOCIATES PLLC
10501 N. Central Expy, Ste. 106
Dallas, Texas 75231
Tel: (972) 755-7100
Fax: (972) 755-7110

ATTORNEYS FOR LUKE'S LOCKER INCORPORATED

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

In re:	§	
	§	
LUKE'S LOCKER, INCORPORATED, *et al.*,	§	**Case No. 17-40126-BTR-AA**
	§	**Chapter 11**
	§	**(Jointly Administered)**
Debtor.	§	

DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 IN SUPPORT OF LUKE'S LOCKER INCORPORATED'S PLAN OF REORGANIZATION

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED BY LUKE'S LOCKER, INCORPORATED (THE "DEBTOR") AND DESCRIBES THE TERMS AND PROVISIONS OF THE DEBTOR'S PLAN OF REORGANIZATION (THE "PLAN"). ANY TERM USED IN THIS DISCLOSURE STATEMENT THAT IS NOT DEFINED HEREIN HAS THE MEANING ASCRIBED TO THAT TERM IN THE PLAN. A COPY OF THE PLAN IS INCLUDED HEREIN FOLLOWING THIS DISCLOSURE STATEMENT.

IF YOU ARE A CREDITOR OF THE DEBTOR, PLEASE DO NOT DISCARD THESE DOCUMENTS. REVIEW THEM IN FULL, AS YOUR CLAIM IS LIKELY BEING TREATED IN THE DEBTOR'S PLAN.

Dated: February 20, 2018

TABLE OF CONTENTS

ALL HOLDERS OF CLAIMS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN ITS ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. ALL SUMMARIES OF THE PLAN AND OTHER STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, THE EXHIBITS ANNEXED TO THE PLAN, ANY SUPPLEMENTS TO THE PLAN, AND THE EXHIBITS ANNEXED TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS AS OF THE DATE HEREOF, UNLESS OTHERWISE STATED HEREIN, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH HEREIN SINCE THE DATE HEREOF. MOREOVER, THERE MAY BE ERRORS IN THE STATEMENTS AND/OR FINANCIAL INFORMATION CONTAINED HEREIN AND/OR ASSUMPTIONS UNDERLYING SUCH STATEMENTS AND/OR FINANCIAL INFORMATION. THE DEBTOR AND ITS ADVISORS EXPRESSLY DISCLAIM ANY OBLIGATION TO UPDATE OR CORRECT ANY SUCH FINANCIAL INFORMATION OR ASSUMPTIONS.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW. THIS DISCLOSURE STATEMENT AND THE PLAN DESCRIBED HEREIN HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. TO THE EXTENT ANY RIGHTS, NOTES, OR INTERESTS ISSUED PURSUANT TO THE PLAN ARE DEEMED SECURITIES, NEITHER THE OFFER NOR THE ISSUANCE OF ANY SUCH SECURITIES PURSUANT TO THE PLAN HAS BEEN REGISTERED UNDER THE 1933 ACT OR ANY SIMILAR STATE SECURITIES OR "BLUE SKY" LAWS. ANY SUCH OFFER OR ISSUANCE IS BEING MADE IN RELIANCE ON THE EXEMPTIONS FROM REGISTRATION SPECIFIED IN SECTION 1145 OF THE BANKRUPTCY CODE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF THE DEBTOR SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS, THIS DISCLOSURE STATEMENT AND THE EXHIBITS HERETO DO NOT CONSTITUTE AND MAY NOT BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS

AND SHALL BE INADMISSIBLE FOR ANY PURPOSE ABSENT THE EXPRESS WRITTEN CONSENT OF THE DEBTOR AND THE PARTY AGAINST WHOM SUCH INFORMATION IS SOUGHT TO BE ADMITTED.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.

THIS DISCLOSURE STATEMENT WILL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTOR, THE REORGANIZED LUKE'S LOCKER DEBTOR, OR ANY OTHER PARTY, NOR WILL IT BE CONSTRUED TO CONSTITUTE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTOR.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Disclosure Statement includes information regarding certain "forward-looking statements" within the meaning of Section 27A of the 1933 Act and Section 21E of the Securities Exchange Act of 1934, as amended, all of which are based upon various estimates and assumptions that the Debtor believes to be reasonable as of the date hereof. These statements involve risks and uncertainties that could cause actual future outcomes to differ materially from those set forth in this Disclosure Statement. Such risks and uncertainties include, but are not limited to:

- litigation risks and uncertainties;
- costs associated with the Debtor's restructuring efforts, including its chapter 11 filing; and
- Claim and liability estimates.

You should understand that the foregoing as well as other risk factors discussed in this Disclosure Statement could cause future outcomes to differ materially from those expressed in such forward looking statements. Given the uncertainties, you are cautioned not to place undue reliance on any forward-looking statements in determining whether to vote in favor of the Plan or to take any other action. The Debtor undertakes no obligation to update or revise information concerning the Debtor's restructuring efforts or its cash position or any forward-looking statements to reflect events or circumstances that may arise after the date of this Disclosure Statement, except as required by law.

I.
SUMMARY OF THE PLAN

Luke's Locker's Plan generally provides for the payment in full of all Priority Claims and Secured Claims. Unsecured Claims will not receive any distribution under the Plan.

The funds to be used for the payment of Claims or other Distributions to be made under the Plan will be from the proceeds of the continued operation of Luke's Locker's business, the New Equity Infusion, and any available funds or property which the Reorganized Luke's Locker Debtor may otherwise possess on or after the Effective Date.

The perfected liens and security interests held by any Secured Creditor will be continued, preserved and retained to secure the unpaid balance of such Secured Creditor' Allowed Secured Claim.

Current Interests in the Debtor will be cancelled, and the New Equity Holders will obtain 100% of the equity interests in the Reorganized Luke's Locker Debtor.

II.
CONSIDERATIONS IN PREPARATION OF THE DISCLOSURE STATEMENT AND PLAN; DISCLAIMERS

BECAUSE ACCEPTANCE OF THE PLAN WILL CONSTITUTE ACCEPTANCE OF ALL THE PROVISIONS THEREOF, HOLDERS OF CLAIMS ARE URGED TO CONSIDER CAREFULLY THE INFORMATION REGARDING TREATMENT OF ITS CLAIMS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE PLAN.

THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT. THERE CAN BE NO ASSURANCE THAT THOSE CONDITIONS WILL BE SATISFIED.

THE DEBTOR PRESENTLY INTENDS TO SEEK TO CONSUMMATE THE PLAN AND TO CAUSE THE EFFECTIVE DATE TO OCCUR PROMPTLY AFTER CONFIRMATION OF THE PLAN. THERE CAN BE NO ASSURANCE, HOWEVER, AS TO WHEN AND WHETHER CONFIRMATION OF THE PLAN AND THE EFFECTIVE DATE ACTUALLY WILL OCCUR.

TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED, AND ACTUALLY RECEIVED BY THE VOTING DEADLINE. HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE ENCOURAGED TO READ AND CONSIDER CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN.

*****

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, ANTICIPATED EVENTS IN THE BANKRUPTCY CASE, AND

FINANCIAL INFORMATION. ALTHOUGH THE DEBTOR BELIEVES THAT THE SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF THE PLAN OR CERTAIN DOCUMENTS (AND HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD REFER TO THE PLAN AND SPECIFIED DOCUMENTS IN ITS ENTIRETY AS ATTACHED HERETO), STATUTORY PROVISIONS, EVENTS, OR INFORMATION. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE URGED TO REVIEW THE ENTIRE PLAN. IN THE EVENT ANY PROVISION OF THIS DISCLOSURE STATEMENT IS FOUND TO BE INCONSISTENT WITH A PROVISION OF THE PLAN, THE PROVISION OF THE PLAN SHALL CONTROL.

IN DETERMINING WHETHER TO VOTE TO ACCEPT THE PLAN, HOLDERS OF CLAIMS MUST RELY UPON ITS OWN EXAMINATION OF THE DEBTOR AND THE TERMS OF THE PLAN, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. EACH SUCH HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS WITH RESPECT TO ANY SUCH MATTERS CONCERNING THIS DISCLOSURE STATEMENT, THE SOLICITATION, THE PLAN, AND THE TRANSACTIONS CONTEMPLATED THEREBY.

*****

EXCEPT AS SET FORTH HEREIN, NO PERSON HAS BEEN AUTHORIZED BY THE DEBTOR IN CONNECTION WITH THE PLAN OR THE SOLICITATION TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTOR. THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN, IN THE EVENT ANY RIGHTS OR INTERESTS ISSUED PURSUANT TO THE PLAN ARE DEEMED SECURITIES, SUCH SECURITIES TO WHICH IT RELATES, OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION IN WHICH, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS AS OF THE DATE HEREOF, UNLESS OTHERWISE STATED HEREIN, AND NEITHER THE DELIVERY OF THIS DISCLOSURE STATEMENT NOR, IN THE EVENT ANY RIGHTS OR INTERESTS ISSUED PURSUANT TO THE PLAN ARE DEEMED SECURITIES, THE DISTRIBUTION OF ANY SECURITIES PURSUANT TO THE PLAN WILL, UNDER ANY CIRCUMSTANCE, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT

TO THE DATE HEREOF, OR SUCH OTHER DATE AS DESCRIBED HEREIN. ANY ESTIMATES OF CLAIMS OR EQUITY INTERESTS SET FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE AMOUNTS OF CLAIMS OR EQUITY INTERESTS DETERMINED BY THE DEBTOR OR ULTIMATELY ALLOWED BY THE BANKRUPTCY COURT, AND AN ESTIMATE SHALL NOT BE CONSTRUED AS AN ADMISSION OF THE AMOUNT OF SUCH CLAIM.

INFORMATION INCORPORATED BY REFERENCE INTO THIS DISCLOSURE STATEMENT SPEAKS AS OF THE DATE OF SUCH INFORMATION OR THE DATE OF THE REPORT OR DOCUMENT IN WHICH SUCH INFORMATION IS CONTAINED OR AS OF A PRIOR DATE AS MAY BE SPECIFIED IN SUCH REPORT OR DOCUMENT. ANY STATEMENT CONTAINED IN A DOCUMENT INCORPORATED BY REFERENCE HEREIN SHALL BE DEEMED TO BE MODIFIED OR SUPERSEDED FOR ALL PURPOSES TO THE EXTENT THAT A STATEMENT CONTAINED IN THIS DISCLOSURE STATEMENT OR IN ANY OTHER SUBSEQUENTLY FILED DOCUMENT WHICH IS ALSO INCORPORATED OR DEEMED TO BE INCORPORATED BY REFERENCE, MODIFIES OR SUPERSEDES SUCH STATEMENT. ANY STATEMENT SO MODIFIED OR SUPERSEDED SHALL NOT BE DEEMED, EXCEPT AS SO MODIFIED OR SUPERSEDED, TO CONSTITUTE A PART OF THIS DISCLOSURE STATEMENT.

A. Disclosure Statement; Construction

This Disclosure Statement has been prepared to comply with section 1125 of the Bankruptcy Code and is hereby transmitted by the Debtor to holders of Claims and Equity Interests for use in the solicitation of acceptances from the holders of Claims (the "Solicitation") of the Plan. **Unless otherwise defined in this Disclosure Statement, capitalized terms used herein have the meanings ascribed to them in the Plan.**

For purposes of this Disclosure Statement, the following rules of interpretation shall apply: (i) whenever the words "include," "includes," or "including" are used, they shall be deemed to be followed by the words "without limitation," (ii) the words "hereof," "herein," "hereby," "hereunder," and words of similar import shall refer to this Disclosure Statement as a whole and not to any particular provision, and (iii) article, section, and exhibit references are to this Disclosure Statement unless otherwise specified.

The purpose of this Disclosure Statement is to provide "adequate information" to Persons who hold Claims to enable them to make an informed decision before exercising its right to vote to accept or reject the Plan. By order of the Bankruptcy Court (the "Disclosure Statement Order"), this Disclosure Statement was approved and held to contain adequate information. A true and correct copy of the Disclosure Statement Order is attached hereto as **Exhibit 2**.

THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THE MATERIAL CONTAINED HEREIN IS INTENDED SOLELY FOR THE USE BY HOLDERS OF CLAIMS AND EQUITY INTERESTS IN EVALUATING THE PLAN AND BY HOLDERS OF CLAIMS IN VOTING TO ACCEPT OR REJECT THE PLAN AND, ACCORDINGLY, MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER

THAN THE DETERMINATION OF HOW TO VOTE ON THE PLAN. THE PLAN IS SUBJECT TO NUMEROUS CONDITIONS AND VARIABLES, AND THERE CAN BE NO ASSURANCE THAT THE PLAN, IF CONFIRMED, WILL BE EFFECTUATED.

B. Sources of Information

Except as otherwise expressly indicated, the portions of this Disclosure Statement describing the Debtor, its business, properties and management, and the Plan have been prepared from information furnished by the Debtor. Unless an information source is otherwise noted, the statement was derived from information provided by such party(ies). **The Debtor's management have prepared financial projections that are attached as exhibits to this Disclosure Statement and a large portion of the assumptions in those financial projections are based solely upon management's industry experience, judgment, and expectations. The assumptions used to derive any of the pro forma operating results are based on the Debtor's historical experience, industry information available to management, and management's experience in owning, operating, and rehabilitating similar properties.**

> **THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECTED TO A CERTIFIED AUDIT AND IS BASED, IN PART, UPON INFORMATION PREPARED BY PARTIES OTHER THAN THE DEBTOR. THEREFORE, ALTHOUGH THE DEBTOR HAS MADE EVERY REASONABLE EFFORT TO BE ACCURATE IN ALL MATERIAL MATTERS, THE DEBTOR ARE UNABLE TO WARRANT OR REPRESENT THAT ALL THE INFORMATION CONTAINED HEREIN IS COMPLETELY ACCURATE.**

Certain of the materials contained in this Disclosure Statement may have been taken directly from other readily accessible documents or are digests of other documents. While the Debtor has made every effort to retain the meaning of such other documents or portions that have been summarized, the Debtor urge that any reliance on the contents of such other documents should depend on a thorough review of the documents themselves. In the event of a discrepancy between this Disclosure Statement and the actual terms of a document, the actual terms of such document shall control.

The Debtor has compiled information without professional comment, opinion, or verification and does not suggest comprehensive treatment has been given to matters identified herein. Each creditor and holder of an Interest is urged to independently investigate any such matters prior to reliance.

No statements concerning the Debtor, the value of its property, or the value of any benefit offered to the holder of a Claim or Interest in connection with the Plan should be relied upon other than as set forth in this Disclosure Statement. In arriving at your decision, you should not rely on any representation or inducement made to secure your acceptance or rejection that is contrary to information contained in this Disclosure Statement, and any such additional representations or inducements should be reported to counsel for the Debtor, Melissa S. Hayward, Hayward & Associates PLLC, 10501 N. Central Expy, Suite 106, Dallas, Texas 75231, (972) 755-7100.

III.
INTRODUCTION

A. Filing of the Debtor's Chapter 11 Reorganization Cases

On January 24, 2017 (the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. § 101 *et seq.* (the "Bankruptcy Code"), commencing the above-styled bankruptcy case. TQL and 2LA also filed voluntary petitions on the Petition Date. On January 31, 2017, the Bankruptcy Court entered an order jointly administering all three bankruptcy cases into the above-captioned case.

Since the filing of these cases, the Debtor has remained in possession of its property and continued its business as Debtor-in-Possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The Debtor filed its Plan to reorganize its financial affairs and hopes that the Plan, as it may hereafter be amended, modified, or restated in whole or in part, will be confirmed on a consensual basis through acceptance by all classes of creditors entitled to vote on the Plan. In the event that one or more of the Debtor's creditor classes fails to accept the Plan, the Debtor will request the Court to confirm the Plan under section 1129(b) of the Bankruptcy Code.

B. Purpose of Disclosure Statement

This Disclosure Statement is submitted in accordance with section 1125 of the Bankruptcy Code for the purpose of soliciting acceptances of the Plan from holders of certain Classes of Claims. The only Creditors whose acceptances of the Plan are sought are those whose Claims are "impaired" by the Plan, as that term is defined in section 1124 of the Bankruptcy Code and who are receiving distributions under the Plan. Holders of Claims that are not "impaired" are deemed to have accepted the Plan.

The Debtor has prepared this Disclosure Statement pursuant to the provisions of section 1125 of the Bankruptcy Code, which requires that a copy of the Plan, or a summary thereof, be submitted to all holders of Claims against, and Interests in, the Debtor, along with a written Disclosure Statement containing adequate information about the Debtor of a kind, and in sufficient detail, as far as is reasonably practicable, that would enable a hypothetical, reasonable investor typical of Creditors and holders of Interests to make an informed judgment in exercising its right to vote on the Plan.

Section 1125 of the Bankruptcy Code provides, in pertinent part:

> (b) An acceptance or rejection of a plan may not be solicited after the commencement of the case under this title from a holder of a claim or interest with respect to such claim or interest, unless, at the time of or before such solicitation, there is transmitted to such holder the plan or a summary of the plan, and a written disclosure statement approved, after notice and a hearing, by the court as containing adequate information. The court may approve a disclosure statement without a valuation of the Debtor or an appraisal of the Debtor's assets.
>
> * * *

> (d) Whether a disclosure statement required under subsection (b) of this section contains adequate information is not governed by any otherwise applicable non-bankruptcy law, rule, or regulation, but an agency or official whose duty is to administer or enforce such a law, rule, or regulation may be heard on the issue of whether a disclosure statement contains adequate information. Such an agency or official may not appeal from, or otherwise seek review of, an order approving a disclosure statement.
>
> (e) A person that solicits acceptance or rejection of a plan, in good faith and in compliance with the applicable provisions of this title, or that participates, in good faith and in compliance with the applicable provisions of this title, in the offer, issuance, sale, or purchase of a security, offered or sold under the plan, of the Debtor, of an affiliate participating in a joint plan with the Debtor, or of a newly organized successor to the Debtor under the plan, is not liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing solicitation of acceptance or rejection of a plan or the offer, issuance, sale, or purchase of securities.

Approval of this Disclosure Statement is required by the Bankruptcy Code and does not constitute a judgment by the Bankruptcy Court as to the desirability of the Plan, or as to the value or suitability of any consideration offered thereunder. Such approval does indicate, however, that the Bankruptcy Court has determined that the Disclosure Statement meets the requirements of section 1125 of the Bankruptcy Code and contains adequate information to permit the holders of Allowed Claims, whose acceptance of the Plan is solicited, to make an informed judgment regarding acceptance or rejection of the Plan.

> **THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THE MATERIAL CONTAINED HEREIN IS INTENDED SOLELY FOR THE USE OF CREDITORS AND HOLDERS OF INTERESTS IN THE DEBTOR IN EVALUATING THE PLAN AND VOTING TO ACCEPT OR REJECT THE PLAN AND, ACCORDINGLY, MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF HOW TO VOTE ON THE PLAN. THE DEBTOR'S REORGANIZATION PURSUANT TO THE PLAN IS SUBJECT TO NUMEROUS CONDITIONS AND VARIABLES, AND THERE CAN BE NO ABSOLUTE ASSURANCE THAT THE PLAN, AS CONTEMPLATED, WILL BE EFFECTUATED.**
>
> **THE DEBTOR BELIEVES THAT THE PLAN AND THE TREATMENT OF CLAIMS THEREUNDER ARE IN THE BEST INTERESTS OF CREDITORS AND URGE THAT YOU VOTE TO ACCEPT THE PLAN.**

This Disclosure Statement Has Not Been Approved or Disapproved by the Securities and Exchange Commission, Nor Has the Commission Passed Upon the Accuracy or Adequacy of the Statements Contained Herein. Any Representation to The Contrary is Unlawful.

This Disclosure Statement and The Appendices to It Contain Forward-Looking Statements Relating to Business Expectations, Asset Sales, and Liquidation Analysis. Business Plans May Change as Circumstances Warrant. Actual Results May Differ Materially as a Result of Many Factors, Some of Which the Debtor has No Control Over.

C. Hearing on Confirmation of the Plan

The Bankruptcy Court has set **_____, 2018, at _____.m.** Dallas, Texas Time, as the time and date for the hearing (the "Confirmation Hearing") to determine whether the Plan has been accepted by the requisite number of Creditors and whether the other requirements for Confirmation of the Plan have been satisfied. Once commenced, the Confirmation Hearing may be adjourned or continued by announcement in open court with no further notice. Holders of Claims against the Debtor may vote on the Plan by completing and delivering the enclosed Ballot to: Melissa S. Hayward, Hayward & Associates PLLC, 10501 N. Central Expy, Suite 106, Dallas, Texas 75231 (for more information, call Telephone No. 972-755-7100). **Ballots must be actually received on or before 12:00 p.m. (noon) Dallas, Texas time on _____, 2019.** If the Plan is rejected by one or more impaired Classes of creditors or holders of Interests, the Plan, or a modification thereof, may still be confirmed by the Bankruptcy Court under section 1129(b) of the Bankruptcy Code (commonly referred to as a "cramdown") if the Bankruptcy Court determines, among other things, that the Plan does not discriminate unfairly and is fair and equitable with respect to the rejecting Class or Classes of creditors or holders of Interests impaired by the Plan. The procedures and requirements for voting on the Plan are described in more detail below.

D. Sources of Information

Except as otherwise expressly indicated, the portions of this Disclosure Statement describing the Debtor, its business, properties and management, and the Plan have been prepared from information furnished by the Debtor. Unless an information source is otherwise noted, the statement was derived from information provided by such parties. **The Debtor's management may have prepared financial projections that are attached as an appendix or exhibit to this Disclosure Statement and, if so, a large portion of the assumptions in those financial projections are based solely upon management's industry experience, judgment, and expectations. The assumptions used to derive any of the pro forma operating results are based on the Debtor's historical experience, industry information available to management, and management's experience in owning and operating the Debtor.**

The Information Contained Herein Has Not Been Subjected to A Certified Audit and is Based, in Part, Upon Information Prepared by Parties Other Than the Debtor. Therefore, Although the Debtor has Made Every Reasonable Effort to be Accurate in All

Material Matters, the Debtor is Unable to Warrant or Represent that all the Information Contained Herein is Completely Accurate.

Certain of the materials contained in this Disclosure Statement may have been taken directly from other readily accessible documents or are digests of other documents. While the Debtor has made every effort to retain the meaning of such other documents or portions that have been summarized, the Debtor urges that any reliance on the contents of such other documents should depend on a thorough review of the documents themselves. In the event of a discrepancy between this Disclosure Statement and the actual terms of a document, the actual terms of such document shall control.

The authors of the Disclosure Statement have compiled information from the Debtor without professional comment, opinion or verification and do not suggest comprehensive treatment has been given to matters identified herein. Each creditor and holder of an Interest is urged to independently investigate any such matters prior to reliance.

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified, and neither the delivery of this Disclosure Statement nor any exchange of rights made in connection with it shall, under any circumstances, create an implication that there has been no change in the facts set forth herein since the date hereof.

No statements concerning the Debtor, the value of is property, or the value of any benefit offered to the holder of a Claim or Interest in connection with the Plan should be relied upon other than as set forth in this Disclosure Statement. In arriving at your decision, you should not rely on any representation or inducement made to secure your acceptance or rejection that is contrary to information contained in this Disclosure Statement, and any such additional representations or inducements should be reported to counsel for the Debtor, Melissa S. Hayward, Hayward & Associates PLLC, 10501 N. Central Expy, Suite 106, Dallas, Texas 75231, (972) 755-7100.

IV.
EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to Chapter 11, a debtor-in-possession attempts to reorganize its business and financial affairs for the benefit of the debtor, its creditors, and other parties-in-interest.

The commencement of a Chapter 11 case creates an estate comprising all the legal and equitable interests of the debtor in property as of the date the petition is filed. Unless the Bankruptcy Court orders the appointment of a trustee, sections 1101, 1107 and 1108 of the Bankruptcy Code provide that a Chapter 11 debtor may continue to operate its business and control the assets of its estate as a "debtor-in-possession", as the Debtor has since the Petition Date.

The filing of a Chapter 11 petition also triggers the automatic stay, which is set forth in section 362 of the Bankruptcy Code. The automatic stay essentially halts all attempts to collect pre-petition claims from the Debtor or to otherwise interfere with the Debtor's businesses or its estate.

Formulation of a plan of reorganization is the principal purpose of a Chapter 11 case. The plan sets forth the means for satisfying the claims of creditors against and interests of equity holders in the debtor.

B. Plan of Reorganization

A plan of reorganization provides the manner in which a debtor will satisfy the claims of its creditors. After the plan of reorganization has been filed, the holders of claims against or interests in a debtor are permitted to vote on whether to accept or reject the plan. Chapter 11 does not require that each holder of a claim against or interest in a debtor vote in favor of a plan of reorganization in order for the plan to be confirmed. At a minimum, however, a plan of reorganization must be accepted by a majority in number and two-thirds in amount of those claims actually voting from at least one class of claims impaired under the plan. The Bankruptcy Code also defines acceptance of a plan of reorganization by a class of interests (equity securities) as acceptance by holders of two-thirds of the number of shares actually voted.

Classes of claims or interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and, thus, are not entitled to vote. Acceptances of the Plan in this case are being solicited only from those persons who hold Claims in an impaired Class (other than Classes of Claims that are not receiving any distribution under the Plan). A Class is "impaired" if the legal, equitable, or contractual rights attaching to the Claims or Interests of that Class are modified. Modification does not include curing defaults and reinstating maturity or payment in full in cash.

Even if all classes of claims and interests accept a plan of reorganization, the Bankruptcy Court may nonetheless still deny confirmation. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and, among other things, the Bankruptcy Code requires that a plan of reorganization be in the "best interests" of creditors and shareholders and that the plan of reorganization be feasible. The "best interests" test generally requires that the value of the consideration to be distributed to claimants and interest holders under a plan may not be less than those parties would receive if that debtor were liquidated under a hypothetical liquidation occurring under Chapter 7 of the Bankruptcy Code. A plan of reorganization must also be determined to be "feasible", which generally requires a finding that there is a reasonable probability that the debtor will be able to perform the obligations incurred under the plan of reorganization and that the debtor will be able to continue operations without the need for further financial reorganization.

The Bankruptcy Court may confirm a plan of reorganization even though fewer than all of the classes of impaired claims and interests accept it. In order for a plan of reorganization to be confirmed despite the rejection of a class of impaired claims or interests, the proponent of the plan must show, among other things, that the plan of reorganization does not discriminate

unfairly and that the plan is fair and equitable with respect to each impaired class of claims or interests that has not accepted the plan of reorganization.

Under section 1129(b) of the Bankruptcy Code, a plan is "fair and equitable" as to a class if, among other things, the plan provides: (a) that each holder of a claim included in the rejecting class will receive or retain on account of its claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (b) that the holder of any claim or interest that is junior to the claims of such class will not receive or retain on account of such junior claim or interest any property at all.

The Bankruptcy Court must further find that the economic terms of the plan of reorganization meet the specific requirements of section 1129(b) of the Bankruptcy Code with respect to the particular objecting class. The proponent of the plan of reorganization must also meet all applicable requirements of section 1129(a) of the Bankruptcy Code (except section 1129(a)(8) if the proponent proposes to seek confirmation of the plan under the provisions of section 1129(b)). These requirements include the requirement that the plan comply with applicable provisions of the Bankruptcy Code and other applicable law, that the plan be proposed in good faith, and that at least one impaired class of creditors has voted to accepted the plan.

V.
VOTING PROCEDURES AND REQUIREMENTS FOR CONFIRMATION

If you are in one of the Classes of Claims whose rights are affected by the Plan (*see* "Summary of the Plan" below), it is important that you vote. **If you fail to vote, your rights may be jeopardized.**

A. "Voting Claims" -- Parties Entitled to Vote

Pursuant to the provisions of section 1126 of the Bankruptcy Code, holders of Claims or Interests that are (i) allowed, (ii) impaired, and (iii) that are receiving or retaining property on account of such Claims or Interests pursuant to the Plan, are entitled to vote either for or against the Plan (hereinafter, "Voting Claims"). Accordingly, in this Bankruptcy Case, any holder of a Claim classified in Classes 1, 2, 3, 4, and 5 may have a Voting Claim and should have received a ballot for voting (with return envelope) in this Disclosure Statement and accompanying Plan materials (hereinafter, the "Solicitation Package") since these are the Classes consisting of impaired Claims that are receiving property. Holders of Claims and Interests in Classes 6 and 7 will not receive any distributions under the Plan and are deemed to reject the Plan.

As referenced in the preceding paragraph, a Claim must be allowed to be a Voting Claim. The Debtor filed schedules in this Bankruptcy Case listing Claims against it. To the extent a creditor's Claim was listed in one of the Debtor's schedules, and was not listed as disputed, contingent, or unliquidated, it is deemed "allowed", although the Debtor reserves its rights to object to any Claim. Any creditor whose Claim was not scheduled, or was listed as disputed, contingent or unliquidated, must have timely filed a proof of Claim in order to have an "allowed" Claim. Absent an objection to that proof of Claim, it is deemed "allowed". In the event that any proof of Claim is subject to an objection by the Debtor as of or during the Plan voting period ("Objected-to Claim"), then, by definition, it is not "allowed" for purposes of section 1126 of the

Bankruptcy Code, and is not to be considered a Voting Claim entitled to cast a ballot. Nevertheless, pursuant to Bankruptcy Rule 3018(a), the holder of an Objected-to Claim may petition the Bankruptcy Court, after notice and hearing, to allow the Claim temporarily for voting purposes in an amount that the Bankruptcy Court deems proper. Allowance of a Claim for voting purposes, and disallowance for voting purposes, does not necessarily mean that all or a portion of the Claim will be allowed or disallowed for distribution purposes.

By Enclosing a Ballot, The Debtor is Not Representing that You are Entitled to Vote on the Plan.

B. Return of Ballots

If you are a holder of a Voting Claim, your vote on the Plan is important. Completed ballots should either be returned in the enclosed envelope or sent to counsel for the Debtor by mail at the following address. Ballots may also be faxed or email to counsel at the fax number/email address below:

Melissa S. Hayward
Hayward & Associates PLLC
10501 N. Central Expy., Suite 106
Dallas, Texas 75231
Email: MHayward@HaywardFirm.com
Fax: (972) 755-7114

Deadline for Submission of Ballots. Ballots must actually be received by any of those persons, whether by mail, hand-delivery, fax, or email, by _____, 2019, at 12:00 P.M. (noon) Dallas, Texas Time (The "Ballot Return Date"). Any Ballots received after that time will not be counted. Any Ballot that is not executed by a person authorized to sign such Ballot will not be counted. If you have any questions regarding the procedures for voting on the Plan, contact Counsel for the Debtor, Melissa S. Hayward, Hayward & Associates PLLC, 10501 N. Central Expy., Suite 106, Dallas, Texas 75231, Telephone (972) 755-7100, Telecopy (972) 755-7114.

THE DEBTOR URGES ALL HOLDERS OF VOTING CLAIMS TO VOTE IN FAVOR OF THE PLAN.

C. Confirmation of Plan

1. Solicitation of Acceptances.

The Debtor is soliciting your vote. The cost of any solicitation by the Debtor will be borne by the Debtor. No other additional compensation shall be received by any party for any solicitation other than as disclosed to the Bankruptcy Court.

No Representations or Assurances, if Any, Concerning the Debtor (Including, Without Limitation, Its Future Business Operations) or the Plan

are Authorized by the Debtor Other Than as Set Forth in This Disclosure Statement. Any Representations or Inducements Made by Any Person to Secure Your Vote That Are Other Than Herein Contained Should Not Be Relied Upon by You in Arriving at Your Decision, And Such Additional Representations or Inducements Should Be Reported to Counsel for the Debtor for Such Action as May Be Deemed Appropriate.

This Is A Solicitation Solely by The Debtor and Is Not A Solicitation by Any Shareholder, Attorney, or Accountant for The Debtor. The Representations, If Any, Made Herein Are Those of The Debtor and Not of Such Shareholders, Attorneys, or Accountants, Except as May Be Otherwise Specifically and Expressly Indicated.

Under the Bankruptcy Code, a vote for acceptance or rejection of a plan may not be solicited unless the claimant has received a copy of a disclosure statement approved by the Bankruptcy Court prior to, or concurrently with, such solicitation. This solicitation of votes on the Plan is governed by section 1125(b) of the Bankruptcy Code. Violation of section 1125(b) of the Bankruptcy Code may result in sanctions by the Bankruptcy Court, including disallowance of any improperly solicited vote.

2. Requirements for Confirmation of the Plan.

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of section 1129 of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court shall enter an Order confirming the Plan. For the Plan to be confirmed, section 1129 requires that:

(i) The Plan complies with the applicable provisions of the Bankruptcy Code;

(ii) The Debtor has complied with the applicable provisions of the Bankruptcy Code;

(iii) The Plan has been proposed in good faith and not by any means forbidden by law;

(iv) Any payment or distribution made or promised by the Debtor or by a person issuing securities or acquiring property under the Plan for services or for costs and expense in connection with the Plan has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;

(v) The Debtor has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer or voting trustee of the Debtor, an affiliate of the Debtor participating in a joint plan with the Debtor, or a successor to the Debtor under the Plan; the appointment to, or continuance in, such office of such individual

is consistent with the interests of Creditors and holders of Interests and with public policy; and the Debtor has disclosed the identity of any insider that will be employed or retained by the Reorganized Luke's Locker Debtor and the nature of any compensation for such insider;

(vi) Any government regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the Debtor has approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval;

(vii) With respect to each impaired Class of Claims or Interests, either each holder of a Claim or Interest of the Class has accepted the Plan or will receive or retain under the Plan on account of that Claim or Interest property of a value, as of the Effective Date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtor were liquidated on such date under Chapter 7 of the Bankruptcy Code. If section 1111(b)(2) of the Bankruptcy Code applies to the Claims of a Class, each holder of a Claim of that Class will receive or retain under the Plan on account of that Claim property of a value, as of the Effective Date, that is not less than the value of that holder's interest in the debtor's interest in the property that secures that Claim;

(viii) Each Class of Claims or Interests has either accepted the Plan or is not impaired under the Plan;

(ix) Except to the extent that the holder of a particular Administrative Claim or Priority Claim has agreed to or the Bankruptcy Code authorizes a different treatment of its Claim, the Plan provides that Administrative Claims and Priority Claims shall be paid in full on the Effective Date or the date on which it is Allowed;

(x) If a Class of Claims or Interests is impaired under the Plan, at least one Class of Claims or Interests that is impaired under the Plan has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim or Interest in that Class; and

(xi) Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

The Debtor believes that the Plan satisfies all of the statutory requirements of the Bankruptcy Code and that the Plan was proposed in good faith. The Debtor believes it has complied or will have complied with all the requirements of the Bankruptcy Code.

3. Acceptances Necessary to Confirm the Plan.

Voting on the Plan by each holder of a Claim or Interest is important. Chapter 11 of the Bankruptcy Code does not require that each holder of a Claim or Interest vote in favor of the Plan in order for the Court to confirm the Plan. Generally, to be confirmed under the acceptance provisions of Section 1126(a) of the Bankruptcy Code, the Plan must be accepted by each Class of Claims that is impaired under the Plan by Class members holding at least two thirds (2/3) in

dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class actually voting in connection with the Plan; in connection with a Class of Interests, more than two-thirds (2/3) of the shares actually voted must accept to bind that Class. A Class of Interests that is impaired under the Plan accepts the Plan if more than two-thirds (2/3) in amount actually voting vote to accept the Plan. Even if all Classes of Claims and Interests accept the Plan, the Bankruptcy Court may refuse to confirm the Plan.

4. Cramdown.

In the event that any impaired Class of Claims or Interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtor if, as to each impaired Class that has not accepted the Plan, the Plan "does not discriminate unfairly" and is "fair and equitable". A plan of reorganization does not discriminate unfairly within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims or equity interests. "Fair and equitable" has different meanings for holders of secured and unsecured claims and equity interests.

With respect to a secured claim, "fair and equitable" means either (i) the impaired secured creditor retains its liens to the extent of its allowed claim and receives deferred cash payments at least equal to the allowed amount of its claims with a present value as of the effective date of the plan at least equal to the value of such creditor's interest in the property securing its liens, (ii) property subject to the lien of the impaired secured creditor is sold free and clear of that lien, with that lien attaching to the proceeds of sale, and such lien proceeds must be treated in accordance with clauses (i) and (iii) hereof, or (iii) the impaired secured creditor realizes the "indubitable equivalent" of its claim under the plan.

With respect to an unsecured claim, "fair and equitable" means either (i) each impaired creditor receives or retains property of a value equal to the amount of its allowed claim or (ii) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive any property under the plan.

With respect to equity interests, "fair and equitable" means either (i) each impaired equity interest receives or retains, on account of that equity interest, property of a value equal to the greater of the allowed amount of any fixed liquidation preference to which the holder is entitled, any fixed redemption price to which the holder is entitled, or the value of the equity interest; or (ii) the holder of any equity interest that is junior to the equity interest of that class will not receive or retain under the plan, on account of that junior equity interest, any property.

In the event one or more Classes of impaired Claims or Interests rejects or is deemed to have rejected the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable and does not discriminate unfairly against any rejecting impaired Class of Claims or Interests.

The Debtor believes that the Plan does not discriminate unfairly and is fair and equitable with respect to each Class of Claims and Interests that is impaired.

VI.
BACKGROUND OF THE DEBTOR

A. Nature of the Debtor's Businesses.

Before filing for bankruptcy protection, the Debtor, TQL, and 2LA operated retail stores throughout Texas, known as Luke's Locker, that specialized in running and fitness apparel, footwear, and other related goods, with a particular focus on providing excellent customer service. They also provided training programs (running and walking) for its customers, and they helped sponsor and host numerous running and walking events throughout the year, including everything from charitable 5Ks to free weekly social runs from the stores. Luke's Locker is a recognized leader in its industry, having won numerous D Magazine Readers' Choice and Best of Big D awards throughout the years.

Luke's Locker's origins go back as far as 1970, when Don Lucas was a Dallas attorney and running enthusiast. The problem was that shoes specially designed for running were not generally available in Dallas at the time. So, Mr. Lucas contacted a company in Oregon called Blue Ribbon Sports. Blue Ribbon sold him shoes for his own use, and he, in turn, sold more of Blue Ribbon's shoes to fellow Dallas runners out of the trunk of his car. Blue Ribbon Sports officially changed its name to Nike, Inc. in May 1971.

Mr. Lucas's shoe business moved from the trunk of his car, to his garage, and eventually into the first Luke's Locker store on Oak Lawn in Dallas. In addition to running shoes, Luke's Locker carries workout gear, sportswear, cross training shoes, track and cross-country spikes, tennis shoes, and a host of related accessories. At the time of its bankruptcy filing, Luke's Locker had locations in Austin, Dallas, Fort Worth, Highland Village, Houston, Katy, Plano, Southlake, White Rock Lake, and The Woodlands along with a corporate office and a central distribution warehouse in Dallas.

B. The Debtor's Indebtedness and Creditors

1. The Debtor's Pre-Petition Note to Nike

The Debtor's largest secured creditor is Nike. Nike has a lien against all of the Debtor's assets to secure payment of a promissory note in the principal amount of $2 million. Nike's collateral includes, *inter alia*, inventory, cash, and the proceeds and products of both. Because it operates a retail business and leases all of its stores, the Debtor does not have any significant assets beyond inventory, fixtures, cash, and good will.

2. Taxing Authorities

The Debtor's second largest secured creditor body consists of taxing authorities. The Debtor estimates that taxing authorities' secured and priority claims total approximately $600,000.00.

3. Wage Claims

Another large group of creditors is made up of the Debtor's former employees. The employees' claims are for unpaid wages and are, to a certain extent, entitled to priority treatment in bankruptcy. The priority wage claims total approximately $24,000.

4. Vendors

In addition to Nike, Taxing Authorities, and Wage Claims, the Debtor's also owes debts to various trade vendors. These creditors include vendors who supplied goods to the Debtor on credit. These claims total approximately $3,800,000.00.

5. Landlords

Finally, various of the Debtor's former landlords have filed claims against the Debtor due to the Debtor's rejection of the underlying store leases. The claims filed by those landlords total approximately $3,000,000.00

C. Existing and Potential Litigation.

1. The Tax Litigation.

The Debtor is presently engaged in litigation with the Dallas County Appraisal District, the Harris County Appraisal District, and Harris County. The Debtor is challenging those entities' valuations of its business personal property for 2017. The objective of this litigation is to reduce the Debtor's *ad valorem* tax liability for 2017 forward.

2. Potential Litigation.

The Debtor is investigating potential causes of action under chapter 5 of the Bankruptcy Code. Chapter 5 causes of action include, *inter alia*, the avoidance and recovery of preferential and fraudulent transfers. Generally speaking, the Debtor is not aware of any potential litigation with any significant value because the Debtor was generally paying for goods on a cash-in-advance basis in the months leading up to its bankruptcy filing. While the Debtor has no immediate or definite plans to file any further litigation, the Debtor nevertheless retains the right to pursue all causes of action post-confirmation, including but not limited to the above listed causes of action, under the Plan. The Debtor also reserves all rights to pursue claims against GemCap Lending I, LLC and any related entities and individuals ("GemCap").

VII.
EVENTS LEADING TO AND FOLLOWING BANKRUPTCY

A. The Debtor's Bankruptcy Filing.

Unfortunately, as is the case with the brick-and-mortar retail business in general, Luke's Locker suffers from undercutting online competition, though it nevertheless has a fiercely loyal customer base. Luke's Locker also undertook an aggressive expansion campaign in recent years, opening numerous new stores. This led to the Debtor, TQL, and 2LA entering into various

leases that, with the benefit of hindsight, are more burdensome than they anticipated.

These problems and others combined to create a serious liquidity crisis. Luke's Locker turns over inventory quickly and with good margins. But without adequate liquidity, Luke's Locker had a harder and harder time acquiring inventory. And as Luke's began to fall behind with its principal vendors, those vendors began demanding cash in advance, further exacerbating the liquidity crisis. In spite of these problems, however, Luke's Locker still produced $34 million in revenue during the last prepetition fiscal year. So, Luke's Locker, along with its affiliates TQL and 2LA, sought protection under chapter 11 in order to reorganize its financial affairs and reemerge from bankruptcy free of the burdens that led to its current predicament.

B. Events Transpiring After Bankruptcy

The Debtor filed for bankruptcy protection under Chapter 11 in order to protect and preserve its business and its ability to pay its creditors by enabling it to reorganize and restructure its financial affairs to fund operations and payments to creditors.

1. Operations of the Debtor during the Pendency of the Case.

The Debtor has continued to operate its business during the pendency of the case. Copies of operating reports, which are filed with the Bankruptcy Court pursuant to Bankruptcy Rule 2015(a)(3), are available from the Bankruptcy Court and/or the U.S. Trustee's office.

The Debtor filed its Bankruptcy Case hopeful that the breathing spell and preservation of the status quo provided by the Bankruptcy Code would allow the Debtor to focus on its ongoing business operations and return it to the profitable status it enjoyed for many years. The Debtor has made a number of changes to streamline and downsize its operations that have already made it more profitable and will make this Plan likely to succeed in reorganizing the Debtor. For example, the Debtor sold all of its surplus assets, thereby reducing its monthly service costs and future *ad valorem* tax liability, reduced payroll, and closed multiple store locations.

As of the Petition Date, the only stores operating at full capacity were the Dallas and Fort Worth stores. After the bankruptcy filing, the Debtor, TQL, and 2LA permanently closed the Austin, Highland Village, Houston, Katy, Woodlands, and White Rock stores and ultimately rejected the store leases associated with those closed locations. The Debtor also closed its corporate office and rejected its central distribution warehouse lease. While the Plano and Southlake stores were reopened in the middle of March 2017, the Debtor later determined that both stores were not as profitable as hoped, that the Debtor did not have the ability to supply the Plano and Southlake stores with adequate inventory, and that it was therefore in the best interest of the Debtor and its bankruptcy estate to reject the Plano and Southlake leases. The Court entered orders authorizing the rejection of all of these leases during the Debtor's bankruptcy case. The Debtor currently intends to continue operating only its Dallas and Fort Worth stores.

2. Significant Post-Petition Events.

The bankruptcy cases were filed on January 24, 2017 as business reorganizations under chapter 11 of the Bankruptcy Code.

On January 27, 2017, the Debtor filed a motion seeking authority to use Nike's cash collateral. Nike permitted the use of its cash collateral subject to various protections contained in interim and final cash collateral orders entered at various points throughout the case.

The same day, the Debtor filed a motion to authorize it to obtain post-petition credit from its vendors in exchange for limited lien rights. The Court entered an order granting the motion on January 31, 2017.

On January 31, 2017, the Court also entered an Order authorizing the Debtor to pay the pre-petition wage and employee-benefit Claims of its current employees, thereby satisfying in full all such pre-petition Claims.

On February 1, 2017, the Debtor filed an application to employ Hayward & Associates PLLC (f/k/a Franklin Hayward LLP) to serve as its bankruptcy counsel in this case, and the Court granted the application by an order entered February 21, 2017.

On February 16, 2017, the Debtor filed an application to employ Joseph Sullivan LLC (and Joseph Sullivan) as its chief restructuring officer, and the Court granted the application by order entered March 15, 2017.

On March 7, 2017, the Debtor filed a motion seeking authorization to conduct an auction to sell the Debtor's surplus assets, and the Court entered an order approving such sale on March 16, 2017. The Debtor held an auction of its surplus assets from July 5 – July 11, 2017.

3. Professionals Being Paid by the Debtor and Fees to Date

a. Professionals employed by the Debtor. The Debtor has employed the following professionals during its bankruptcy cases:

i. The law firm of Hayward & Associates PLLC as its Chapter 11 bankruptcy counsel;

ii. Joseph Sullivan LLC (and Joseph Sullivan) as its chief restructuring officer;

iii. Rosen Systems, Inc. as its auctioneer for conducting an auction of its surplus assets.

c. Fees to Date. The Debtor's and Committee's professionals have incurred the following fees during these bankruptcy cases:

i. Hayward & Associates PLLC has not filed a fee application seeking approval of any fees and expenses incurred in this case through the date of this Disclosure Statement. The Debtor estimates that Hayward & Associates PLLC's fees through the end of January 2018 total approximately $215,000.00.

ii. Joseph Sullivan LLC has incurred approximately $75,000.00 in fees during these bankruptcy cases for services as chief restructuring officer. Such fees have been paid monthly by the Debtor.

iii. Rosen Systems completed the auction of the Debtor's surplus assets in March and May 2017. Buyers at the auction paid Rosen a buyer's premium, and the Debtor reimbursed Rosen expenses totaling $6,374.26 and $1,892.74, respectively.

Fees incurred by the above professionals are administrative expenses entitled to priority payment. To the extent such fees have not been paid during the Debtor's bankruptcy cases, they will be paid in full on the Effective Date of the Plan or as otherwise agreed by the Debtor and its professionals.

VIII.
DESCRIPTION OF THE PLAN

A. Introduction

The Plan contemplates a New Equity Infusion of $300,000.00 being made by a New Equity Holder. The New Equity Holder, which will own all of the equity in the Reorganized Luke's Locker Debtor, will be Matthew Lucas and Donald Lucas.

B. Classification of Claims and Interests

The following is a designation of the classes of Claims and Interests under this Plan. A Claim or Interest is classified in a particular class only to the extent that the Claim or Interest qualifies within the description of that class and is classified in another class or classes to the extent that any remainder of the Claim or Interest qualifies within the description of such other class or classes. A Claim or Interest is classified in a particular class only to the extent that the Claim or Interest is an Allowed Claim or Allowed Interest in that class and has not been paid, released, or otherwise satisfied before the Effective Date; a Claim or Interest which is not an Allowed Claim or Interest is not in any Class. Notwithstanding anything to the contrary contained in this Plan, no distribution shall be made on account of any Claim or Interest which is not an Allowed Claim or Allowed Interest.

Class	Status
1. Priority Claims	
Class 1: Priority Wage Claims	Impaired – Entitled to Vote
Class 3: Priority Claims of Taxing Authorities	Impaired – Entitled to Vote
Class 4: Other Priority Claims	Impaired – Entitled to Vote
2. Secured Claims	
Class 2: Secured Claims of Taxing Authorities	Impaired – Entitled to Vote
Class 5: Allowed Secured Claim of Nike	Impaired – Entitled to Vote

3. Unsecured Claims

Class 6: General Unsecured Claims — Impaired – Deemed to Reject

4. Interests

Class 7: Holders — Impaired – Deemed to Reject

C. Treatment of Claims and Interests

Class	Impairment	Treatment
Class 1 Claims: Priority Wage Claims	**Impaired**	Class 1 Allowed Priority Wage Claims against Luke's Locker entitled to priority treatment pursuant to Section **507(a)(4) and (a)(5)** of the Bankruptcy Code shall be paid 100% of the Allowed amount without interest in four (4) consecutive equal quarterly payments. The first quarterly payment will be due and payable on the last Business Day of the first calendar quarter that is more than 30 days after the Effective Date and subsequent payments will be due and payable on the last Business Day of each respective calendar quarter thereafter.
Luke's Locker Class 2 Claims: Allowed Secured Claims of Taxing Authorities.	**Impaired**	Except to the extent that the holder of a Secured Tax Claim agrees to different treatment, the Allowed Secured Claim of all Tax Claims shall be paid in full through amortized deferred cash payments paid quarterly including applicable interest over a period not exceeding five years from the Petition Date of a value, as of the Effective Date, equal to the Allowed Claim. Notwithstanding, nothing herein shall preclude the Reorganized Luke's Locker Debtor from paying the outstanding amount owed to a holder of a Secured Tax Claim at any time. The first quarterly payment shall be prorated and will be due and payable on the last Business Day of the first calendar quarter that is more than 30 days after the Effective Date and subsequent payments will be due and payable on the last Business Day of each respective calendar quarter thereafter. All Tax Claims shall remain subject to section 505 of the Bankruptcy Code. The Reorganized Luke's Locker Debtor shall retain the right to a determination of the amount or legality of any tax pursuant to section 505 of the Bankruptcy Code as to any Tax Claim. The Reorganized Luke's Locker Debtor may seek relief pursuant to section 505 of the Bankruptcy Code and/or title 1, subtitle F, chapter 42 of the Texas Tax Code as a part of, and in conjunction with, any objection to any Tax Claim. The first quarterly payment will be due and payable on the last Business Day of the first calendar quarter that is more than 30 days after the Effective Date and on the last Business Day of each respective calendar quarter thereafter. With respect to Allowed Secured Tax Claims, the interest rate paid

		upon such Claims shall be the rate of interest determined under applicable non-bankruptcy law from the Petition Date. Post-petition business personal property taxes will be paid when such taxes become due and payable under the laws of the applicable taxing jurisdiction. Any perfected liens or security interests securing a Tax Claim of a Taxing Authority will be preserved and continued from and after the Effective Date. A Taxing Authority shall, upon payment and satisfaction of its Allowed Secured Claim in full in accordance with this Plan, execute releases of any remaining encumbrances upon the respective Property securing its Allowed Secured Claim in a form satisfactory to the Reorganized Luke's Locker Debtor and shall deliver same to the Reorganized Luke's Locker Debtor or its designee.
Luke's Locker Class 3 Claims: Allowed Priority Claims of Taxing Authorities.	**Impaired**	Except to the extent that the holder of a Priority Tax Claim agrees to different treatment, the Allowed Priority Claim of all Tax Claims shall be paid in full through amortized deferred cash payments paid quarterly including applicable interest over a period not exceeding five years from the Petition Date of a value, as of the Effective Date, equal to the Allowed Claim. Notwithstanding, nothing herein shall preclude the Reorganized Luke's Locker Debtor from paying the outstanding amount owed to a holder of a Priority Tax Claim at any time. The first quarterly payment will be due and payable on the last Business Day of the first calendar quarter that is more than 30 days after the Effective Date and subsequent payments will be due and payable on the last Business Day of each respective calendar quarter thereafter. All Tax Claims shall remain subject to section 505 of the Bankruptcy Code. The Reorganized Luke's Locker Debtor shall retain the right to a determination of the amount or legality of any tax pursuant to section 505 of the Bankruptcy Code as to any Tax Claim. The Reorganized Luke's Locker Debtor may seek relief pursuant to section 505 of the Bankruptcy Code and/or title 1, subtitle F, chapter 42 of the Texas Tax Code as a part of, and in conjunction with, any objection to any Tax Claim. With respect to Allowed Priority Tax Claims, the interest rate paid upon such Claims shall be the rate of interest determined under applicable non-bankruptcy law from the Petition Date.
Luke's Locker Class 4 Claim: Priority Claims other than Priority Wage Claims and Priority Tax Claims	**Impaired**	Except to the extent that the holder of a Priority Claim other than a Class 2 Priority Wage Claim or a Class 3 Priority Tax Claim agrees to different treatment, such Allowed Priority Claim shall be paid in full through four quarterly deferred cash payments including interest at the federal judgment rate in effect on the Effective Date. The first quarterly payment will be due and payable on the last Business Day of the first calendar quarter that is more than 30 days after the Effective Date and subsequent payments will be due and payable on the

		last Business Day of each respective calendar quarter thereafter.
Luke's Locker Class 5 Claims: Allowed Secured Claim of Nike	**Impaired**	**Claims Register: 87** **Claim Amount: $2,035,000.00** **Collateral Value: $400,000.00** **Nike's Secured Claim shall be Allowed in the amount of $500,000. The Allowed Secured Claim of Nike shall be paid through** quarterly cash payments. The first six (6) quarterly payments shall each be in the amount of $25,000. Starting with the seventh (7th) quarterly payment, the quarterly payments shall be in the amount of the lesser of: (i) $30,000; or (ii) the total outstanding amount due. The Allowed Secured Claim of Nike shall accrue simple interest **at a rate of 5.0% per annum from the Effective Date until such time as the Allowed Secured Claim of Nike is paid in full.** To the extent that the Reorganized Luke's Locker Debtor misses any payment due to Nike on account of its Allowed Secured Claim as provided herein, Nike shall send written notice of such missed payment to Luke's Locker and its counsel, and Luke's Locker shall have five business days from the date of its receipt of such notice to cure such missed payment before a default hereunder will occur. The first quarterly payment will be due and payable on the last Business Day of the first calendar quarter that is more than 30 days after the Effective Date and subsequent payments will be due and payable on the last Business Day of each respective calendar quarter thereafter. Any perfected liens or security interests securing Nike's Allowed Secured Claim will be preserved and continued. Nike shall, upon payment and satisfaction of its Allowed Secured Claim in full as provided herein, execute releases of any remaining encumbrances upon all of such Collateral in a form satisfactory to the Reorganized Luke's Locker Debtor and deliver same to the Reorganized Luke's Locker Debtor or its designee. The written agreements by and between Nike and Luke's Locker will remain the same, except to the extent that the terms therein are modified by this Plan, and such agreements will be deemed to be modified to comport with this Plan. All defaults and events of default existing as of the Petition Date and as of the Effective Date shall be deemed cured and waived, and all amounts owed will be deaccelerated and paid in accordance with the terms of this Plan. Except as provided by this Plan, no default interest, late charges, or other penalties arising or accruing after the Petition Date shall be required to be paid to Nike.
Luke's Locker Class 6 Claim: Allowed General Unsecured Claims	**Impaired-Deemed to Reject**	Holders of Class 7 Allowed General Unsecured Claims shall neither receive nor retain any property under this Plan.
Luke's Locker Class 7 Claim: Luke's Locker	**Impaired-Deemed to**	The Allowed Interests of the Luke's Locker Equity Holders shall be cancelled and terminated, and all equity Interests in the Reorganized Luke's Locker Debtor shall be held by the New Equity Holders on and

Equity Holders	**Reject**	after the Effective Date. Allowed Interests of the Luke's Locker Equity Holder will not receive anything under the Plan.

D. Manner of Distribution of Property under the Plan

1. Funding of Plan.

On or before the Effective Date, the New Equity Holder shall turn over the New Equity Infusion to the Reorganized Luke's Locker Debtor. The funds to be used for the payment of Claims or other Distributions to be made under the Plan will come from the continued operation of Luke's Locker's business, the New Equity Infusion, and any available funds or property which the Reorganized Luke's Locker Debtor may otherwise possess on or after the Effective Date.

2. Distribution Procedures and Distribution Agent.

Except as otherwise provided in the Plan, all distributions of Cash and other property shall be made by the Reorganized Luke's Locker Debtor on the later of the Effective Date or the Allowance Date, or as soon thereafter as practicable. Distributions required to be made on a particular date shall be deemed to have been made on such date if actually made on such date or as soon thereafter as practicable. No payments or other distributions of property shall be made on account of any Claim or portion thereof unless and until such Claim or portion thereof is Allowed.

The Distribution Agent for payments to be made under the Plan shall be the Reorganized Luke's Locker Debtor. No compensation will be received for serving as Distribution Agent under the Plan. If any party in interest objects to the Reorganized Luke's Locker Debtor serving as Distribution Agent under the Confirmed Plan, and if the Debtor and such objecting party cannot agree to a substitute Distribution Agent or the compensation or other terms of such agent's engagement, the Debtor will file a motion or take other appropriate action to have a Distribution Agent and the terms of such agent's engagement appointed and approved by the Court.

The Distribution Agent will serve until all distributions required under the Plan have been made, whereupon any distribution account will be closed, and no further actions are required to consummate the Plan. Appointment of the Distribution Agent herein is in a manner consistent with the interests of the holders of Claims and Interests and public policy. All documents, writings, authorizations, or matters requiring the consent of, execution by, or signature of the Debtor or Reorganized Luke's Locker Debtor may be consented to, executed by, or signed by the Distribution Agent, whose signature, execution, or consent is hereby deemed authorized, enforceable and binding without further order of the Court. A certified copy of the Confirmation Order may be filed in any deed record, government or public record keeping place as

authentication of the signature and authority of the Distribution Agent to consent to, execute, or sign any writing or document of the Debtor and Reorganized Luke's Locker Debtor herein.

3. Disputed Claims.

Notwithstanding any other provisions of the Plan, no payments or distributions shall be made on account of any Disputed Claim until such Claim becomes an Allowed Claim, and then only to the extent that it becomes an Allowed Claim.

4. Manner of Payment Under the Plan.

Cash payments made pursuant to the Plan shall be in U.S. dollars by checks drawn on a domestic bank selected by the Reorganized Luke's Locker Debtor, or by wire transfer from a domestic bank, at the Reorganized Luke's Locker Debtor's option.

5. Delivery of Distributions and Undeliverable or Unclaimed Distributions.

a. Delivery of Distributions in General.

Except as provided below for holders of undeliverable distributions, distributions to holders of Allowed Claims shall be distributed by mail as follows: (1) at the addresses set forth on the respective proofs of claim filed by such holders; (2) at the addresses set forth in any written notices of address changes delivered to the Distribution Agent or Reorganized Luke's Locker Debtor after the date of any related proof of claim; or (3) at the address reflected on the Schedule of Assets and Liabilities filed by the respective Debtor if no proof of claim or proof of interest is filed and the Distribution Agent and the Reorganized Luke's Locker Debtor has not received a written notice of a change of address.

b. Undeliverable Distributions.

1) *Holding and Investment of Undeliverable Property*. If the distribution to the holder of any Claim is returned to the Distribution Agent or Reorganized Luke's Locker Debtor as undeliverable, no further distribution shall be made to such holder unless and until the Reorganized Luke's Locker Debtor or the Distribution Agent is notified in writing of such holder's then current address.

2) *Distribution of Undeliverable Property After It Becomes Deliverable and Failure to Claim Undeliverable Property*. Any holder of an Allowed Claim who does not assert a claim for an undeliverable distribution held by the Distribution Agent or the Reorganized Luke's Locker Debtor within one (1) year after the Effective Date shall no longer have any claim to or interest in such undeliverable distribution, and shall be forever barred from receiving any distributions under the Plan.

6. Failure to Negotiate Checks.

Checks issued in respect of distributions under the Plan shall be null and void if not negotiated within 60 days after the date of issuance. Any amounts returned to the Distribution Agent or the Reorganized Luke's Locker Debtor in respect of such checks shall be held in

reserve by the Distribution Agent or the Reorganized Luke's Locker Debtor. Requests for reissuance of any such check may be made directly to the Distribution Agent by the holder of the Allowed Claim with respect to which such check originally was issued. Any claim in respect of such voided check is required to be made before the second anniversary of the Effective Date. All Claims in respect of void checks and the underlying distributions shall be discharged and forever barred from assertion against the Reorganized Luke's Locker Debtor and its property.

7. Compliance with Tax Requirements.

In connection with the Plan, to the extent applicable, the Reorganized Luke's Locker Debtor and the Distribution Agent shall comply with all withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements.

8. Setoffs.

Unless otherwise provided in a Final Order or in the Plan, the Debtor may, but shall not be required to, set off against any Claim and the payments to be made pursuant to the Plan in respect of such Claim, any claims of any nature whatsoever the Debtor may have against the holder thereof or its predecessor, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtor of any such Claims the Debtor may have against such holder or its predecessor.

9. Texas Workforce Commission

Nothing in the Plan or Disclosure Statement will affect the setoff rights of the Texas Workforce Commission.

E. Treatment of Executory Contracts and Unexpired Leases.

1. Motion to Assume.

The Plan shall constitute a motion to assume the executory contracts and unexpired leases listed in **Exhibit A** attached to the Plan, and the vesting of such contracts in the Reorganized Luke's Locker Debtor shall occur as of the Effective Date. The Plan shall also constitute a motion to reject all executory contracts and unexpired leases of the Debtor not listed on **Exhibit A** attached to the Plan, and all executory contracts and unexpired leases not listed on **Exhibit A** attached to the Plan shall be rejected on the Effective Date pursuant to section 365(a) of the Bankruptcy Code. Except as otherwise set by Order of the Bankruptcy Court, any objection to the assumption and vesting of, or the proposed cure amount under, the executory contracts and unexpired leases listed in **Exhibit A** attached to the Plan must be made as an objection to confirmation of this Plan. If no objection to the assumption and vesting of, or the proposed cure amount under, any particular executory contract and unexpired lease listed on **Exhibit A** attached to the Plan is timely served, an Order (which may be Confirmation Order) that approves the assumption and vesting of, and the proposed cure amount under, each respective executory contract and unexpired lease listed on **Exhibit A** attached to the Plan may be entered by the Bankruptcy Court. If any such objections are filed and timely served, a hearing with respect to

the assumption and vesting or cure of any of executory contract and unexpired lease listed on **Exhibit A** attached to the Plan, and the objections thereto, shall be scheduled by the Bankruptcy Court, which hearing may, but is not required to, coincide with the Confirmation Hearing.

2. Notice of Assumption.

On or as soon as reasonably practicable after the entry of the order approving the Disclosure Statement, the Debtor shall serve a notice to parties to the executory contracts and unexpired leases listed on **Exhibit A** attached to the Plan whose agreements may be assumed by the Debtor and vested in the Reorganized Luke's Locker Debtor under this Plan. That notice shall include the proposed cure payment to be paid to the non-Debtor parties or any other third parties necessary to cure all defaults and arrearages under the executory contracts and unexpired leases listed on **Exhibit A** attached to the Plan and the means by which such parties may receive information regarding the providing of adequate assurance.

3. Approval of Assumption or Rejection of Executory Contracts and Unexpired Leases

Entry of the Confirmation Order, subject to any provisions therein related to notice being provided to counterparties subsequently added to Exhibit A, shall constitute the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the (i) assumption of the executory contracts and unexpired leases to be assumed pursuant the Plan, and (ii) rejection of the executory contracts and unexpired leases to be rejected pursuant to the Plan.

4. Effect of Assumption.

If the Bankruptcy Court approves the assumption and vesting of one or more executory contracts and unexpired leases listed on Exhibit A attached to the Plan, each executory contract and unexpired lease listed on Exhibit A attached to the Plan shall be deemed an assumed contract, and such contracts shall be assumed by the Debtor effective as of the Effective Date, and they shall vest in the Reorganized Luke's Locker Debtor on the Effective Date. In the event of a dispute concerning the assumption of an executory contract and unexpired lease listed on **Exhibit A** attached to the Plan, the dispute shall be resolved by the Bankruptcy Court. To the extent that a counterparty to an executory contract or unexpired lease has Claims that are not set forth on **Exhibit A** that relate to the executory contracts and unexpired leases set forth on **Exhibit A** of the Plan, as of the Effective Date such counterparty shall be barred from asserting such Claims.

5. Cure Claims.

Any Cure Claim owed under any assumed executory contract or lease will be paid by the Reorganized Luke's Locker Debtor in the amount set forth in **Exhibit A** to the Plan through twelve equal monthly payments, the first of which will be due and payable on the fifth Business Day of the first month that is more than 30 days after the Effective Date and the remainder of which will be due on the fifth Business Day of each respective month thereafter. The Debtor estimates that Cure Claims will total less than $10,000.00.

6. Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan.

Claims arising out of the rejection of an executory contract or unexpired lease pursuant to this Article of the Plan must be filed with the Court by no later than thirty (30) days after notice of entry of the Confirmation Order. Any Claims not filed within such time will be forever barred from assertion against the Debtor and its Estates and the Reorganized Luke's Locker Debtor and its property. Unless otherwise Ordered by the Bankruptcy Court, all Claims arising from the rejection of executory contracts and unexpired leases shall be treated as General Unsecured Claims under the Plan.

F. Means for Execution and Implementation of the Plan

1. Board of Directors of the Reorganized Luke's Locker Debtor.

The board of directors of the Reorganized Luke's Locker Debtor shall be:

Matthew Lucas
Donald Lucas

2. Post-Confirmation Management of the Reorganized Luke's Locker Debtor.

The officers of the Reorganized Luke's Locker Debtor shall be:

Matthew Lucas, President
Donald Lucas, Vice President

On the Effective Date, the Reorganized Luke's Locker Debtor shall be authorized and directed to take all necessary and appropriate actions to effectuate the transactions contemplated by the Plan and the Disclosure Statement.

3. Preservation of Rights of Action.

Except to the extent explicitly released in this Plan, all causes of action, rights of setoff and other legal and equitable defenses of the Debtor and its estate are preserved for the benefit of the Reorganized Luke's Locker Debtor. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement as to any cause of action against them as an indication that the Reorganized Luke's Locker Debtor will not pursue a cause of action against

them. Such causes of action include, but are not limited to, (i) all rights, claims, and causes of action pursuant to Sections 502, 510, 544, 545, and 546 of the Code, all preference claims under Section 547 of the Code, all fraudulent transfer claims pursuant to Section 548 of the Bankruptcy Code and applicable state law, all claims relating to post-petition transactions under Section 549 of the Code, and all claims recoverable under Section 550, (ii) all claims and causes of action that the Debtor holds and/or has asserted against Gemcap Lending I, LLC, (iii) all rights of offset or recoupment and all counterclaims against any Claimant; (iv) those causes of action listed in the Disclosure Statement; and (v) those causes of action listed in the Schedules.

4. Objections to Claims.

Except as otherwise provided for with respect to Administrative Claims and applications of professionals for compensation and reimbursement of expenses, or as otherwise ordered by the Bankruptcy Court after notice and a hearing, all objections to Claims shall be served and filed by the Objection Deadline, if one is set by the Bankruptcy Court, although nothing contained herein shall require the fixing of an Objection Deadline; provided, however, the Objection Deadline shall not apply to Claims which are not reflected in the claims register, including any alleged informal proofs of claim. If an Objection Deadline is fixed, it may be extended one or more times by the Bankruptcy Court pursuant to a motion filed on or before the then applicable Objection Deadline. Any Contested Claims may be litigated to Final Order. The Reorganized Luke's Locker Debtor may compromise and settle any Contested Claim without the necessity of any further notice or approval of the Bankruptcy Court. Bankruptcy Rule 9019 shall not apply to any settlement of a Contested Claim after the Effective Date.

G. Conditions to Effectiveness of the Plan

1. Conditions to Effectiveness.

Except as expressly waived by the Debtor, the following conditions must occur and be satisfied on or before the Effective Date:

(a) the Confirmation Order, in a form and substance reasonably acceptable to the Debtor, shall have become a Final Order and shall, among other things (i) confirm this Plan, (ii) find that the Debtor and its respective current employees, officers, and directors, agents, and professionals have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code as set forth in Bankruptcy Code § 1125(e), and (iii) find that the Debtor are authorized to take all actions and consummate all transactions contemplated under this Plan; and

(b) the New Equity Infusion is funded by the New Equity Holder to the Reorganized Luke's Locker Debtor in good funds.

2. No Requirement of Final Order.

So long as no stay is in effect, the Effective Date of the Plan will occur notwithstanding the pendency of an appeal of the Confirmation Order or any Order related thereto. In that event, the Debtor or Reorganized Luke's Locker Debtor may seek dismissal of any such appeal as moot following the Effective Date of the Plan.

H. Effects of Plan Confirmation

1. Binding Effect.

The Plan shall be binding upon all present and former holders of Claims and Equity Interests, and their respective successors and assigns, including the Reorganized Luke's Locker Debtor.

2. Moratorium, Injunction and Limitation of Recourse For Payment.

12.1 From and after the Effective Date, all holders of Claims will be permanently restrained and enjoined from: (a) commencing or continuing in any manner, any action or other proceeding of any kind with respect to any such Claim against the Reorganized Luke's Locker Debtor or its Assets; (b) enforcing, attaching, collecting, or recovering on account of any Claim by any manner or means, any judgment, award, decree, or order against the Reorganized Luke's Locker Debtor or the Assets except pursuant to and in accordance with this Plan; (c) creating, perfecting, or enforcing any encumbrance of any kind against either the Assets or the Reorganized Luke's Locker Debtor; (d) asserting any control over, interest, rights or title in or to any of the Assets except as provided in this Plan; (e) asserting any setoff, or recoupment of any kind against any obligation due the Reorganized Luke's Locker Debtor as assignee, except upon leave of the Bankruptcy Court or except as authorized by section 553 of the Bankruptcy Code; and (f) performing any act, in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan; provided, however, that this injunction shall not bar any Creditor from asserting any right granted pursuant to this Plan; provided, further, however, that each holder of a Contested Claim shall be entitled to enforce its rights under the Plan, including seeking Allowance of such Contested Claim pursuant to the Plan.

In addition, upon Confirmation of the Plan, all creditors of the Debtor having an Allowed Claim herein shall be temporarily enjoined, pursuant to Section 105 of the Code, from proceeding against any officer, director, shareholder, employee, or other responsible person of the Debtor, individually, including, but not limited to, Matthew Lucas, Michael Lucas, Andy Lucas, Don Lucas, or Sharon Lucas, for the collection of all or any portion of their Allowed Claim. This injunction will remain in effect only for so long as the Reorganized Luke's Locker Debtor complies with the terms of the Plan. Any violation of the Plan that remains uncured for thirty (30) days after receipt by the Reorganized Luke's Locker Debtor of written notice from any party affected by such violation shall automatically and without order of the Court result in the dissolution of the injunction granted hereunder as to said affected party.

Nothing in the plan shall affect the setoff rights held by the Texas Comptroller of Public Accounts and the Texas Workforce Commission.

3. Revesting.

On the Effective Date, the Reorganized Luke's Locker Debtor will be vested with all the property of its estates free and clear of all Claims and other interests of creditors and equity holders, except as provided herein and in the Plan; provided, however, that the Debtor shall continue as Debtor-in-Possession under the Bankruptcy Code until the Effective Date, and, thereafter, the Reorganized Luke's Locker Debtor may conduct its business free of any restrictions imposed by the Bankruptcy Code or the Court.

4. Other Documents and Actions.

The Debtor and Reorganized Luke's Locker Debtor may execute such documents and take such other action as is necessary to effectuate the transactions provided for in the Plan.

5. Term of Injunctions or Stays.

Unless otherwise provided, all injunctions or stays provided for in the Debtor's Chapter 11 Bankruptcy Case pursuant to sections 105 or 362 of the Bankruptcy Code or otherwise and in effect on the Confirmation Date shall remain in full force and effect until the Effective Date.

I. Confirmability of Plan and Cramdown.

The Debtor requests Confirmation under section 1129(b) of the Bankruptcy Code if any impaired class does not accept the Plan pursuant to section 1126 of the Bankruptcy Code. In that event, the Debtor reserve the right to modify the Plan to the extent, if any, that Confirmation of the Plan under section 1129(b) of the Bankruptcy Code requires modification.

J. Retention of Jurisdiction.

The Plan provides for the Bankruptcy Court to retain the broadest jurisdiction over the Bankruptcy Case as is legally permissible so that the Bankruptcy Court can hear all matters related to the consummation of the Plan and the claims resolution process. Under sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, and except as otherwise ordered by the Bankruptcy Court,

the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, and related to, this Bankruptcy Case and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

a. allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured, or unsecured status of any Claim not otherwise Allowed under the Plan, including the resolution of any request for payment of any Administrative Expense Claim and the resolution of any objections to the allowance or priority of Claims;

b. hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 327, 328, 330, 331, 503(b), 1103, and 1129(a)(4) of the Bankruptcy Code;

c. hear and determine all matters with respect to the assumption or rejection of any executory contract or unexpired lease to which the Debtor is a party or with respect to which the Debtor may be liable, including, if necessary, the nature or amount of any required Cure or the liquidation or allowance of any Claims arising therefrom;

d. effectuate performance of and payments under the provisions of the Plan and enforce remedies upon any default under the Plan;

e. hear and determine any and all adversary proceedings, motions, applications, and contested or litigated matters arising out of, under, or related to, the Bankruptcy Cases, or the causes of action retained by the Debtor in Article 9.10 of this Plan;

f. enter such orders as may be necessary or appropriate to execute, enforce, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan, the Disclosure Statement, or the Confirmation Order;

g. hear and determine disputes arising in connection with the interpretation, implementation, consummation, or enforcement of the Plan, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;

h. consider any modifications of the Plan, cure any defect or omission, or reconcile any inconsistency in the Plan or in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

i. issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person with the implementation, consummation, or enforcement of the Plan or the Confirmation Order;

j. enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified, or vacated;

k. hear and determine any matters arising in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order;

l. enforce, interpret, and determine any disputes arising in connection with any stipulations, orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Bankruptcy Cases (whether or not the Bankruptcy Cases have been closed);

m. except as otherwise limited herein, recover all Assets of the Debtor and property of the Estate, wherever located;

n. hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

o. hear and determine all disputes involving the existence, nature, or scope of the Debtor's discharge;

p. hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code; and

q. enter a final decree closing the Bankruptcy Cases.

K. No Requirement of Final Order

So long as no stay is in effect, the Effective Date of the Plan will occur notwithstanding the pendency of an appeal of the Confirmation Order or any Order related thereto. In that event, the Debtor or Reorganized Luke's Locker Debtor may seek dismissal of any such appeal as moot following the Effective Date of the Plan.

L. Assumption of Allowed Claims

The Reorganized Luke's Locker Debtor assumes the liability for and obligation to perform and make all distributions or payments on account of all Allowed Claims in the manner provided in the Plan.

M. Attorneys' Fees and Costs under Section 506(b) of the Bankruptcy Code

To the extent any holder of a Secured Claim asserts a right to attorneys' fees and costs pursuant to section 506(b) of the Bankruptcy Code, unless otherwise agreed between the Debtor or Reorganized Luke's Locker Debtor and such Secured Creditor, the allowance of such fees and expenses shall be handled as set forth in this paragraph. Within twenty-four (24) days after the

Effective Date, the Secured Creditor shall file an application with the Bankruptcy Court for allowance of such fees and expenses. Within twenty-four (24) days after such application is filed, the Reorganized Luke's Locker Debtor may file any objections thereto, and the Secured Creditor shall file any response within fourteen (14) days thereafter. If the Secured Creditor and the Reorganized Luke's Locker Debtor are unable to reach agreement, the matter shall then be submitted to the Bankruptcy Court for determination.

N. Exemption from Transfer Taxes and Recording Fees

In accordance with Bankruptcy Code § 1146(a), none of the issuance, transfer, or exchange of any securities under the Plan; the release of any mortgage, deed of trust, or other Lien; the making, assignment, filing, or recording of any lease or sublease; the vesting or transfer of title to or ownership of any of the Debtor's interests in any property; or the making or delivery of any deed, bill of sale, or other instrument of transfer under, in furtherance of, or in connection with the Plan, including the releases of Liens contemplated under the Plan, shall be subject to any document recording tax, stamp tax, conveyance fee, sales or use tax, bulk sale tax, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or governmental assessment in the United States. The Confirmation Order shall direct the appropriate federal, state, and/or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

O. Modification of Plan

The Debtor may alter, amend, or modify the Plan under Bankruptcy Code § 1127(a) at any time prior to the Confirmation Date. After the Confirmation Date and prior to the Effective Date, the Debtor may, under Bankruptcy Code § 1127(b), (i) amend the Plan so long as such amendment shall not materially and adversely affect the treatment of any holder of a Claim, (ii) institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, and (iii) amend the Plan as may be necessary to carry out the purposes and effects of the Plan so long as such amendment does not materially or adversely affect the treatment of holders of Claims or Equity Interests under the Plan; provided, however, prior notice of any amendment shall be served in accordance with the Bankruptcy Rules or Order of the Bankruptcy Court.

P. Waiver of Stay

Notwithstanding Bankruptcy Rules 3002(e), 6004(h), and 6006(d), the Debtor shall be authorized to consummate the Plan and the transactions and transfers contemplated thereby immediately after entry of the Confirmation Order.

IX.
FEASIBILITY OF THE PLAN

A. Projections.

The Debtor believes that the Plan is feasible based upon the projected revenue of the Debtor's business, the financial condition of the Debtor, and the equity investment that the New Equity Holder will make under the Plan to provide additional working capital. After the Effective Date, the Reorganized Luke's Locker Debtor's ability to make future payments contemplated under the Plan depends upon its financial performance.

The Debtor believes that the market and economic situation surrounding the operation of its business is highly competitive, volatile, speculative, and uncertain. For such reasons, the Debtor's management also believes that it is very difficult to predict and project the financial performance of the Debtor. Consequently, the financial projections for the Debtor attached to this Disclosure Statement represent management's best estimation of the anticipated results of future operations based upon management's experience in the industry and their familiarity with the applicable markets due to having operated the Debtor for a significant number of years previously. Notwithstanding, there can be no assurance or guaranty that such projections will be realized or achieved, and any reliance upon such financial projections must be qualified by such matters. The Debtor's financial projections for the next 4 years are attached to this disclosure statement as **Exhibit 1**.

B. Alternatives to Confirmation of the Plan

There are three possible consequences if the Plan is rejected or if the Bankruptcy Court refuses to confirm the Plan: (a) the Bankruptcy Court could dismiss the Debtor's Chapter 11 bankruptcy cases, (b) the Debtor's Chapter 11 bankruptcy case could be converted to a liquidation case under Chapter 7 of the Bankruptcy Code, or (c) the Bankruptcy Court could consider an alternative plan of reorganization proposed by some other party.

1. Dismissal.

If the Debtor's bankruptcy cases were to be dismissed, the Debtor would no longer have the protection of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. Secured creditors such as Nike and the taxing authorities would then have the right to exercise their rights as secured creditors to foreclose and liquidate all of the Debtor's assets. Dismissal would negatively impact the Debtor's ability to continue operating, and it would force a race among other creditors to take over and dispose of any remaining assets. In such event, even the most diligent unsecured creditors, including priority creditors, would almost certainly fail to realize any recovery on their claims.

2. Chapter 7 Liquidation.

If the Plan is not confirmed, it is possible that the Debtor's Chapter 11 case will be converted to a case under Chapter 7 of the Bankruptcy Code, in which event a trustee would be elected or appointed to liquidate the Debtor's assets for distribution to creditors in accordance

with the priorities established by the Bankruptcy Code. Whether a bankruptcy case is one under Chapter 7 or Chapter 11, secured creditors, Administrative Claims, and Priority Claims are entitled to be paid in cash and in full before unsecured creditors receive any funds. If the Debtor's Chapter 11 case was converted to Chapter 7, however, the present Administrative and Priority Claims may have a priority lower than administrative and priority claims generated by the Chapter 7 cases, such as the Chapter 7 trustee's fees and the fees and expenses of attorneys, accountants, and other professionals engaged by the trustee.

The Debtor's real and arguably exclusive value is as a going-concern business. As such, the Debtor believes that liquidation under Chapter 7 would result in no distributions to its Administrative and Priority Claimants. In the event that its assets were liquidated, and if a receiver or trustee were appointed to supervise the liquidation of its assets, there would be significant costs associated with such liquidation, and such costs would increase due to fees and charges incurred by such persons. It is unlikely that the Debtor's remaining property would be sufficient to enable the Debtor or a trustee to make any distribution to Priority or Administrative creditors because, after paying Secured Tax Claims and the Secured Claim of Nike, there would be insufficient funds to pay anyone else. Administrative Claims and Priority Claims would probably not receive a distribution in Chapter 7.

The following represents the likely outcome of a chapter 7 liquidation with respect to the principal assets of the Debtor:

Asset	Disposition	Value[1]
Cash, Deposit Accounts, and Security Deposits	A Chapter 7 trustee would reduce these assets to cash and distribute them to creditors in accordance with the priority scheme in the Bankruptcy Code. Nearly all of this cash is held in escrow from the sale of the Debtor's surplus assets and is earmarked to pay secured Tax Claims. In addition, Nike has a blanket lien on all the Debtor's assets, so Nike would receive any remaining amounts in a Chapter 7 liquidation.	$76,312.11
Autos, Trucks, and Other Vehicles	A Chapter 7 trustee would likely retain an auctioneer to sell these assets at auction	$51,384.00
Inventory	The inventory consists primarily of	$479,663.48

1 These values are taken from the Debtor's monthly operating report filed February 19, 2018. This value represents the Assets' highest possible value, and the actual liquidation value will almost certainly be less than these amounts.

Asset	Disposition	Value[1]
	shoes and clothing. A Chapter 7 trustee would likely include the inventory in the auction, resulting in returns of pennies on the dollar.	
	TOTAL	**$607,359.59**

In this case, all of the Debtors' Assets are encumbered by the Secured Claims of the taxing authorities and Nike, whose claims far exceed the value of those Assets. Accordingly, there would be no funds left to distribute to any Priority or Administrative creditors. There probably would not even be funds available to pay the Chapter 7 trustee's commission, in which case he or she may simply permit the taxing authorities and Nike to foreclose. If that happened, there would be no hope whatsoever of a return to Priority and Administrative creditors.

3. Confirmation of an Alternative Plan.

If the Plan is not confirmed, it is possible that a creditor or third party would file and pursue confirmation of an alternative plan. The Debtor does not believe that any creditor or third party is likely to propose an alternative reorganization plan. The Debtor believes the Plan provides the best prospect for reorganizing the Debtor and maximizing creditor recoveries that can be achieved quickly. The Debtor believes that any material delay in the Debtor's exit from bankruptcy will harm its business and lessen creditor recoveries. By exiting bankruptcy, the Debtor will eliminate the expense of being in bankruptcy.

X.
RISK FACTORS

A risk factor is a possible decline in the economy and a concomitant depression of the retail sales industry, which could affect the Reorganized Luke's Locker Debtor's business and its ability to meet its projections over the next five years.

Creditors may not receive distributions to the extent that the Reorganized Luke's Locker Debtor's business is unsuccessful.

Section 1129 of the Bankruptcy Code provides certain requirements for a chapter 11 plan to be confirmed. Parties-in-interest may object to confirmation of a plan based on an alleged failure to fulfill these requirements or other reasons. The Debtor believes that the Plan complies with the requirements of the Bankruptcy Code.

Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtor believes that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because each class of Claims and Equity Interests encompass Claims or Equity Interests that are substantially similar to the other Claims or Equity Interests in each such class.

However, the Debtor cannot ensure that it will receive enough acceptances to confirm the Plan. Even if the Debtor does receive enough acceptances, there can be no assurance that the Bankruptcy Court will confirm the Plan. Even if enough acceptances are received and, with respect to those Classes deemed to have rejected the Plan, the requirements for "cramdown" are met, the Bankruptcy Court, which may exercise substantial discretion, may choose not to confirm the Plan or may require additional solicitations or consents prior to confirming the Plan. Section 1129 of the Bankruptcy Code requires, among other things, that the value of distributions to dissenting holders of Claims and Equity Interests may not be less than the value such holders would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code. Although the Debtor believes that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

The Debtor's ability to propose and confirm an alternative plan is uncertain. Confirmation of any alternative plan under Chapter 11 of the Bankruptcy Code would likely take significantly more time and result in delays in the ultimate distributions to the holders of Claims. If confirmation of an alternative plan is not possible, the Debtor would likely be liquidated under Chapter 7. Based upon the Debtor's analysis, liquidation under Chapter 7 would result in distributions of reduced value, if any, to holders of Claims and Equity Interests against the Debtor.

Consummation of the Plan is conditioned upon, among other things, entry of the Confirmation Order approving any transactions contemplated thereunder. As of the date of this Disclosure Statement, there can be no assurance that any or all of the foregoing conditions will be met or that the other conditions to consummation, if any, will be satisfied. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and effectuated and the reorganization completed.

Although the Debtor believes that the Effective Date may occur within a reasonable time following the Confirmation Date, there can be no assurance as to such timing.

XI.
CERTAIN FEDERAL INCOME TAX CONSEQUENCES

A. General

Under the Internal Revenue Code of 1986, as amended (the "Tax Code"), there could be certain significant federal income tax consequences associated with the Plan described in this Disclosure Statement. Certain of these consequences are discussed below. Due to the unsettled nature of certain of the tax issues presented by the Plan, the differences in the nature of Claims of the various creditors, its taxpayer status, residence and methods of accounting (including creditors within the same creditor class) and prior actions taken by creditors with respect to its Claims, as well as the possibility that events or legislation subsequent to the date hereof could change the federal tax consequences of the transactions, the tax consequences described below are subject to significant considerations applicable to each creditor.

HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS RESPECTING THE INDIVIDUAL TAX CONSEQUENCES OF THE TRANSACTIONS CONTEMPLATED UNDER OR IN CONNECTION WITH THE PLAN, INCLUDING STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES.

B. Tax Consequences to the Debtor

To the extent any of its debts are discharged under the Plan, the Debtor does not believe such discharge will result in any "discharge of indebtedness" income, although other tax attributes of the Debtor, such as the amount of its net operating loss carrybacks or carryovers may be reduced or affected thereby.

C. Tax Consequences to Creditors.

The tax consequences of the implementation of the Plan to a creditor will depend in part upon whether the creditor's present debt constitutes a "security" for federal income tax purposes, the type of consideration received by the creditor in exchange for its Allowed Claim, whether the creditor reports income on the accrual or cash basis, whether the creditor receives consideration in more than one tax year of the creditor, whether the creditor is a resident of the United States, and whether all the consideration received by the creditor is deemed to be received by that creditor in an integrated transaction.

1. Creditors Receiving Solely Cash

A creditor who receives cash in full satisfaction of its Claim will be required to recognize a gain or loss on the exchange. The creditor will recognize a gain or loss equal to the difference between the amount realized in respect of such Claim and the creditor's tax basis in the Claim.

2. Backup Withholding

Under the Tax Code, interest, dividends, and other "reportable payments" may, under certain circumstances, be subject to "backup withholding". Withholding generally applies if the holder: (a) fails to furnish his social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding.

XII.
CONCLUSION

This Disclosure Statement has attempted to provide information regarding the Debtor's estate and the potential benefits that might accrue to holders of Claims against and Interests in the Debtor under the Plan as proposed. The Plan is the result of the effort of the Debtor, its advisors, and its management to pay Allowed Claims against the Debtor. The Debtor believes that the Plan is feasible and will provide each holder of a Claim against the Debtor with an opportunity to receive at least as much or more than such holder of a Claim would receive if the Debtor's business was shut down and its assets were liquidated, or by any alternative plan. The Debtor, therefore, hereby urges you to vote in favor of the Plan.

Whether or not you expect to attend the Confirmation Hearing, which is scheduled to commence on _____, 2018 at _____.m. Dallas, Texas Time, you must sign,

date, and mail, email, or fax your ballot as soon as possible for the purpose of having your vote count at such hearing. All ballots must be returned to: Melissa Hayward, Counsel for the Debtor, Hayward & Associates PLLC, 10501 N. Central Expy., Suite 106, Dallas, Texas 75231; Fax (972) 755-7114; email: MHayward@HaywardFirm.com. All ballots must be returned on or before 12:00 p.m. (noon) Dallas, Texas Time on _____, 2018. Any ballot which is illegible or which fails to designate an acceptance or rejection of the Plan will not be counted.

DATED: FEBRUARY 20, 2018

LUKE'S LOCKER INCORPORATED

By: /s/ *Matt Lucas*
PRESIDENT OF LUKE'S LOCKER, INC.

-AND-

/s/ Melissa S. Hayward
Melissa S. Hayward
Texas Bar No. 24044908
MHayward@HaywardFirm.com
Julian P. Vasek
Texas Bar No. 24070790
JVasek@HaywardFirm.com
HAYWARD & ASSOCIATES PLLC
10501 N. Central Expy., Suite 106
Dallas, Texas 75231
(972) 755-7100 (*tel.*)
(972) 755-7110 (*facsimile*)

COUNSEL FOR LUKE'S LOCKER, INC.