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ATTORNEYS FOR DEBTOR

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

IN RE §
§
US RAVE, INC § CASE 17-42023
§
DEBTOR §

DISCLOSURE STATEMENT OF US RAVE, INC PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE DATED FEBRUARY 12, 2018

TO: ALL PARTIES-IN-INTEREST, THEIR ATTORNEYS OF RECORD AND TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

I
INTRODUCTION

Identity of the Debtors

US Rave, Inc., (“US Rave” or “Debtor”) filed its voluntary Chapter 11 case in the United States Bankruptcy Court for the Eastern District of Texas, Sherman Division ("Court") on September 3, 2017. The Debtor operates a trucking business. The Debtor propose to restructure its current indebtedness and continue its operations to provide a dividend to the creditors of Debtor.

Purpose of Disclosure Statement; Source of Information

Debtor submit this Disclosure Statement (“Disclosure Statement”) pursuant to Section 1125 of the Code to all known Claimants of Debtor for the purpose of disclosing that information which the Court has determined is material, important, and necessary for Creditors of Debtor in order to arrive at an intelligent, reasonably informed decision in exercising the right to vote for acceptance or

rejection of the Debtor's Plan of Reorganization dated February 12, 2018 ("Plan"). This Disclosure Statement describes the operations of the Debtor contemplated under the Plan. You are urged to study the Plan in full and to consult with your counsel about the Plan and its impact upon your legal rights. Any accounting information contained herein has been provided by the Debtor.

Explanation of Chapter 11

Chapter 11 is the principal reorganization chapter of the Code. Pursuant to Chapter 11, a debtor is authorized to reorganize its business for its own benefit and that of its creditors and equity interest holders. Formulation of a plan of reorganization is the principal purpose of a Chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and interests in the debtor. After a plan of reorganization has been filed, it must be accepted by holders of claims against, or interests in, the debtor. Section 1125 of the Code requires full disclosure before solicitation of acceptances of a plan of reorganization. This Disclosure Statement is presented to Claimants to satisfy the requirements of Section 1125 of the Code.

Explanation of the Process of Confirmation

Even if all Classes of Claims accept the plan, its confirmation may be refused by the Court. Section 1129 of the Code sets forth the requirements for confirmation and, among other things, requires that a plan of reorganization be in the best interests of Claimants. It generally requires that the value to be distributed to Claimants may not be less than such parties would receive if the debtor were liquidated under Chapter 7 of the Code.

Acceptance of the plan by the Creditors and Equity Interest Holders is important. In order for the plan to be accepted by each class of claims, the creditors that hold at least two thirds (2/3) in amount and more than one-half (1/2) in number of the allowed claims actually voting on the plan in such class must vote for the plan and the equity interest holders that hold at least two-thirds (2/3) in amount of the allowed interests actually voting on the plan in such class must vote for the plan. Chapter 11 of the Code does not require that each holder of a claim against, or interest in, the debtor vote in favor of the plan in order for it to be confirmed by the Court. The plan, however, must be accepted by: (i) at least the holder of one (1) class of claims by a majority in number and two-thirds (2/3) in amount of those claims of such class actually voting; or (ii) at least the holders of one (1) class of allowed interests by two-thirds (2/3) in amount of the allowed interests of such class actually voting.

The Court may confirm the plan even though less than all of the classes of claims and interests accept it. The requirements for confirmation of a plan over the objection of one or more classes of claims or interests are set forth in Section 1129(b) of the Code.

Confirmation of the plan discharges the debtor from all of its pre-confirmation debts and liabilities except as expressly provided for in the plan and Section 1141(d) of the Code. Confirmation makes the plan binding upon the debtors and all claimants, equity interest holders and other parties-in-interest, regardless of whether or not they have accepted the plan.

Voting Procedures

Unimpaired Class. Claimants in Classes 1 and 6 are not impaired under the Plan. Such Classes are deemed to have accepted the Plan.

Impaired Classes. The Class 2 through 5 Claimants are impaired as defined by Section 1124 of the Code. The Debtor is seeking the acceptance of the Plan by Claimants in Classes 2 through 5. Each holder of an Allowed Claim in Classes 2 through 5 may vote on the Plan by completing, dating and signing the ballot sent to each holder and filing the ballot as set forth below.

For all Classes, the ballot must be returned to Eric A. Liepins, 12770 Coit Road, Suite 1100, Dallas, Texas 75251. In order to be counted, ballots must be **RECEIVED** no later than at the time and on the date stated on the ballot.

Best Interests of Creditors Test

Section 1129(a)(7) of the Code requires that each impaired class of claims or interests accept the Plan or receive or retain under the Plan on account of such 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 was liquidated under Chapter 7 of the Bankruptcy Code. If Section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, each holder of a claim of such class will receive or retain under the Plan, on account of such claim, property of a value, as of the Effective Date of the Plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims. In order for the Plan to be confirmed, the Bankruptcy Court must determine that the Plan is in the best interests of the Debtor's creditors. Accordingly, the proposed Plan must provide the Debtor's creditors with more than they would receive in a Chapter 7 liquidation. It is anticipated that in a Chapter 7 liquidation, the Debtor's creditors, other than the secured creditors, would receive nothing. Accordingly, since the Plan proposes a substantial dividend to all creditors, such creditors are receiving more than they would receive in a Chapter 7 liquidation. Accordingly, the Plan satisfies the requirements of Section 1129(a)(7).

Cramdown

The Court may confirm the Plan even though less than all of the classes of claims and interests accept it. The requirements for confirmation of a plan over the objection of one or more classes of claims or interests are set forth in Section 1129(b) of the Code.

II **REPRESENTATIONS**

[Note: Paragraphs in brackets to be included after the Bankruptcy Court approves this Disclosure Statement.]

[This Disclosure Statement is provided pursuant to Section 1125 of the Code to all of the Debtor's known Creditors and other parties in interest in connection with the solicitation of acceptance of its Plan of Reorganization, as amended or modified. The purpose of this Disclosure Statement is to provide such information as will enable a hypothetical, reasonable investor, typical of the holders of Claims, to make an informed judgment in exercising its rights either to accept or reject the Plan. A copy of the Plan is attached hereto as Exhibit "A".]

[After a hearing on notice, the Court approved this Disclosure Statement as containing information of the kind and in sufficient detail adequate to enable a hypothetical, reasonable investor typical of the classes being solicited to make an informed judgment about the Plan.]

The information contained in this Disclosure Statement has been derived from the Debtor, unless specifically stated to be from other sources.

NO REPRESENTATIONS CONCERNING THE DEBTORS IS AUTHORIZED BY THE DEBTOR OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. THE DEBTOR RECOMMENDS THAT ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN WHICH IS NOT CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN REACHING YOUR DECISION ON HOW TO VOTE ON THE PLAN. ANY REPRESENTATION OR INDUCEMENT MADE TO YOU NOT CONTAINED HEREIN SHOULD BE REPORTED TO THE ATTORNEYS FOR DEBTOR WHO SHALL DELIVER SUCH INFORMATION TO THE COURT FOR SUCH ACTION AS MAY BE APPROPRIATE.

ANY BENEFITS OFFERED TO THE CREDITORS ACCORDING TO THE PLAN WHICH MAY CONSTITUTE "SECURITIES" HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE FEDERAL SECURITIES AND EXCHANGE COMMISSION ("SEC"), THE TEXAS SECURITIES BOARD, OR ANY OTHER RELEVANT GOVERNMENTAL AUTHORITY IN ANY STATE OF THE UNITED STATES. IN ADDITION, NEITHER THE SEC, NOR ANY OTHER GOVERNMENTAL AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN. ANY REPRESENTATIONS TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. FOR THE FOREGOING REASON, AS WELL AS BECAUSE OF THE IMPOSSIBILITY OF MAKING ASSUMPTIONS, ESTIMATES AND PROJECTIONS INTO THE FUTURE WITH ACCURACY, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS COMPLETELY

ACCURATE, ALTHOUGH EVERY REASONABLE EFFORT HAS BEEN MADE TO ENSURE THAT SUCH INFORMATION IS ACCURATE. THE APPROVAL BY THE COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE COURT OF THE PLAN OR GUARANTEE THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

THE DEBTOR BELIEVES THAT THE PLAN WILL PROVIDE CLAIMANTS WITH AN OPPORTUNITY ULTIMATELY TO RECEIVE MORE THAN THEY WOULD RECEIVE IN A LIQUIDATION OF THE DEBTOR'S ASSETS, AND SHOULD BE ACCEPTED. CONSEQUENTLY, THE DEBTOR URGES THAT CLAIMANTS VOTE FOR THE PLAN.

DEBTOR DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS CORRECT, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. THE PLAN WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT, AND EACH CREDITOR AND INTEREST HOLDER IS URGED TO CAREFULLY REVIEW THE PLAN PRIOR TO VOTING ON IT.

III

FINANCIAL PICTURE OF THE DEBTORS

Financial History and Background of the Debtor

The Debtor was purchased by Don Malik ("Malik") in August of 2015. Malik purchased the company from Gursewak Singh Sedey ("Sedey"). Shortly after the purchase, Malik became aware that Sedey was involved in litigation with his purported business partner and a dispute existed about whether Sedey had the authority to sell the Debtor to Malik. Eventually, the Debtor and Malik became embroiled in the lawsuit. Despite the litigation, Malik took over the Debtor and soon realized that the representation concerning the operations of the Debtor were false. The Debtor had very high debt service and did not have the business income that was represented to him.

Malik continued to operate the Debtor but because of the ongoing litigation and the high debt service, the Debtor began to fall behind on some of the debt service. In an effort to reorganize the company, a bankruptcy was filed in October 2016. The Debtor was unable to confirm a Plan in the 2016 bankruptcy. Thereafter, the Debtor continued to operate and decided to return most of the vehicles in order to streamline operations. The Debtor refiled this bankruptcy and returned a number of pieces of collateral. The Debtor continued operation.

Post Petition Operations

Since the filing of the bankruptcy, the Debtor has worked with a number of its secured creditors to continue operations. The Debtor has entered into agreements to return a number of trucks and trailers, and has entered into agreement with the remaining vehicles to continue operations. The Debtor's operations have been profitable during the bankruptcy process.

Future Income and Expenses Under the Plan

The Debtor's current business operations consist of the income derived from its trucking business. A projection of income and expenses for the next year is attached hereto as Exhibit "B". The projections were prepared by the Debtor's in-house accounting department and were based up the Debtor's current and anticipated operations.

Post-Confirmation Management

Upon Confirmation of the Debtors' Plan, current ownership will maintain its status. Upon confirmation, Don Malik will have an annual salary of \$120,000.

IV.

ANALYSIS AND VALUATION OF PROPERTY

The Debtor owns three trucks. The value of the assets of the Debtor, if liquidated, would not cover the secured creditor debt. The Debtor would show there is no likelihood of any dividend to the unsecured creditors in the event of a forced liquidation of the assets of the Debtor.

A liquidation analysis of the Debtors assets is attached hereto as **Exhibit "C"**.

V.

SUMMARY OF PLAN OF REORGANIZATION

The Debtors will continue in business. The Debtors' Plan will break the existing claims into 6 categories of Claimants. These claimants will receive cash payments over a period of time beginning on the Effective Date.

Satisfaction of Claims and Debts: The treatment of and consideration to be received by holders of Allowed Claims or interests pursuant to this Articles 5 and 6 of this Plan shall be the sole an exclusive means for full settlement, release and discharge of their respective Claims, Debts, or interests. On the Confirmation Date, the Reorganized Debtors shall assume all duties, responsibilities and obligations for the implementation of this Plan. Any class of Claimants failing to vote on this Plan shall be deemed to have accepted this Plan in its present form or as modified or amended as permitted herein.

Class 1 Claimants (Allowed Administrative Claims of Professionals and US Trustee) are unimpaired and will be paid in cash and in full on the Effective Date of this Plan. Professional fees are subject to approval by the Court as reasonable. This case will not be closed until all allowed Administrative Claims are paid in full. Class 1 Creditor Allowed Claims are estimated as of the date of the filing of this Plan to not exceed the amount of \$15,000 including Section 1930 fees. Section 1930 fees shall be paid in full prior to the Effective Date. The Debtor is required to continue to make quarterly payments to the U.S. Trustee and shall be required to file post-confirmation operating reports until this case is closed. The Class 1 Claimants are not impaired under this Plan.

Class 2 Claimants (Allowed Priority Tax Claims) are impaired and shall be satisfied as follows: The Allowed Priority Amount of all Tax Creditor Claims shall be paid out of the revenue from the continued operations of the business. Collin County has filed a Proof of Claim for unpaid business property taxes. The Debtor believes the tax liability for unpaid Ad Valorem taxes to Collin County to be \$6,529.94. The Ad Valorem Taxes will receive post-petition pre-confirmation interest at the state statutory rate of 12% per annum and post-confirmation interest at the rate of 12% per annum. The Debtors will pay the Ad Valorem Taxes in 60 equal monthly payments commencing on the Effective Date. The Debtor may pre-pay these taxes at any time without penalty. The Taxing Authorities shall retain their statutory senior lien position regardless of other Plan provisions, if any, to secure their Tax Claims until paid in full as called for by this Plan.

Class 2 Claimants are impaired under this Plan

Class 3 Claimant (Allowed Secured Claim of BMO Harris N.A.) is impaired and shall be satisfied as follows: On or about December 3, 2014, the Debtor executed that certain Loan and Security Agreement with General Electric Capital Corp.¹ (“BMO”) for the purchase of the following property:

2015 Kenworth Model T680 VIN 1XKYD49X7FJ451688

2015 Kenworth Model T680 VIN 3WKYD49X4FF451684

The truck referenced above shall be referred to as the “Collateral”.

As of the Petition Date the balance owed to BMO was asserted to be \$250,839.76. The Debtor shall retain the Collateral. The Debtor would show the current value of the Collateral is \$136,900. The Debtor shall pay BMO \$136,900 with interest at the rate of 6% per annum in 60 equal monthly installments of \$2,647. BMO shall maintain its security interests in the Collateral until paid in full under the terms of this Plan. The Class 3 creditor shall have the right to assert a Class 5 Claim for the difference between the balance owed on the Petition Date and the amount of the Allowed Class3 claim.

The Class 3 Creditor is impaired under this Plan.

Class 4 Claimant (Allowed Secured Claim of Mercedes Benz Financial Services USA LLC) is impaired and shall be satisfied as follows: On or about December 18, 2014, the Debtor executed that certain Texas Motor Vehicle Retail Installment Contract (“Contract”) with Mercedes Benz Financial Services USA, LLC (“Mercedes”) for the purchase of the following property:

2015Freightliner Model Cascadia VIN 3AKJLLD55FSGS6075 (“Truck”)

2016 Great Dane Trailer VIN 1GRAA0623GW700067 (Trailer”).

As of the Petition Date the balance on the Contract was asserted to be \$149,405.42. The Debtor shall retain the Truck. The Debtor would show the current value of the Truck is \$75,000. The Debtor shall pay Mercedes \$68,450 with interest at the rate of 6% per annum under New Truck Contract in 60 equal monthly installments of \$1,301. Mercedes shall maintain its security interests in the Truck until paid in full under the terms of this Plan.

The Debtor has previously surrendered the Trailer to Mercedes. After the sale of the Trailer, Mercedes shall have the right to assert a Class 5 Claim for the difference between the balance owed on Contract on the Petition Date and the amount of the Class 4 Claim.

The 4 Creditor is impaired under this Plan.

¹Based upon the Proof of Claim filed in this case, BMO Harris N.A. has been assigned the rights under the Contract.

Class 5 Claimants (Allowed Unsecured Claims of Non-Insider Unsecured Creditors), are impaired and shall be satisfied as follows: All non-insider unsecured creditors shall share pro rate in the Class 5 unsecured creditors pool. The Class 5 Claimants shall include the deficiency claim of all creditors in class 3 and 4. The Debtor shall make monthly payments commencing on the Effective Date of \$2,500 into the unsecured creditors' pool. The Debtor shall make distributions to the Class 5 creditors every 90 days commencing 90 days after the Effective Date. The Debtor shall make a total of 60 payments into the unsecured creditors pool.

The Class 5 creditors are impaired.

Class 6 (Current Shareholders) are not impaired under the Plan and shall be satisfied as follows: The current members shall retain their existing interests.

The Class 6 shareholders are not impaired under this Plan.

ARTICLE VI

MECHANICS/IMPLEMENTATION OF PLAN

Debtor anticipates the continued operations of the business to fund the Plan. A copy of the Debtor's projected income and expenses is attached hereto as Exhibit "B".

As specified in Section 1125(e) of the Bankruptcy Code, persons that solicit acceptances or rejections of this Plan and/or that participate in the offer, issuance, sale or purchase of securities offered or sold under this Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, are not liable on account of such solicitation or participation for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejection of this Plan or the offer, issuance, sale or purchase of securities.

VII.

FEASIBILITY OF PLAN

The projections of the future business operations are attached hereto as Exhibit "B". The Debtor believes that the projections are accurate based upon the historical operations of the business. Based upon the projections, the Debtors believe the Plan to be feasible.

VIII.

RETENTION OF JURISDICTION

The Bankruptcy Court's jurisdiction shall be retained under the Plan as set forth in Article 14 of the Plan.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, NEITHER DEBTORS, REORGANIZED DEBTORS, GUARANTORS, THE OFFICERS AND DIRECTORS OF THE DEBTORS NOR THE PARTNERS SHALL BE DISCHARGED AND RELEASED FROM ANY LIABILITY FOR CLAIMS. HOWEVER, THE EXCLUSIVE REMEDY FOR PAYMENT OF ANY CLAIM SO LONG AS THE PLAN IS NOT IN DEFAULT SHALL BE THE PLAN.

IX.

ALTERNATIVES TO DEBTOR'S PLAN

If the Debtor's Plan is not confirmed, the Debtor's bankruptcy case may be converted to a case under Chapter 7 of the Code, in which case a trustee would be appointed to liquidate the assets of the Debtor for distribution to its Creditors in accordance with the priorities of the Code. Generally, a liquidation or forced sale yields a substantially lower amount. As set forth above, the Debtor owes approximately \$400,000 in secured claims. Claims to the secured creditors must be paid prior to the unsecured creditors receiving any payment. The Debtor believes the value of the assets if liquidated might not exceed the secured creditors debts, and therefore, a liquidation might result in no distribution to the unsecured creditors.

A liquidation analysis is attached hereto as Exhibit "C".

X

RISKS TO CREDITORS UNDER THE DEBTOR'S PLAN

Claimants and Equity Interest Holders should be aware that there are a number of substantial risks involved in consummation of the Plan. The Plan contemplates that there will be excess funds to pay Creditor Claims. The Plan assumes that the Debtors will be able to keep the operations at their current income levels throughout the term of the Plan.

XI.

TAX CONSEQUENCES TO THE DEBTOR

Implementation of the Plan may result in federal income tax consequences to holders of Claims, Equity Interest Holders, and to the Debtor. Tax consequences to a particular Creditor or Equity Interest Holder may depend on the particular circumstances or facts regarding the Claim of the Creditor or the interests of the Equity Interest Holder. In this case, the Plan anticipates that all creditors will not be paid in full. **CLAIMANTS ARE URGED TO CONSULT THEIR OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN TO THEM UNDER FEDERAL AND APPLICABLE STATE AND LOCAL TAX LAWS.**

XII.

PENDING OR ANTICIPATED LITIGATION

The Debtor has evaluated potential claims which may be brought. The Debtor believes claims against Gursewak and Verinder Sadey do exist for the actions taken in selling the Debtor to its current owners, however, the Debtor does not intend to pursue those claims as part of this Plan.

Dated: February 12, 2018.

Respectfully submitted,

US Rave, Inc.

/s/ Don Malik

By: Don Malik

Its: President

EXHIBIT C - LIQUIDATION ANALYSIS

| ASSETS | CHAPTER 7 | CHAPTER 11 |
|--------------------|-----------|----------------------|
| CASH | 10,000 | 10,000 |
| TRUCKS | 205,000 | 205,000 |
| TRAILERS | 0 | 0 |
| LIABILITIES | | |
| ADMINISTRATIVE | 15,000 | 15,000 |
| TAXES | 6,500 | 6,500 |
| SECURED | \$400,000 | \$210,000 |
| UNSECURED | \$650,000 | 400,000 ² |
| Unsecured Dividend | 0 | 38% |

²Under the Chapter 11 the Debtor's ownership will not participate in unsecured distributions