

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re: §
§ CASE NO. 16-34118-BJH-11
SIGEL'S BEVERAGES, L.P. §
§ Chapter 11
Debtor. §

**DISCLOSURE STATEMENT IN SUPPORT
OF DEBTOR'S PLAN OF REORGANIZATION**

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DATED: DECEMBER 31, 2016

TABLE OF CONTENTS

I. INTRODUCTORY STATEMENT AND DISCLOSURES 3

1.1 Introduction.....3

1.2 Considerations in Preparation of the Disclosure Statement and Plan; Disclaimers3

1.3 Disclosure Statement; Construction.....5

1.4 Solicitation Package.....6

1.5 The Confirmation Hearing and Objection Deadline.....6

1.6 Recommendation of the Debtor to Approve the Plan.....7

II. DEBTOR’S BACKGROUND INFORMATION..... 7

2.1 History of the Debtor7

2.2 Corporate Structure of the Debtor8

2.3 Events Leading to Chapter 11.....8

III. EVENTS DURING THE CHAPTER 11 CASES 9

3.1 Commencement of the Chapter 11 Case.....9

3.2 Retention of Professionals by the Debtor9

3.3 Bankruptcy Schedules and Statement of Financial Affairs9

3.4 Meeting of Creditors10

3.5 Operating Reports10

3.6 DIP Motion and Cash Collateral.....10

3.7 Critical Vendor Motions10

3.8 Motion to Reject Burdensome Leases11

3.9 Litigation.....11

IV. FINANCIAL INFORMATION..... 14

4.1 Assets14

4.2 Liabilities15

4.3 Other16

V. PLAN OVERVIEW 16

5.1 Introduction.....16

5.2 Summary of the Plan and Proposed Distributions Under the Plan17

VI. SUMMARY OF CERTAIN PLAN PROVISIONS 21

6.1 Means for Implementation of the Plan21

6.2 Treatment of Executory Contracts and Unexpired Leases22

6.3 Effects of Confirmation22

6.4 Retention of Jurisdiction.....22

6.5 Procedures for Resolving Disputed, Contingent and Unliquidated Claims.....24

| | |
|---|-----------|
| VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND SECURITIES LAW CONSIDERATIONS | 25 |
| 7.1 General..... | 25 |
| VIII. THE BEST INTERESTS OF CREDITORS TEST | 26 |
| 8.1 Best Interests of Creditors Test..... | 26 |
| 8.2 Liquidation Analysis..... | 27 |
| IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN | 28 |
| 9.1 Alternative Plan(s)..... | 28 |
| 9.2 Liquidation Under Chapter 7 | 28 |
| 9.3 Dismissal..... | 29 |
| 9.4 Other Alternatives..... | 29 |
| X. CERTAIN RISK FACTORS TO BE CONSIDERED | 29 |
| 10.1 Certain Bankruptcy Law Considerations..... | 30 |
| 10.2 Estimated Recovery Risks | 31 |
| XI. VOTING PROCEDURES AND REQUIREMENTS | 31 |
| 11.1 Voting Deadline..... | 31 |
| 11.2 Creditors Solicited to Vote | 32 |
| 11.3 Definition of Impairment..... | 32 |
| 11.4 Classes Impaired Under the Plan..... | 32 |
| 11.5 Votes Required for Class Acceptance | 33 |
| 11.6 Specific Considerations in Voting | 33 |
| XII. MISCELLANEOUS PROVISIONS | 33 |
| 12.1 Disclosures Required by the Bankruptcy Code..... | 33 |
| 12.2 Certain Rights Unaffected | 34 |
| 12.3 Binding Effect..... | 34 |
| 12.4 Exculpations..... | 34 |
| 12.5 Notices | 34 |
| 12.6 Injunctive Relief | 35 |
| XIII. RECOMMENDATION AND CONCLUSION | 35 |

DISCLAIMER

ALL HOLDERS OF CLAIMS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE DEBTOR'S PLAN OF REORGANIZATION DATED DECEMBER 31, 2016 (AS AMENDED, MODIFIED AND SUPPLEMENTED FROM TIME TO TIME, THE "PLAN"), IN THEIR 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 THEIR 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. 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 EXPRESSLY DISCLAIMS 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 FOR THE DEBTOR DESCRIBED HEREIN HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSIONS, 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 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 LAWS. ANY SUCH OFFER OR ISSUANCE IS BEING MADE IN RELIANCE ON THE EXEMPTIONS FROM REGISTRATION THEREUNDER 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 IN THIS CASE 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 THE PURPOSE OF SOLICITING ACCEPTANCE 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 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
- claims and liability estimates

You should understand that the foregoing as well as other risk factors discussed in this Disclosure Statement, including those listed in Article X of this Disclosure Statement under the heading “Certain Factors to be Considered,” 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 publicly update or revise information concerning the Debtor’s restructuring efforts or their 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.

ARTICLE I
INTRODUCTORY STATEMENT AND DISCLOSURES

1.1 Introduction

On October 20, 2016, the Debtor filed its voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 *et. seq.* (the “Bankruptcy Code”), in the United States Bankruptcy Court for the Northern District of Texas (the “Bankruptcy Court”), thereby initiating this bankruptcy case (the “Chapter 11 Case”).

Pursuant to the terms of the Bankruptcy Code, this Disclosure Statement has been approved by the Bankruptcy Court. Such approval is required by statute and will 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 thereby.

Contained in the packet of documents which has been sent to you by the Debtor is the Disclosure Statement, the Plan, the Ballot for Voting on the Plan (the “Ballot”) and the Order Approving Disclosure Statement and Fixing Time for Filing Acceptance or Rejection of Plan, Combined with Notice Thereof. Please read all of these materials carefully. Please note that in order for your vote to be counted, you must: 1) include your name and address, 2) fill in, date, and sign the enclosed Ballot and 3) return it to the attorney for the Debtor by the date and time specified on the Ballot.

1.2 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 CAREFULLY CONSIDER THE INFORMATION REGARDING TREATMENT OF THEIR CLAIMS CONTAINED IN THIS DISCLOSURE STATEMENT.

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 CONSUMATE 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 INTERST ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OR CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, ANTICIPATED EVENTS IN THE 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 THEIR ENTIRETY AS ATTACHED HERETO); STATUTORY PROVISIONS, EVENTS, OR INFORMATION. EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED, FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR. HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE URGED TO REVIEW THE ENTIRE PLAN, A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT A. 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 THEIR 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.

TO THE EXTENT ANY INTERESTS ADDRESSED OR TREATED UNDER THIS PLAN CONSTITUTE SECURITIES UNDER THE 1933 ACT, THE DEBTOR IS RELYING ON SECTION 1145(a) OF THE BANKRUPTCY CODE TO EXEMPT FROM REGISTRATION UNDER THE SECURITIES LAWS THE OFFER AND ISSUANCE OF SECURITIES IN CONNECTION WITH THE PLAN.

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 PURSAUNT 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.

1.3 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 this solicitation or acceptances from the holders of Claims (the "Solicitation") of the Plan, a copy of which is attached hereto as **Exhibit A**. **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" and "hereunder" and words of similar import shall refer to this Disclosure Statement as

a whole and not to any particular provision, (iii) article, section and exhibit references are to this Disclosure Statement unless otherwise specified, and (iv) with respect to any Distribution or Payment under the Plan, “on” a date means on or as soon as reasonably practicable thereafter.

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 their right to vote to accept or reject the Plan. By order of the Bankruptcy Court, this Disclosure Statement was approved and held to contain adequate information.

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.

1.4 Solicitation Package

Accompanying this Disclosure Statement for the purpose of soliciting votes on the Plan are copies of (i) the notice of, among other things, the time for submitting Ballots to accept or reject the Plan, the date, time, and place of the hearing to consider the confirmation of the Plan and related matters, and the time for filing objections to the confirmation of the Plan, and (ii) a Ballot or Ballots that you must use in voting to accept or to reject the Plan, or a notice of non-voting status, as applicable. If you did not receive a Ballot and believe that you should have, please contact counsel for the Debtor via either facsimile at (214) 291-2665 or via email at lvargas@pgkpc.com.

1.5 The Confirmation Hearing and Objection Deadline

THE BANKRUPTCY COURT HAS SET [REDACTED], 2017, AT [REDACTED] [REDACTED].M., CENTRAL TIME, AS THE DATE AND TIME FOR THE COMMENCEMENT OF THE HEARING ON CONFIRMATION OF THE PLAN AND TO CONSIDER ANY OBJECTIONS TO THE PLAN. THE CONFIRMATION HEARING WILL BE HELD AT THE UNITED STATES BANKRUPTCY COURT, CHIEF JUDGE HOUSER’S COURTROOM, 1100 COMMERCE STREET, 14TH FLOOR, DALLAS, TEXAS 75242. THE DEBTOR WILL REQUEST CONFIRMATION OF THE PLAN AT THE CONFIRMATION HEARING.

THE BANKRUPTCY COURT HAS FURTHER FIXED [REDACTED], 2017, AT 4:00 P.M., CENTRAL TIME, AS THE DEADLINE (THE “OBJECTION DEADLINE”) FOR FILING OBJECTIONS TO CONFIRMATION OF THE PLAN WITH THE

BANKRUPTCY COURT. OBJECTIONS TO CONFIRMATION OF THE PLAN MUST BE SERVED SO AS TO BE RECEIVED BY THE COUNSEL TO THE DEBTOR ON OR BEFORE THE OBJECTION DEADLINE.

ANY OBJECTION TO CONFIRMATION OF THE PLAN MUST BE IN WRITING AND (A) MUST STATE THE NAME AND ADDRESS OF THE OBJECTING PARTY AND THE AMOUNT OF ITS CLAIM OR THE NATURE OF ITS EQUITY INTEREST AND (B) MUST STATE WITH PARTICULARITY THE NATURE OF ITS OBJECTION. ANY CONFIRMATION OBJECTION NOT TIMELY FILED AND SERVED AS SET FORTH HEREIN SHALL BE DEEMED WAIVED AND MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

1.6 Recommendation of the Debtor to Approve the Plan

The Debtor approved the solicitation of the acceptance of the Plan and of the transactions contemplated thereunder. In light of the benefits to be attained by the holders of Claims under the Plan, the Debtor recommends that such Holders of Claims vote to accept the Plan. The Debtor has reached this decision after considering the alternatives to the Plan that are available to the Debtor. These alternatives include liquidation under chapter 7 of the Bankruptcy Code or dismissal of the Debtor's bankruptcy case. The Debtor determined, after consulting with legal advisors, the Plan would likely result in a distribution of greater value than would a liquidation under chapter 7.

**ARTICLE II
DEBTOR'S BACKGROUND INFORMATION**

2.1 History of the Debtor

Sigel's was established in 1905 by founder, Harry Sigel, who set forth standards that are still being followed today. Superior selection and competitive pricing combined with exemplary service are the hallmarks by which Sigel's has been run for over 111 years and will continue to be run for the next century. Sigel's vast selection focuses on hand-crafted, high quality products in all categories. Sigel's buyers take special pains to acquire unique products, and the best in the world are available in Sigel's stores.

The Debtor's business can be divided into two major divisions—wholesale and retail. The Debtor maintains a number of licenses with the Texas Alcohol and Beverage Commission that allows it to sell beer, wine and spirits as a local distributor to restaurants and other certain establishments selling alcohol to the end consumer (the "Wholesale Division"). The Wholesale Division accounts for approximately 60% of the Debtor's annual revenues and includes clients such American Airlines, Mi Cocina, and other reputable and known restaurants in the Dallas Fort Worth Metroplex.

As of the Petition Date, the Debtor operated nine (9) retail stores as Sigel's and one (1) as an Oasis (the "Retail Division"). As of the Petition Date, the Retail Division accounted for approximately 40% of annual revenue but 60% of the Debtor's gross profit. The Debtor leases

the real estate related to each of the retail stores. In addition to the ten stores it leases, the Debtor also leases an additional building in Anna, Texas that it uses exclusively for its Wholesale Division. As explained below, after the commencing the Chapter 11 Case, the Debtor closed two of the retail stores it operated and filed a motion with the Court to reject the leases related to those locations.

The Debtor also owns a 37,240 square foot building and warehouse located at 2960 Anode Ln., Dallas, Texas (the “Anode Property”) that services the Wholesale Division and some of the retail stores. The Anode Property also serves as the Debtor’s corporate headquarters. Connected to this property are two adjacent buildings that the Debtor leases containing approximately 52,000 square feet.

As of the Petition Date, the Debtor employed approximately 170 employees, including full-time and part-time employees. As of October 31, 2016, the Debtor’s unaudited financial statements reflected approximately \$78.7 Million in sales year to date.

2.2 Corporate Structure of the Debtor

Sigel’s Beverages, L.P. is a Texas limited partnership. Milan General Investments, Inc. owns a 1% general partnership interest, Gemini Beverages, Inc. owns a 1% limited partnership interest, and Anthony Bandiera Jr. owns 98% of the limited partnership interest.

2.3 Events Leading to Chapter 11

As explained briefly above, the Debtor’s primary business is the sale of fine wines, beer and spirits through the operation of its Wholesale Division and Retail Division. Multiple conditions and circumstances affected the Debtor’s cash flow and ultimately its reason for filing for bankruptcy. Specifically, the results of local alcohol elections and the increased competition as a result of those results leads to significant challenges for the Debtor.

(a) Local Alcohol Election

Recent local alcohol election outcomes, specifically the ability of grocery stores and other retailers to sell beer and wine, had a significant impact on the Debtor’s sales. Several of the Debtor’s retail stores were located in strategic locations right along wet/dry boundaries. The Texas Alcoholic Beverage Code allows, via local option elections, local determinations of the types of alcoholic beverages that may be sold in a particular municipality and how they can be sold. Beginning in approximately 2010, a number of municipalities in the DFW Metroplex voted to change what were previously dry areas to partially wet (*i.e.*, ability to sell beer and wine) or wet, allowing sale of all alcoholic beverages. Several of the Debtor’s retail stores are located in North Dallas in areas that are wet, but were strategically located near previously dry areas. When the areas that were previously dry elected to change to wet or partially wet, grocery stores, and convenience stores that had previously been prohibited because of their location became instant competitors of the Debtor. In addition to increased competition from grocery stores and convenience stores, the local elections created an incentive for other large liquor retailers to build and open stores in the DFW Metroplex, thus further saturating the market.

(b) Burdensome Leases

Compounding the issues related to the local elections, the Debtor extended a number of leases related to the strategically located stores prior to elections. In the wake of the outcomes of those elections, those leases became over-burdensome and made a number of the retail stores difficult (if not impossible) to operate profitably. To address the financial issues with those leases, the Debtor began in approximately December 2014 paying reduced rental amounts on four of the leases.

As a result of short-paying those leases, the Debtor was put on notice by its secured lender, PNC Bank, N.A., that it had declared a default under the Debtor's credit agreement. PNC has liens against all of the Debtor's assets, including its inventory and accounts receivable. Thus, if PNC foreclosed, it would have catastrophic implications for the Debtor. It is against this backdrop that the Debtor filed bankruptcy in order to preserve and maximize its assets, address the issues with PNC and deal with the over-burdensome leases.

ARTICLE III
EVENTS DURING THE CHAPTER 11 CASES

3.1 Commencement of the Chapter 11 Case

On the Petition Date, the Debtor filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code. Since the Petition Date, the Debtor has operated its business as a debtor in possession.

3.2 Retention of Professionals by the Debtor

On November 18, 2016, the Debtor sought to employ the law firm of Pronske Goolsby & Kathman, P.C. as counsel for the Debtor [Docket No. 52]. On December 23, 2016, the Bankruptcy Court entered an order approving the employment of Pronske Goolsby & Kathman, P.C. as counsel for the Debtor.

On December 19, 2016 the Debtor sought to employ Bridgepoint Consulting LLC as financial advisors for the Debtor [Docket No. 75]. As of the filing of this Disclosure Statement, the objection deadline had not run on the Debtor's application to employ Bridgepoint; however, the Debtor does not expect any objections to the employment.

3.3 Bankruptcy Schedules and Statement of Financial Affairs

On November 21, 2016, the Debtor filed its Bankruptcy Schedules. The Bankruptcy Schedules set forth the detailed list of the Debtor's assets and liabilities as of the commencement of this case. The Debtor has subsequently filed amendments to its schedules.

3.4 Meeting of Creditors

On November 29, 2016, the United States Trustee conducted the meeting of creditors pursuant to section 341 of the Bankruptcy Code for the Chapter 11 Case.

3.5 Operating Reports

As required by the United States Trustee, Monthly Operating Reports for the partial post-petition period of October, and the month of November 2016 have been filed with the Clerk of the Bankruptcy Court. The Monthly Operating Reports are incorporated herein by reference. A copy of the Debtor's November MOR [Docket No. 83], which collectively reflects the Debtor's operations for the months October 2016 through November 2016, is attached hereto as **Exhibit B**.

3.6 DIP Motion and Cash Collateral

On October 21, 2016, the Debtor filed its Emergency Motion for Interim and Final Orders (I) Authorizing Debtor-in-Possession to Obtain Post-Petition Financing, (II) Granting Liens, Security Interests and Adequate Protection; (III) Authorizing Use of Cash Collateral and (IV) Setting Final Hearing (the "DIP Motion")[Docket No. 10]. At the hearing held on the DIP Motion on October 24, 2016, the Court expressed concerns over the terms outlined in the DIP Motion. Instead of borrowing money on a debtor-in-possession basis, the Debtor was able to reach an agreement with its secured lender, PNC Bank, N.A., to operate on using solely cash collateral. The Debtor and PNC's agreement on the use of cash collateral is memorialized in the Court's Final Order Authorizing Use of Cash Collateral and Granting Adequate Protection (the "Final Cash Collateral Order")[Docket No. 65].

3.7 Critical Vendor Motions

Along with its other first day motions, the Debtor filed its Emergency Motion for Entry of an Order Authorizing Payment of Prepetition Claims of Certain Critical Vendors [Docket No. 14]. The Debtor subsequently filed its Second Amended Emergency Motion for Entry of an Order Authorizing Payment of Prepetition Claims of Certain Critical Vendors (the "Critical Vendor Motion")[Docket No. 50]. As explained in further detail in the Critical Vendor Motion, the Debtor purchases approximately 90% of its inventory from two vendors—Southern Glazer's Wine and Spirits of Texas, LLC ("Glazers") and Republic National Distributing Company, LLC ("Republic"). Also explained in the Critical Vendor Motion, because of Texas' three tier system related to alcohol purchases, these two vendors are the sole vendors from whom the Debtor can purchase a majority of the name brand wines and spirits sold to its customers. As such, both Glazer's and Republic sought critical vendor in order for the Debtor to continue purchase from them. The terms of the agreements reached with Glazers and Republic are memorialized in the Court's Order on Amended Emergency Motion for Entry of an Order Authorizing Payment of Prepetition Claims of Certain Critical Vendors (the "Critical Vendor Order")[Docket No. 64]. In summary, the Critical Vendor Order provides, *inter alia*, for immediate payment of approximately 15% of Glazer's and Republic's prepetition claims, allows the Debtor to continue purchasing on a COD basis, and requires the Debtor to file a plan of reorganization and

disclosure statement by December 31, 2016.

3.8 Motion to Reject Burdensome Leases

On October 21, 2016, the Debtor filed its Motion to Reject Unexpired Leases Pursuant to 11 U.S.C. § 365 (the “Rejection Motion”)[Docket No. 19]. The Rejection Motion sought to reject five separate leases. Prior to the hearing on the Rejection Motion, the Debtor was able to reach an agreement with the landlords for each of the properties as to the effective date of the rejections. Additionally, the Debtor was able to reach an additional agreement with one of landlords on the amount of that landlord’s post-petition claim. The agreements reached amongst the parties is memorialized in the Court’s Agreed Order on Debtor’s Amended Motion to Reject Unexpired Leases Pursuant to 11 U.S.C. § 365 [Docket No. 79]

3.9 Litigation

(a) Prepetition Litigation

Prior to the Petition Date, the Debtor was a member of class action suit styled: *In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation*, MDL No. 1720, pending before the United States District Court for the Eastern District of New York.

(b) Potential Litigation

The Plan preserves all Causes of Action. The Causes of Action include certain Avoidance Actions and other claims and potential claims that the Debtor holds against third parties. In accordance with section 1123(b)(3) of the Bankruptcy Code, the Plan further provides that the Reorganized Debtor will have standing, on and after the Effective Date of the Plan, to pursue Causes of Action retained under the Plan. The Estate may hold the following Causes of Action, among others, all of which shall be preserved (unless expressly otherwise released by the Plan):

(i) Lease Counterclaims

The Debtor entered into Lease Agreements with Mobile City Limited Partnership, The Florida Company, and Joe C. Thompson (together, the “**Thompson Parties**”) to lease real property for the purpose of operating retail liquor stores at various locations throughout the Dallas metroplex. According to the terms of the various Lease Agreements, the Debtor agreed to pay a monthly base rental in addition to a monthly gross sales percentage rent, subject to a year-end annualization clause that required the Thompson Parties to apply a credit against future monthly gross rental payments in the event of the Debtor’s inadvertent overpayment. Beginning in 1999, the Thompson Parties failed and refused to apply a credit against future percentage rental amounts required under the formula set forth in the various Lease Agreements. The Debtor believes that the Thompson Parties’ failure to apply the credits constitutes a breach of the various Lease Agreements giving rise to a counterclaim to set-off pre-petition amounts owed to the Thompson Parties in an amount to be determined after further accounting investigation.

(ii) Fraudulent Transfers and Other Avoidance Actions.

Under section 548 of the Bankruptcy Code and various state laws, a debtor may recover certain prepetition transfers of property, including the grant of a security interest in property, made while insolvent to the extent the debtor receives less than fair value for such property. In addition, avoidance actions exist under section 544, 545, 549 and 553(b) of the Bankruptcy Code that allow a debtor to avoid and/or recover certain property. The Debtor has not yet estimated the potential recovery from the prosecution of their Avoidance Actions.

(iii) Other Causes of Action

The Reorganized Debtor will continue the investigation and analysis of Causes of Action. There may be numerous Causes of Action which currently exist or may subsequently arise that are not set forth in the Plan or Disclosure Statement, because the facts upon which such Causes of Action are based are not fully or currently known by the Debtor and as a result, cannot be raised during the pendency of the Chapter 11 Case (collectively the “Unknown Causes of Action”). The failure to list any such Unknown Cause of Action in the Plan or the Disclosure Statement is not intended to limit the rights of the Reorganized Debtor to pursue any Unknown Cause of Action to the extent that facts underlying such Unknown Cause of Action become fully known to the Debtor or Reorganized Debtor.

The Debtor has attempted to disclose herein certain material Causes of Action including Avoidance Actions and other actions that it may hold against third parties. However, the Debtor has not performed an exhaustive investigation or analysis of all potential claims and Causes of Action against third parties. It is the contemplation of the Plan, that such investigation and analysis will continue post-confirmation by the Reorganized Debtor. You should not rely on the omission of the disclosure of a claim or Cause of Action to assume that the Debtor holds no claim or Cause of Action against any third-party, including any Creditor that may be reading this Disclosure Statement and/or casting a Ballot.

Unless expressly released by the Plan or by an order of the Bankruptcy Court, any and all such claims and Causes of Action against third parties are specifically reserved, including but not limited to any such claims or Causes of Action relating to any counterclaims, demands, controversies, costs, debts, sums of money, accounts, reckonings, bonds, bills, damages, obligations, liabilities, objections, legal proceedings, equitable proceedings, and executions of any nature, type, or description, avoidance actions, fraudulent transfer actions, strong-arm power actions, state law fraudulent transfer actions, improper assignment of interest, negligence, gross negligence, willful misconduct, usury, fraud, deceit, misrepresentation, conspiracy, unconscionability, duress, economic duress, defamation, control, interference with contractual and business relationships, breach of fiduciary duty, conversion, aiding and abetting, civil conspiracy, conflicts of interest, misuse of insider information, concealment, disclosure, secrecy, misuse

of collateral, wrongful release of collateral, failure to inspect, environmental due diligence, negligent loan processing and administration, wrongful recoupment, wrongful setoff, violations of statutes and regulations of governmental entities, instrumentalities and agencies, equitable subordination, debt re-characterization, substantive consolidation, securities and antitrust laws violations, tying arrangements, deceptive trade practices, breach or abuse of any alleged fiduciary duty, breach of any special relationship, course of conduct or dealing, obligation of fair dealing, obligation of good faith, malpractice, at law or in equity, in contract, in tort, or otherwise, known or unknown, suspected or unsuspected.

Unless expressly released by the Plan or by an order of the Bankruptcy Court, the Debtor may hold claims against a holder of a Claim or Equity Interest, including but not limited, the following claims and Causes of Action, all of which shall be preserved:

- Any discharge or dischargeability causes of action under sections 523 or 727 of the Bankruptcy Code related to any claim or Cause of Action reserved and preserved under the Plan and this Disclosures Statement;
- Fraudulent transfer and other avoidance claims arising under sections 506, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551 and 553 of the Bankruptcy Code and various state laws;
- Unauthorized post-petition transfer claims including, without limitation, claims under section 549 of the Bankruptcy Code;
- Claims and Causes of Action asserted in current litigation, whether commenced pre- or post-petition;
- Counterclaims asserted in current litigation;
- Any and all claims and Causes of Action, including any Cause of Action listed above, including but not limited to, breach of contract, unjust enrichment, promissory estoppel, fraud, fraud in the inducement and usury against Joe C. Thompson, individually;
- Any and all claims and Causes of Action, including any Cause of Action listed above, including but not limited to, breach of contract, unjust enrichment, promissory estoppel, fraud, fraud in the inducement and usury against The Florida Company;
- Any and all claims and Causes of Action, including any Cause of Action listed above, including but not limited to, breach of contract, unjust enrichment, promissory estoppel, fraud, fraud in the inducement and usury against Mobile City Limited Partnership;
- Any and all claims and Causes of Action, including any Cause of Action listed above, including but not limited to, breach of contract, unjust enrichment, promissory estoppel, fraud, and fraud in the inducement against Mary Saman and Constantin Saman;
- Any and all claims and Causes of Action, including any Cause of Action listed above, including but not limited to, breach of contract, unjust enrichment, promissory estoppel, fraud, fraud in the inducement and usury against Sanvi Enterprises, Inc.;
- Any and all claims and Causes of Action, including any Cause of Action listed

above, related to the class-action litigation mentioned in Section 3.9(a) above.

The Debtor's failure to identify a claim or Cause of Action herein is specifically not a waiver of any claim or Cause of Action. The Debtor will not ask the Bankruptcy Court to rule or make findings with respect to the existence of any Cause of Action or the value of the entirety of the Estate at the Confirmation Hearing; accordingly, except claims or Causes of Action which are expressly released by the Plan or by an Order of the Bankruptcy Court, the Debtor's failure to identify a claim or Cause of Action herein shall not give to any defense of any preclusion doctrine, including but not limited to, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches, with respect to claims or Causes of Action which could be asserted against third parties, including holders of Claims against Equity Interests in the Debtor who may be reading this Disclosure Statement and/or casting a Ballot, except where such claims or Causes of Action have been released in the Plan or the Confirmation Order.

In addition, the Debtor expressly reserves the right to pursue or adopt any claim alleged in any lawsuit in which the Debtor is a party.

PLEASE TAKE NOTICE THAT, WITH THE EXCEPTION OF THOSE CAUSES OF ACTION THAT ARE EXPRESSLY RELEASED OR WAIVED UNDER THE TERMS OF THE PLAN, ALL CAUSES OF ACTION OF THE DEBTOR AND ITS ESTATE, WHETHER OR NOT SPECIFIED HEREIN, WILL BE PRESERVED AND PURSUANT TO THE TERMS OF THE PLAN. THE LACK OF DISCLOSURE OF ANY PARTICULAR CAUSE OF ACTION SHALL NOT CONSTITUTE, NOR BE DEEMED TO CONSTITUTE, A RELEASE OR WAIVER OF SUCH CAUSE OF ACTION, AS THE DEBTOR INTENDS FOR THE PLAN TO PRESERVE ANY AND ALL CAUSES OF ACTION HELD BY THE DEBTOR AND ITS ESTATE AS OF THE EFFECTIVE DATE OF THE PLAN.

ARTICLE IV FINANCIAL INFORMATION

4.1 Assets

The Debtor's assets as of the Petition Date are set forth in the Bankruptcy Schedules and reference should be made thereto for information concerning such assets as of the Petition Date. The Debtor's Schedules and the amendments thereto can be found filed as Docket Nos. 54 and 69. The pleadings and documents filed in the Chapter 11 Case are publicly available for viewing between the hours of 8:30 a.m. to 4:30 p.m. at the Bankruptcy Clerk's Office, 1100 Commerce Street, Room 1254, Dallas, Texas 75242 or electronically at pacer.txnb.uscourts.gov for a fee. More specifically, the Debtor had, among other assets: inventory as of the Petition Date with a

book value of approximately \$15.6 Million, Accounts Receivable as of the Petition Date in the amount of \$2.4 Million, and real estate recently valued at approximately \$1.9 Million.

4.2 Liabilities

(a) Prepetition

(i) Priority Claims

Although the Debtor's Bankruptcy Schedules disclose a number of priority wage claims, those amounts were paid pursuant to the Debtor's wage motion it filed with its first day pleadings. Additionally, because of Texas laws related to the purchase of alcohol, the Debtor believes that a significant amount of the vendor claims listed on Schedule F may be entitled to priority status pursuant to section 503(b)(9) of the Bankruptcy Code. As such, the Debtor estimates that the claims subject to priority status will likely be approximately \$4.4 Million. These Prepetition Administrative Claims are classified in Class 3 of the Plan.

(ii) Ad Valorem Tax Claims

The Debtor's Bankruptcy Schedules disclose Secured Tax Claims up to an aggregate amount of \$27,212.62. Proofs of Claim asserting Ad Valorem Tax Claims have been filed against the Debtor in the amount of \$382,050.55.

(iii) Secured Claims Held by PNC Bank, N.A.

The Debtor's Bankruptcy Schedules disclose Secured Claims held by PNC Bank, N.A. in the aggregate amount of \$12,102,632.45. That amount arises from a prepetition revolving credit line, in which approximately \$11,732,538.20 was owed, and a separate term promissory note that has approximately \$370,04.25 owed.

(iv) Filed Claims

As of the filing of this Disclosure Statement, approximately twenty claims were filed. The Debtor is only in the initial stage of the Claims reconciliation process and it expects that a significant portion of the process will be conducted by the Reorganized Debtor, after the Effective Date of the Plan.

(b) Post-Petition

The Debtor has incurred, and will continue to incur, certain Administrative Claims. Specifically, the Debtor has incurred Administrative Claims for reasonable professional fees owed to its counsel, the counsel for PNC Bank, N.A., the Debtor's financial advisor, and PNC's financial advisor. In addition to these amounts, there is likely a small amount of Administrative Claims related to post-petition rent that was not

paid related to leases that were rejected post-petition. The Debtor estimates that total amount of Administrative Claims, unpaid at Confirmation, will be \$350,000.

4.3 Other

For a more detailed discussion and analysis of the Debtor's assets and liabilities, reference should be made to the exhibits attached hereto, the Debtor's Bankruptcy Schedules, the Proofs of Claim filed and the Debtor's Monthly Operating Report.

PLEASE NOTE THAT ANY REVIEW OF THE SCHEDULES MAY NOT PRESENT THE COMPLETE FINANCIAL PICTURE OF THE DEBTOR. THE SCHEDULES MUST BE REVIEWED ALONG WITH, *INTER ALIA*, THE CLAIMS REGISTER AND ANY ORDERS OF THE BANKRUPTCY COURT RELATING SPECIFICALLY TO CLAIMS IN THIS BANKRUPTCY CASE.

ARTICLE V **PLAN OVERVIEW**

5.1 Introduction

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Chapter 11 promotes equality of treatment of creditors and equity security holders who hold substantially similar claims against or interests in the debtor and its assets. In furtherance of these two goals, upon the filing of a petition for relief under Chapter 11, section 362 of the Bankruptcy Code provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of the Chapter 11 Case.

The consummation of a plan is typically the principal objective of a chapter 11 case. A plan sets forth the means for satisfying claims against, and equity interests in, a debtor. Confirmation of a plan by the bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the plan, and any creditors of or equity security holder in the debtor, whether or not such creditor or equity security holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan. Subject to certain limited exceptions, and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefore the obligations specified under the confirmed plan, and terminates all rights and interests of equity security holders.

THE REMAINDER OF THIS SECTION PROVIDES A SUMMARY OF THE PLAN, AND OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN. IT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN (AS WELL AS THE EXHIBITS ATTACHED THERETO AND DEFINITIONS THEREIN), WHICH IS ATTACHED HERETO AS EXHIBIT A.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN CONTROL

THE ACTUAL TREATMENT OF CLAIMS AGAINST, AND EQUITY INTERESTS IN, THE DEBTOR UNDER THE PLAN AND WILL, UPON OCCURRENCE OF THE EFFECTIVE DATE, BE BINDING UPON ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTOR, ITS ESTATE, ALL PARTIES RECEIVING PROPERTY UNDER THE PLAN, AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT, ON THE ONE HAND, AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, ON THE OTHER HAND, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

5.2 Summary of the Plan and Proposed Distributions Under the Plan.

The primary purpose of the Plan is to facilitate the resolution and treatment of the Debtor's outstanding Claims, Liens and Equity Interests. The Plan contemplates the continuation of the Debtor's operation and payment of creditors both from cash accumulated during the course of the Chapter 11 Case and future operations.

Under the Plan, Claims against and Equity Interests in the Debtor are placed into Classes. Certain Claims, including Priority Claims and Administrative Claims, are not classified and, if not paid prior to Confirmation, will receive payment in full in Cash on the distribution date set forth in the Plan as described below.

The table below summarizes the classification and treatment of the prepetition Claims and Equity Interest under the Plan. This summary is qualified in its entirety by reference to provision of the Plan.

| Class | Treatment of Claim/Equity Interest | Estimated Aggregate Amount of Claims or Equity Interests¹ | Proposed Treatment of Allowed Claims or Equity Interests |
|-----------------------|---|---|---|
| Administrative Claims | N/A | \$350,000 | Except to the extent that the Debtor and the Holder of an Administrative Claim may otherwise agree in writing, Administrative Claims which are Allowed Claims prior to the Effective Date of the Plan shall be paid in full in Cash on or before the Effective Date of the Plan. Administrative Claims that become Allowed Claims after the Effective Date of the Plan shall be paid in full in Cash on or before ten (10) business days following the date the Administrative Claim becomes an Allowed Claim by Final Order of the Bankruptcy Court. |
| Priority Tax Claims | N/A | \$0 | Priority Tax Claims shall be paid by the Reorganized Debtor, up to the Allowed amount of such Claim, plus interest at the rate of 3.25% per annum accrued thereon |

¹ Claims are estimates only and may be subject to all objections. The Debtor reserves all rights regarding the same. Claims included in one class may be properly classified in another class.

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| | | | <p>on a quarterly basis on January 1, April 1, July 1, and October 1 of each year over a period not exceeding five (5) years after the date of the order for relief, as provided in § 1129(a)(9)(C) of the Bankruptcy Code, commencing after the first full quarter following the Effective Date. If the Reorganized Debtor fails to make a payment to the priority tax creditors pursuant to the terms of the Plan, and such failure to pay remains uncured after ten (10) business days after receipt of written notice of default from the priority tax creditors, then the priority tax creditors may (a) enforce the entire amount of their claims; (b) exercise any and all rights and remedies the priority tax creditors may have under applicable state law; and/or (c) seek such relief as may be appropriate in the Bankruptcy Court.</p> <p>Estimated Recovery – 100%</p> |
| Class 1: Ad Valorem Taxing Authorities | Impaired | \$382,050 | <p>Unless otherwise agreed, each holder of an Allowed Ad Valorem Tax Claim shall receive in full discharge or and in exchange for such Allowed Ad Valorem Tax Claim, and the Lien(s) securing the same, Cash in the full amount of their Allowed Claim, at the option of the Reorganized Debtor, by the later of (a) fifteen (15) days after the Effective Date, and (b) fifteen (15) days after becoming an Allowed Ad Valorem Tax Claim. Each holder of an Allowed Ad Valorem Tax Claim shall retain all liens in, to, or against any property of the Debtor and the Estate, such Liens shall continue to apply and attach to the Collateral with the same validity, extent, and priority as otherwise exists pending payment of each Allowed Ad Valorem Tax Claim in full, together with all applicable interest. Upon the payment of each Allowed Ad Valorem Tax Claim in full, together with all applicable interest, each lien securing such Allowed Ad Valorem Tax Claim shall be automatically, and without need for further order, document, or action, released and discharged.</p> <p>Estimated Recovery – 100%</p> |
| Class 2: Secured Claims of PNC Bank, N.A. | Impaired | \$12,102,632 | <p>In full and final satisfaction, discharge, and release of the PNC Claim, the Reorganized Debtor shall pay the PNC Claim as follows:</p> <p>(i) <u>Interest</u>. Interest shall accrue on the PNC Claim, on and after the Effective Date at the rate of five and one-quarter percent (5.25%) interest per annum.</p> <p>(ii) <u>Amortization</u>. The PNC Claim shall be amortized over twenty (20) years, and repaid monthly</p> |

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| | | | <p>following the Effective Date.</p> <p>(iii) <u>Term</u>. The PNC Claim shall be repaid on a term of sixty (60) months such that the Reorganized Debtor shall pay PNC fifty-nine (59) equal monthly payments of amortized principal and interest, as provided above, with the sixtieth (60th) payment being a balloon payment of the PNC Claim, with then accrued and unpaid interest, then unpaid.</p> <p>(iv) <u>Commencement</u>. The first principal and interest payment shall be due on the first Business Day of the first month following the expiration of thirty (30) days from the Effective Date, and each successive payment shall be due on the first day of each successive month.</p> <p>(v) <u>Default and Remedies</u>. In the event that the Reorganized Debtor fails to make a payment or comply with any of the obligations to PNC specified under this Plan related to the PNC Claim, PNC may transmit such failure to the Reorganized Debtor and its undersigned counsel, in writing, overnight delivery, at the addresses given for the Debtor and its counsel in Article XII of the Disclosure Statement. The Reorganized Debtor shall then have five (5) Business Days to cure any alleged default. In the event that the Reorganized Debtor does not cure the alleged default within the five (5) Business Days, the Reorganized Debtor shall be in default of their obligations to PNC, and PNC may exercise any and all rights it may have against the Reorganized Debtor, but only as such rights are modified by this Plan.</p> <p>Estimated Recovery – 100%</p> |
| <p>Class 3: Priority Non-Tax Claims</p> | <p>Impaired</p> | <p>Approx. \$4.4 Million</p> | <p>Class 3 consists of the Allowed Prepetition Administrative Claims. Each Allowed Prepetition Administrative Claim shall be paid in full satisfaction, release and discharge or and in exchange for such Allowed Prepetition Administrative Claim: (i) the amount of such Allowed Prepetition Administrative Claim, in cash, and without interest, attorney’s fees, or costs, on the later of: (a) thirty (30) days after the Effective Date if by then Allowed, or (b) fifteen (15) days after such Allowed Prepetition Administrative Claim becomes an Allowed Prepetition Administrative Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Debtor or Reorganized Debtor.</p> |

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| | | | Estimated Recovery – 100% |
| Class 4: Administrative Convenience Claims | Impaired | Approx. \$18,201.05 | <p>The Class 4 Convenience Claims shall consist of (a) all Allowed Unsecured Claims that equal \$5,000.00 or less and (b) any Allowed Class 5 General Unsecured Claims in excess of \$5,000.00 whose Holders elect in writing to reduce their Claim to \$5,000.00. In full satisfaction, release and discharge of their Claims, Allowed Class 4 Administrative Convenience Claims shall be paid 100% of their Allowed Claim on or before the date that is thirty (30) days after the Effective Date (the “Convenience Class Payments”), provided, however, if the Sale Proceeds from the Auction are insufficient to satisfy the Class 4 Claims in full within 30 days of the Effective Date, the Debtor may satisfy such Claims in full thereafter, not to exceed twelve months from the Effective Date.</p> <p>Estimated Recovery – 100%</p> |
| Class 5: General Unsecured Claims | Impaired | Approx. \$1.6 Million | <p>The Class 5 General Unsecured Claims consist of all other Allowed Unsecured Claims against the Debtor not placed and/or electing treatment in any other available Class under the Plan, specifically including Class 3 and Class 4. Creditors holding Allowed Class 5 General Unsecured Claims shall be paid an amount equal to fifteen percent (15%) of their Allowed Claims (the “Class 5 Distribution”). To the extent Auction Proceeds exist in excess of the amount needed to fully fund the Senior Claims Reserve, the Reorganized Debtor shall make an initial <i>pro rata</i> distribution to the holders of Allowed Class 5 Claims, up to the amount of the Class 5 Distribution), on or before the date that is ninety (90) days after the Effective Date (the “Contingent Initial Distribution”). The balance of the Allowed Class 5 Claims that exist after the payment of a Contingent Initial Distribution shall be paid with three and one-quarter percent (3.25%) interest per annum in seven payments (the “Class 5 Distributions”). The first Class 5 Distribution shall occur on the first anniversary of the Effective Date and shall consist of 10% of the balance, after the payment of any Contingent Initial Distribution, owed on the Allowed Class 5 Claims. The Reorganized Debtor shall make subsequent annual Class 5 Distributions of 10% of the balance owed on the Allowed Class 5 Claims on the second, third, fourth, fifth and sixth anniversaries of the Effective Date. The final Class 5 Distribution shall occur on the seventh anniversary of the Effective Date and shall consist of the balance owed of any Allowed Class 5 Claim. However, The Reorganized Debtor may prepay, <i>pro rata</i>, any</p> |

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| | | | portion of the Allowed Class 5 Claims at any point without penalty. Estimated Recovery – 15% |
| Class 6: Equity Interest Holders | Impaired | N/A | Class 6 consist of all of the Equity Interests (both limited partnership interests and general partnership interests) held by the partners of the Debtor. The Equity Interests shall be eliminated and extinguished upon the Effective Date and new Equity Interests in the Reorganized Debtor shall be issued to the Auction Winner. |

ARTICLE VI
SUMMARY OF CERTAIN PLAN PROVISIONS

6.1 Means for Implementation of the Plan

(a) Sale of the New Equity Interests.

(i) The Auction. The Plan contemplates the cancellation of the Equity Interests in the Debtor and the sale of new equity interests in the Reorganized Debtor (the “New Equity Interests”) for the Purchase Price. The Bid Procedures Order sets forth the Auction and Bid Procedures relating to the sale of the New Equity Interests. On [REDACTED], the Bankruptcy Court entered the Bid Procedures Order, which established [REDACTED], 2017 at 5:00 p.m. (CST) (the “Bid Deadline”) as the deadline for potential purchasers to submit bids for the New Equity Interests, and established [REDACTED], 2017 at 10:00 a.m. (CST) as the date for the Auction. If Qualified Bidders are identified, the Debtor will conduct the Auction pursuant to the procedures approved in the Bid Procedures Order. At the conclusion of the Auction, the Debtor will seek Bankruptcy Court approval to sell the New Equity Interests, subject to the Qualified Bidder submitting the highest or best offer, free and clear of any Liens, Claims, encumbrances or other interests. If one or more Qualified Bids are received by the Bid Deadline, the Confirmation Order shall contain specific authority to comply with the sale or purchase agreement entered into or proposed by the sole Qualified Bidder submitting a Qualified Bid, or the Auction Winner, whichever the case may be, to consummate the sale of the New Equity Interests and approving the sale pursuant to Section 363 of the Bankruptcy Code.

(ii) Purchase Price. The Purchase Price shall be first used to insure that the Senior Claim Reserve is fully funded (i.e., enough Cash exists in the Senior Claim Reserve to pay all Allowed Claims to be paid from the Senior Claim Reserve). To the extent Cash remains from the Purchase Price after fully funding the Senior Claim Reserve, such Cash shall be used to make a Contingent Initial Distribution to the holders of Allowed Class 5 Claims.

(b) Post-Effective Date Management. After the Effective Date, the Reorganized Debtor shall be owned by the holder of the New Equity Interests and shall be managed by any such individual that may be appointed or elected by the Auction Winner. Prior to the Confirmation Hearing, the Debtor shall disclose in the Plan Supplement the name(s) of the individuals who will serve as management in the Reorganized Debtor.

6.2 Treatment of Executory Contracts and Unexpired Leases

(a) General Assumption of Executory Contracts: On the Effective Date, except as otherwise provided herein, all Executory Contracts and Unexpired Leases of the Debtor, not previously assumed or rejected pursuant to an order of the Bankruptcy Court, will be deemed to be Assumed Executory Contracts or Unexpired Leases, in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, other than those Executory Contracts or Unexpired Leases that: (1) previously were assumed or rejected by the Debtor; (2) are identified on the Rejected Executory Contract and Unexpired Lease List; (3) are the subject of a motion to reject Executory Contracts or Unexpired Leases that is pending at the commencement of the Confirmation Hearing; or (4) are subject to a motion to reject an Executory Contract or Unexpired Lease pursuant to which the requested effective date of such rejection is after the Effective Date. The Bankruptcy Court shall retain jurisdiction to effectuate any post-confirmation assumption and assignment of leases, and such assumption and assignments shall be performed pursuant to Section 365 of the Bankruptcy Code. Each prepetition Executory Contract and Unexpired Lease will be assumed only to the extent that any such contract or lease constitutes an Executory contract or Unexpired lease. Listing a contract or lease as an executory contract or unexpired lease will not constitute an admission by the Debtor, or the Debtor-in-Possession that such contract or lease is an Executory Contract or Unexpired Lease of the Debtor, or the Debtor-in-Possession has any liability thereunder. The Confirmation Order shall constitute an Order of the Bankruptcy Court approving assumption under Section 365 of the Bankruptcy Code as of the Effective Date. The Reorganized Debtor shall continue to have all rights of assignment contained in 11 U.S.C. § 365 of any executory contract or unexpired lease following Confirmation of this Plan.

(b) Cure of Defaults: Unless otherwise provided for in the Plan, the Reorganized Debtor shall cure all defaults existing under any Assumed Executory Contract or Unexpired Lease pursuant to the provisions of Sections 1123(a)(5)(G) and 365(b) of the Bankruptcy Code, by paying the amount, if any, claimed by any party to such Executory Contract as set forth in a proof of claim, which shall be filed with the Court upon the earlier of (a) 30 days after express notice is given of the Debtor's intent to assume such Executory Contract or (b) within fifteen (60) days after the Confirmation Date. Such proof of claim shall be titled "Assumption Cure Proof of Claim." Alternatively, the Reorganized Debtor may pay such amount as may be agreed upon between the Reorganized Debtor and any party to such Executory Contract, provided an Assumption Cure Proof of Claim is timely filed within thirty (30) days after the Confirmation Date. Payment of any amount claimed in an Assumption Cure Proof of Claim or otherwise agreed to shall be in full satisfaction, discharge and cure of all such defaults (including any other Claims filed by any such party as a result of such defaults), *provided, however*, that if the Reorganized Debtor files, within forty-five (45) days of the filing of an Assumption Proof of Claim, an objection in writing to the amount set forth, the Court shall

determine the amount actually due and owing with respect to the defaults or shall approve the settlement of any such Claims. Payment of such Claims shall be made by the Reorganized Debtor on the later of: (i) ten (10) Business Days after the expiration of the forty-five day (45) period for filing an objection to any Assumption Cure Proof of Claim filed pursuant to this section; or (ii) when a timely objection is filed, within ten (10) Business Days after an order of the Court allowing such Claim becomes a Final Order.

(c) Claims for Damages: Any Claims based upon rejection of an Executory Contract or Unexpired Lease under the Plan must be filed with the Bankruptcy Court and served on the Reorganized Debtor such that they are actually received within thirty (30) days of the entry of an order rejecting such contract or lease. Objections to any such proof of claim shall be filed not later than forty-five (45) days after receipt of such claim. The Court shall determine any such objections, unless they are otherwise resolved. All Allowed Claims for rejection damages shall be treated as Class 5 General Unsecured Claims. Any Claim not filed within such time will be forever barred from assertion against the Debtor or its Estate.

(d) Reservation of Rights: The Debtor reserves the right to file applications for the assumption or rejection of any executory contract or unexpired lease at any time prior to thirty (30) days after the Confirmation Date.

6.3 Effects of Confirmation

(a) Discharge. Except as otherwise provided herein or in the Confirmation Order, any consideration distributed under the Plan shall be in exchange for and in complete satisfaction, discharge, and release of all Claims of any nature whatsoever against the Debtor or any of its assets or properties; and except as otherwise provided herein, upon the Effective Date, the Debtor shall be deemed discharged and released to the extent permitted by Section 1141 of the Bankruptcy Code from any and all Claims, including but not limited to demands and liabilities that arose before the Effective Date, whether or not (a) a proof of claim based upon such debt is filed or deemed filed under Section 501 of the Bankruptcy Code; (b) a Claim based upon such debt is allowed under Section 502 of the Bankruptcy Code; or (c) the Holder of the Claim based upon such debt has accepted the Plan. Except as provided herein, the Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtor. Except as provided herein, pursuant to Section 524 of the Bankruptcy Code, such discharge shall void any judgment against the Debtor at any time obtained to the extent it relates to a Claim discharged, and operates as an injunction against the prosecution of any action against the Debtor or the property of the Debtor, to the extent it relates to a Claim discharged.

(b) Legal Binding Effect. On and after the Effective Date, the provisions of the Plan shall bind all Holders of Claims and Equity Interests and their respective successors and assigns, whether or not they accept the Plan. On and after the Effective Date, except as expressly provided in the Plan, all Holder of Claims, Liens and Equity Interests shall be precluded from asserting any Claim, Cause of Action or Liens against the Debtor or the Estate, or their respective property and assets based on any act, omission, event, transaction or other activity of any kind that occurred or came into existence prior to the Effective Date.

(c) Exculpations. The Debtor's professionals shall not have or incur any liability to any Holder of a Claim for any act, event, or omission in connection with, or arising out of, the Confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence.

6.4 Retention of Jurisdiction

Under the Plan, notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date of the Plan, the Bankruptcy Court shall retain jurisdiction, to fullest extent legally permitted, over the Chapter 11 Case, all proceedings arising under, arising in or related to the Chapter 11 Case, the Confirmation Order, the Plan and adversary proceedings related to the Chapter 11 Case. Some specific types of disputes and proceedings that the Bankruptcy Court shall retain jurisdiction over are identified in Article XI of the Plan.

6.5 Procedures for Resolving Disputed, Contingent and Unliquidated Claims

(a) Standing: In addition to all other parties that may otherwise have standing to object to Claims, the Reorganized Debtor shall have specific standing to object to the allowance of said Claims.

(b) Effect of Bar Date. In accordance with Federal Rule of Bankruptcy Procedure 3003(c), any entity, person or Creditor whose claim was not scheduled, or holds a Contingent Claim, Unliquidated Claim, or Disputed claims, and did not file a proof of claim before the Bar Date, shall not be treated as a Creditor with respect to such claim for purposes of voting or distribution.

(c) Amendments to Claims; Claims Filed After the Confirmation Date. Except as otherwise provided in the Plan, and subject to the Bar Date, a Claim may not be amended after the Confirmation Date without the prior written authorization of the Bankruptcy Court. Except as otherwise provided in the Plan, any amended Claim filed with the Bankruptcy Court after the Confirmation Date shall be deemed disallowed in full and expunged without the need for any action by the Reorganized Debtor. Notwithstanding the foregoing, and for the avoidance of doubt, the holder of a Secured Tax Claim may amend any timely filed proof of claim, where such proof of claim includes an estimated amount for *ad valorem* taxes, in order to assert actual taxes for said year(s), at any time prior to substantial consummation of the Plan.

(d) Objection Deadline. Within ninety (90) days from the Effective Date, unless such date is extended by Order of the Court after notice and hearing, the Reorganized Debtor may file with the Court objections to Claims and interests and shall serve a copy of each such objection upon the Holder of the Claim or interest to which such objection pertains and the Reorganized Debtor, but upon no other party or party-in-interest. Unless arising from an Avoidance Action, any proof of Claim filed after the Confirmation Date shall be of no force and effect and need not be objected to. Any Undetermined Claim may be litigated to Final Order. The Reorganized Debtor may compromise and settle any Undetermined Claim without the necessity of any further notice or approval of the Bankruptcy Court, and Bankruptcy Rule 9019

shall not apply to any settlement of an Undetermined Claim after the Effective Date. Nothing in this Plan extends the Bar Date set in the Chapter 11 Case or grants any Creditor any greater rights with respect to a late-filed Claim than such Creditor otherwise has. Unless otherwise ordered by the Court, the Reorganized Debtor shall litigate to judgment, settle or withdraw objections to contested Claims.

(e) Creditor Response to Objection. With respect to any objection to a Claim when such objection is filed after the Effective Date but otherwise in compliance with this Plan, the Creditor whose Claim was the subject of the objection must file with the Bankruptcy Court and serve a response to the objection upon the Reorganized Debtor and the objecting party no later than thirty (30) days from the date of service of any such objection. Failure to file and serve such a response within the thirty (30) days shall cause the Bankruptcy Court to enter a default judgment against the non-responding Creditor and thereby grant the relief requested in the objection without further notice to such Creditor. Any such objection shall contain prominent negative notice language informing the objected-to creditor of the same.

(f) No Payment Pending Allowance. Notwithstanding any other provision in the Plan, if any portion of a Claim is disputed or is an Undetermined Claim, then no payment or distribution hereunder shall be made on account of any portion of such Claim unless and until such Disputed Claim becomes and Allowed Claim as provided in the Plan.

(g) Estimation of Claims. The Debtor or the Reorganized Debtor may at any time request that the Bankruptcy Court estimate any Contingent Claim, Unliquidated Claim or Disputed Claim pursuant to 11 U.S.C. § 502(c), regardless of whether the Debtor or the Reorganized Debtor previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates an Undetermined Claim, the amount so estimated shall constitute either the allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtor or the Reorganized Debtor may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated, compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

ARTICLE VII

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND **SECURITIES LAW CONSIDERATIONS**

7.1 General

THE PLAN AND ITS RELATED TAX CONSEQUENCES ARE COMPLEX. THERE ALSO MAY BE STATE, LOCAL OR OTHER TAX CONSIDERATIONS APPLICABLE TO EACH CREDITOR. CREDITORS ARE URGED TO CONSULT

THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES OF THE PLAN TO THEM UNDER FEDERAL AND APPLICABLE STATE, LOCAL AND OTHER TAX LAWS. NOTHING IN THIS DISCLOSURE STATEMENT OR IN THE PLAN IS MEANT TO PROVIDE ANY TAX ADVICE TO ANY CREDITORS, INTEREST HOLDER OR PARTY IN INTEREST.

ARTICLE VIII
THE BEST INTERESTS OF CREDITORS TEST

8.1 Best Interests of Creditors Test

The Bankruptcy Code requires that the Bankruptcy Court find that the Plan is in the best interest of all holders of Claims and Equity Interests that are Impaired by the Plan and that have not accepted the Plan as a requirement to confirm the Plan. The “best interests” test, as set forth in section 1129(a)(11) of the Bankruptcy Code, requires the Bankruptcy Court to find either that all members of an Impaired Class of Claims or Equity Interests have accepted the Plan or that the Plan will provide a member who has not accepted the Plan with a recovery of property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code on such date.

To calculate the probable distribution to members of each Impaired Class of Claims and Equity Interest if the Debtor was liquidated under Chapter 7, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the disposition of the Debtor’s assets if liquidated in Chapter 7 cases under the Bankruptcy Code. This “liquidation value” would consist primarily of the proceeds from a forced sale of the Debtor’s assets by a chapter 7 trustee.

The amount of liquidation value available to holders of unsecured Claims against the Debtor would be reduced by, first, the claims of secured creditors (to the extent of the value of their collateral), and by the costs and expenses of liquidation, as well as by other administrative expenses and costs of the chapter 7 case. Cost of a liquidation of the Debtor under chapter 7 of the Bankruptcy Code would include the compensation of a chapter 7 trustee and his or her counsel and other professionals, asset disposition expenses and litigation costs. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay unsecured Claims or to make any distribution to Holders of Equity Interests.

Under a chapter 7 liquidation, no junior class of Claims or Equity Interests may be paid unless all classes of Claims or Equity Interests senior to such junior class are paid in full. Section 510(a) of the Bankruptcy Code provides that subordination agreements are enforceable in a bankruptcy case to the same extent that such subordination is enforceable under applicable non-bankruptcy law. Therefore, no class of Claims or Equity Interests that is contractually subordinated to another class would receive any payment on account of its Claims or Equity Interests, unless and until such senior classes were paid in full.

Once the Bankruptcy Court ascertains the recoveries in liquidation of the Debtor's secured and priority creditors, it would then determine the probable distribution to unsecured creditors from the remaining available proceeds of the liquidation. If this probable distribution has a value greater than the value of distributions to be received by the unsecured creditors under the Plan, then the Plan is not in the best interests of creditors and cannot be confirmed by the Bankruptcy Court. As shown in the Liquidation Analysis described in Section 8.2 below, the Debtor believes that each member of each Class of Impaired Claims and Equity Interests will received at least as much, if not more, under the Plan as it would receive if the Debtor was liquidated.

8.2 Liquidation Analysis

The Debtor's primary assets are its accounts receivable, inventory, and its real estate. Upon a liquidation, the Debtor's business would cease, the Debtor will generate no revenue, and both the Wholesale Division and Retail Division would cease operating. The Debtor's contracts would have no value. The Debtor's future revenue and ability to repay debt would cease to exist. The effect would be to reduce the value of the Debtor as a going concern. Furthermore, tax claims and costs of disposition of the Debtor's real property and personal property assets will reduce the liquidation value of the Debtor's asset and will add a layer of expense above and beyond the Debtor's current assets.

The chart below graphically demonstrates the estimated and anticipated results of a liquidation of the Debtor. The Debtor notes that this estimation is by definition uncertain. The Debtor and its agents set forth what its best, educated, and good faith analysis of what the same would be.

| DEBTOR'S LIQUIDATION ANALYSIS – ESTIMATE AS OF NOV. 30, 2016 | |
|---|--------------------------|
| Estimated Cash | \$2,900,000 |
| Accounts Receivable | \$1,600,000 ² |
| Inventory | \$8,450,000 ³ |
| Real Estate (Anode Property) | \$1,500,000 |
| Real Estate (Other Property) | \$160,000 |
| Vehicles | \$50,000 |
| Furniture Fixtures and Equipment | \$65,000 |
| Total Assets for Distribution | \$14,725,000 |
| Proceeds to Secured Lenders | [\$12,102,632] |
| Interest and Attorney Fees to Secured Lender | [\$300,000] |
| Chapter 7 Trustee Commission (estimate) | [\$100,000] |
| Chapter 7 Cost of Administration (estimate) | [\$400,000] |
| <i>Ad Valorem</i> Property Taxes | [\$382,050] |
| Unpaid Chapter 11 Costs of Administration | [\$350,000] |
| Available for Priority and Unsecured Claims | \$1,090,318 |

² Assumes 80% collectability of \$2,000,000.

³ Assumes 65% collectability of \$13,000,000.

| | |
|--|---------------------|
| Estimated Priority § 503(b)(9) Claims | \$4,400,000 |
| Available for General Unsecured Claims | \$0 |
| Estimated General Unsecured Claims | Approx. \$1,700,000 |
| Percent Distribution to Unsecured Creditors | 0% |

The Plan proposes to pay Allowed Class 1, 2, 3, and 4 Claims in full shortly after the Effective Date. Further, the Plan proposes to pay Allowed Class 5 Claims 15% of their Allowed Claims. The Debtor therefore believes that confirmation of the Plan represents the highest or best return to all Creditors. Moreover, under the Plan, distributions made to many Creditors are made shortly after the Effective Date. In a Chapter 7 case, there would likely be no distribution for a period of 1 to 2 years after conversion of the Chapter 11 Case, and potentially substantially longer depending on the trustee's actions. Furthermore, when the Debtor emerges from Chapter 11, significant administrative costs for the US Trustee fees and professional fees will cease, thereby further improving the financials and cash flow.

ARTICLE IX

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtor believes that the Plan affords holders of Claims and Equity Interests the potential for the greatest realization on the Debtor's assets and, therefore, is in the best interest of such holders. If, however, enough acceptances received from Classes 1, 2, 3, 4, and 5 sufficient for the Debtor to confirm the Plan are not received, or the Plan is not subsequently confirmed and consummated, the theoretical alternatives include: (i) formulation of an alternative plan or plans or (ii) liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

9.1 Alternative Plan(s)

If enough acceptances to confirm the Plan are not received or if the Plan is not confirmed, the Debtor (or, if the Debtor's exclusive period in which to file and solicit acceptances of a reorganization plan has expired, any other party in interest) could attempt to formulate and propose a different plan of reorganization or plans of liquidation.

With respect to an alternative plan, the Debtor has explored various other alternatives to the plan as proposed. The Debtor believes that the Plan, as described herein, enables holders of Claims and Equity Interests to realize the greatest possible value under the circumstances, and that, as compared to any alternative plan, the Plan has the greatest chance to be confirmed and consummated.

9.2 Liquidation Under Chapter 7

Proceedings under chapter 7 would impose significant additional monetary and time costs on the Debtor's Estate. Under Chapter 7, a trustee would be elected or appointed to administer the Estate, to resolve pending controversies, including Disputed Claims against the Debtor and Claims of the Estate against other parties, and to make distributions to Holders of Claims. A chapter 7 trustee would be entitled to compensation in accordance with the scale set forth in the Bankruptcy Code, and the trustee would also incur significant administrative expenses.

In any analysis of liquidation under Chapter 7, it must be recognized that additional costs in both time and money are inevitable. In addition to these time and monetary costs, there are other problems in a chapter 7 liquidation that would result in a substantially smaller recovery for Holders of Claims and Equity Interests that under the Plan.

Further, distributions under the Plan probably would be made earlier than would distributions in a chapter 7 case. Distributions of the proceeds of a chapter 7 liquidation might not occur until one or more years after the completion of the liquidation in order to afford the trustee the opportunity to resolve claims and prepare for distributions.

THE DEBTOR BELIEVES THAT THE PLAN AFFORDS SUBSTANTIALLY GREATER RECOVERY TO HOLDERS OF CLAIMS AND EQUITY INTERESTS THAN SUCH HOLDERS WOULD RECEIVE IF THE DEBTOR IS LIQUIDATED UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

In the Liquidation Analysis, the Debtor has taken into account the nature, status and underlying value of its assets, the ultimate realizable value of such assets, and the extent to which the assets are subject to liens and security interests. In the opinion of the Debtor, the recoveries projected to be available in liquidation will not afford Holders of Allowed Claims and Allowed Equity Interests as great a realization as does the Plan.

9.3 Dismissal

Dismissal of the Chapter 11 Case would most likely lead to the same unsatisfactory, or worse, results as a chapter 7 liquidation.

9.4 Other Alternatives

The Debtor has attempted to set forth alternatives to the proposed Plan. However, the Debtor must caution Creditors that a vote must be for or against the Plan. The vote on the Plan does not include a vote on alternatives to the Plan. There is no assurance what turn the proceedings will take if the Plan fails to be accepted. If you believe one of the alternatives is preferable to the Plan and you wish to urge it upon the Court, you should consult counsel.

ARTICLE X CERTAIN RISK FACTORS TO BE CONSIDERED

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD READ AND CAREFULLY CONSIDER THE RISK FACTORS SET FORTH BELOW, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION. ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO THE DEBTOR OR THAT THEY CURRENTLY DEEM IMMATERIAL MAY

ALSO HARM ITS ESTATE.

10.1 Certain Bankruptcy Law Considerations

(a) Objections to Plan and Confirmation

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.

(b) Objections to Classification of Claims and Equity Interests

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 interests 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 contain Claims or Equity Interests that are substantially similar to the other Claims and Equity Interests in each such class.

(c) Insufficient Acceptances

For the Plan to be confirmed, each Impaired Class of Claims is given the opportunity to vote to accept or reject the Plan. With regard to such Impaired voting Classes, the Plan will be deemed accepted by a Class of Impaired Claims if the Plan is accepted by Claimants of such Class actually voting on the Plan who hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the total Allowed Claims of the Class voted. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes. The Debtor intends to request confirmation pursuant to the cramdown provisions in section 1129(b) of the Bankruptcy Code, which will allow confirmation of the Plan regardless of the fact that a particular Class of Claims has not accepted the Plan. However, there can be no assurance that any Impaired Class of Claims under the Plan will accept the Plan or that the Debtor would be able to use the cramdown provisions of the Bankruptcy Code for confirmation of the Plan.

(d) Claims Estimation

There can be no assurance that the estimated amount of Claims and Equity Interests are correct, and the actual Allowed amounts of Claims and Equity Interests may differ from estimates. The estimated amounts are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, the actual Allowed amounts of Claims and Equity Interests may vary from those estimated therein.

10.2 Estimated Recovery Risks

The Plan will be funded through Cash on hand, the Sale Proceeds and payments over time from continued operations of the Debtor. There is a risk that the Debtor may not have sufficient Cash reserves to make the payments proposed to be made on the Effective Date. Additionally, because certain classes of Creditors are being paid over time, there is a risk that the Debtor's future operations and revenues may not be sufficient to make the payments proposed. The Debtor does not believe this risk to be significant because the Stalking Horse Bid is conditioned upon being sufficient to fund the Senior Claim Reserve..

Although no guarantees can be made about the exact future performance of the Debtor, the Debtor has analyzed its anticipated future financial performance and business operations, and believes that it will be able to fund and pay all obligations required by the Plan, including all future operational expenses, taxes and other ongoing obligations. Attached hereto as **Exhibit C** is the Debtor's financial projections.

ARTICLE XI VOTING PROCEDURES AND REQUIREMENTS

11.1 Voting Deadline

Each Creditor holding a Claim which entitles the Creditor to vote on the Plan has been provided a Ballot along with this Disclosure Statement. If a Creditor holds Claims in more than one Class entitled to vote under the Plan, the Creditor may indicate his vote in each Class with the same Ballot, or the Creditor may request an additional Ballot for each additional Class it is entitled to vote. The Ballot is to be used by the Creditor to accept or reject the Plan and to make any elections that are available to the Creditor as indicated by the Ballot.

To ensure that a Ballot is deemed timely and considered by the Balloting Agent, which shall be the Debtor's attorneys, Pronske Goolsby & Kathman, P.C., a Creditor must: (a) carefully review the Ballot and the instructions set forth thereon; (b) provide all of the information requested on the Ballot; (c) sign the Ballot; and (d) return the completed and signed Ballot to the Balloting Agent by the Voting Deadline. By order of the Bankruptcy Court, the "Voting Deadline" is 4:00 p.m. (CST), on [REDACTED], 2017. Therefore, in order for a Ballot to be counted for voting purposes and any applicable election, the completed and signed Ballot must be received at the address specified below by no later than the Voting Deadline.

DEADLINE: Must be **RECEIVED** by 4:00 p.m., Central Time
on [REDACTED], 2017

Addressed to:
Pronske Goolsby & Kathman, P.C.
Attn: Jason P. Kathman
901 Main Street, Suite 610
Dallas, Texas 7202
Facsimile: 214.291.2665

11.2 Creditors Solicited to Vote

Each Creditor holding a Claim in a Class that is Impaired under the Plan is being solicited to vote on the Plan. As to any Claim for which a proof of claim was filed and as to which an objection has been lodged, however, if such objection is still pending as of the Voting Deadline, the Creditor's vote associated with such Claim will not be counted to the extent of the objection to the Claim, unless and to the extent the Bankruptcy Court temporarily allows the Claim upon motion by such Creditor in an amount determined by the Bankruptcy Court. Such motion must be heard and determined by the Bankruptcy Court prior to the date and time scheduled by the Bankruptcy Court for a hearing determining the confirmation of the Plan. Further, the Creditor's vote may be disregarded if the Bankruptcy Court determines that the Creditor's acceptance or rejection of the Plan was not solicited or procured in good faith or in accordance with the provision of the Bankruptcy Code.

11.3 Definition of Impairment

Pursuant to section 1124 of the Bankruptcy Code, a Class of Claims is Impaired under a Plan unless, with respect to each Claim of such Class, the plan does at least one of the following two (2) things:

1. leaves unaltered the legal, equitable and contractual rights to which such Claim entitles the holder of such Claim; or
2. notwithstanding any contractual provision or applicable law that entitles the holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default:
 - (a) cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code;
 - (b) reinstates the maturity of such claim as it existed before the default;
 - (c) compensates the holder of such Claim for damages incurred as a result of reasonable reliance on such contractual provision or applicable law; and
 - (d) does not otherwise alter the legal, equitable, or contractual rights to which such claim entitles the holder of such Claim.

The Plan identifies the classes of Creditors and Interests that the Debtor believe are Impaired or unimpaired under the Plan. The Plan cannot and does not change the law on what is an Impaired class and, to the extent a Creditor disagrees with the Debtor's identification of Impaired or unimpaired classes, the Creditor may object to the Plan and the Bankruptcy Court will decide the dispute.

11.4 Classes Impaired Under the Plan

Classes 1, 2, 3, 4, and 5 of the Plan are Impaired. Therefore, the Holders of Claims in those Classes are being solicited for votes in favor of the Plan.

With respect to the foregoing, the Debtor specifically reserves its right to determine and contest, if necessary: (a) the Impaired or unimpaired status of a Class under the Plan; and (b) whether any Ballots cast by Creditors holding Claims within such a class should be counted for purposes of confirmation of the Plan.

11.5 Votes Required for Class Acceptance

Pursuant to the Bankruptcy Code, a Class of Claims under the Plan shall be deemed to have accepted the Plan if the Plan is accepted by Creditors holding at least two-third (2/3) in amount and more than half (1/2) in number of the Claims within such Class who are entitled to vote and who actually vote using a properly completed and signed Ballot which is returned to the Balloting Agent by no later than the Voting Deadline. It is important to note that, pursuant to the Bankruptcy Code, a Class vote in favor of the Plan will be binding even on those creditors in the Class who vote against the Plan, so long as the requisite voting percentages are obtained in favor of the Plan.

11.6 Specific Considerations in Voting

While the Plan provides for certain payments at Confirmation, such payments will only apply to Allowed Claims including Claims arising from defaults. Under the Bankruptcy Code, a Claim may not be paid until it is Allowed. A Claim will be Allowed in the absence of objection.

A Claim, including a Claim arising from default, which has been objected to will be heard by the Court at a regular, evidentiary hearing and Allowed in full or in part or disallowed. While the Debtor bears the principal responsibility for Claim objections, any interested party, including Creditors, may file claim objections. Accordingly, payment on some Claims, including Claims arising from defaults, may be delayed until objections to such Claims are ultimately settled. Parties should also read and consider the risk factors discussed and analyzed in Article X of this Disclosure Statement.

XII. MISCELLANEOUS PROVISIONS

12.1 Disclosures Required by the Bankruptcy Code

The Bankruptcy Code requires disclosure of certain facts:

- 1) There are no payments made or promises of the kind specified in section 1129(a)(4) of the Bankruptcy Code which have not been disclosed to the Court.
- 2) Counsel to the Debtor has advised the Debtor that the Debtor will require legal services in connection with this case after confirmation which will require reimbursement. Debtor may continue to use Pronske Goolsby & Kathman, P.C.,

as counsel after confirmation.

12.2. Certain Rights Unaffected

Except as otherwise provided in the Plan, any rights or obligations which the Debtor's Creditors may have amongst them as to their respective claims or the relative priority or subordination thereof are unaffected.

12.3 Binding Effect

As of the Effective Date, the Plan shall be binding upon and inure to the benefit of the Debtor, Reorganized Debtor, the Holders of the Claims, and their respective successors and assigns.

12.4 Exculpations

Debtor's professionals shall not have or incur any liability to any Holder of a Claim for any act, event, or omission in connection with, or arising out of, the confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence.

12.5 Notices

All notices, requests or demands in connection with the Plan shall be in writing and shall be deemed to have been given when received or, if mailed, five (5) days after the date of mailing, provided such writing shall have been sent by registered or certified mail, postage prepaid, return receipt requested, and sent to the following parties, addressed to:

Debtor:

Sigel's Beverages L.P.
2960 Anode Ln.
Dallas, Texas 75220

Debtor's Counsel:

Gerrit M. Pronske
Melanie P. Goolsby
Jason P. Kathman
Pronske Goolsby & Kathman, P.C.
901 Main Street, Suite 610
Dallas, Texas 75202
(214) 658-6500 - Telephone

(214) 291.2665 – Facsimile

All notices and request to holders of Claims and Interests shall be sent to them at the address listed on the last-filed proof of claim and if no proof of claim is filed, at the address listed in the Debtor's Schedules.

12.6 Injunctive Relief

Except as provided herein, on and after the Confirmation Date, all Creditors and persons acting in concert with them are enjoined and restrained pursuant to Section 105 of the Code from taking any action to correct or enforce any Claim directly or indirectly against the Reorganized Debtor in any manner inconsistent with the terms contained in the Plan. The discharge granted by the Plan voids any judgment at any time obtained with respect to any debt discharged.

RECOMMENDATION AND CONCLUSION

The Debtor respectfully submits that the Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, including the "best interest of creditors" and "feasibility" requirements and that it should be confirmed even in the event a class of claims does not vote for acceptance of the Plan. The Debtor believes that the Plan "is fair and equitable" and "does not discriminate unfairly." Additionally, the Debtor believes that the Plan has been proposed in good faith.

For all of the reasons set forth in this Disclosure Statement, the Debtor believes that Confirmation and consummation of the Plan is preferable to all other alternatives discussed herein. Consequently, the Debtor urges all Holders of Claims to vote to accept the Plan, and to complete and return their Ballots so that they will be received by the Balloting Agent on or before the Voting Deadline.

Dated: December 31, 2016

SIGEL'S BEVERAGES L.P.

By: /s/ Anthony Bandiera Jr.

Name: Anthony Bandiera Jr.

Title: Chief Executive Office of
Milan General Investments, Inc.,
General Partner of
Sigel's Beverages, L.P.

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