

Warren V. Norred, TX Bar No. 24045094  
Norred Law, PLLC; 200 E. Abram, Suite 300  
Arlington, TX 76010  
817-704-3984 o, 817-524-6686 f  
wnorred@norredlaw.com  
Counsel for Debtor-In-Possession

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
FORT WORTH DIVISION**

**IN RE:** §  
§ **Small business Case**  
**LIVE OAK LOUNGE, LLC** § **Chapter 11: 16-42659-rfn11**  
**Debtor.** §

**LIVE OAK LOUNGE, LLC's STATEMENT OF DISCLOSURE**  
**DATED 10/24/2016**

**I. INTRODUCTION**

This is the disclosure statement (the "Disclosure Statement") in the small business Chapter 11 case of Live Oak Lounge, LLC (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the Original Chapter 11 Reorganization Plan (the "Plan") filed synchronously by the Debtor on 10/24/2016. *Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.*

The proposed distribution under the Plan provides no distribution to unsecured creditors.

**A. Purpose of This Document**

This Disclosure Statement describes:

1. The Debtor and significant events during the bankruptcy case,
2. How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed),
3. Who can vote on or object to the Plan,
4. What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
5. Why the Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and
6. The effect of confirmation of the Plan.

***Be sure to read the Plan as well as the Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.***

**B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed unless modified in a later filing with the Court.

1. *Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan*

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place on November 29, 2015, 9:30am in the Courtroom at Room 204, U. S. Courthouse, 501 W. 10th Street, Fort Worth, TX 76102

2. *Deadline For Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to:

Warren Norred  
Norred Law, PLLC  
200 E. Abram, Suite 300  
Arlington, TX 76010

***Voting eligibility requirements are described in Section IV of this document.***

Your ballot must be received by November 23, 2016, or it will not be counted.

3. *Deadline For Objecting to the Adequacy of Disclosure and Confirmation of the Plan*

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon Warren V. Norred by November 21, 2015.

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact:

Warren Norred, wnorred@norredlaw.com  
200 E. Abram, Suite 300, Arlington, TX 76010  
817-704-3984 (o), 817-549-0161 (f)

**C. Disclaimer**

*The Debtor is filing a motion to conditionally approve this Disclosure Statement, seeking an interim finding that this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted.*

**II. BACKGROUND**

**A. Description and History of the Debtor's Business**

The Debtor is the Live Oak Lounge, LLC, formed in 2011, and operates a music venue in Fort Worth, Texas. Debtor has struggled with profitability, and found itself struggling with IRS debt collection activity.

**B. Insiders of the Debtor**

The Debtor is a limited liability company with 43 members, listed below:

Bill Smith	James Kimbrough
Austin Hines	Kenny Kimbrough
John Grady	Gary Lewis
Roy Jackson	Nicole Ofeno
Herbert Alfrey	Thomas Aaron & Leska Osbakken
Anthony Ames	Vivian Parlin
Bradley Bennett	Shawn Peach
Jonathan & Lacey Blissit	Marsha Jackson
Amy Duncan	Daniel Dean Richmond
Stacie Fleming	Megan Lewis
Lisa & Craig Ford	Hiram Rooks IRA
Martha & Chris Gensheimer	Jessica Wood Schlott
Jeffrey Givens	Casey Smith
Gary Gregory	Nicole Sullivan
Tim Gregory	Stephen Tatum
Noland Harmon	Martin Thompson
Brittany Ann Harris	Michael John Briggs
Robert S. & Judith Johnson	Pavonia LLC
Ronald Killingsworth	Afallon Holdings, LLC.

**C. Management of the Debtor Before and During the Bankruptcy**

Since 2015, Afallon Holdings, LLC has managed the debtor, providing more than \$500,000 in operating capital to pay debts in the last two years. Since the filing, member Robert Johnson has managed Debtor, along with two full-time employees who were performing day-to-day management prior to the filing.

**D. Events Leading to Chapter 11 Filing**

Since 2014, the Debtor has been operating only with the assistance of its principals. The debilitating debts to the IRS have led to this filing.

In August 2014, Debtor's landlord sued to evict Debtor, alleging a failure to maintain required insurance. Though the suit languished without meaningful prosecution for nearly two years, resolution is important for successful confirmation.

**E. Significant Events During the Bankruptcy Case**

1. Debtor filed for protection under Chapter 11 on July 8, 2016.
2. The Debtor's Section 341 meeting was held on August 12, 2016.
3. An application to employ Warren Norred as Debtor's attorney was recently filed and not yet approved (Doc. No. 57).
4. Debtor filed a motion to use cash collateral which the Court granted on August 3, 2016.
5. Debtor's landlord has filed a motion to dismiss on October 17, 2016 which is scheduled to be heard on November 28, 2016.
6. Debtor has filed motions to pay critical vendors, assume its lease, assume management agreement, and concession agreement, which are pending at this time and expect to be heard on November 28, 2016.
7. The deadline to file a proof of claim is November 10, 2016.
8. The motion to confirm Debtor's plan of reorganization is tentatively scheduled for November 29, 2016.

**F. Projected Recovery of Avoidable Transfers**

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

**G. Claims Objections**

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

Debtor plans on objecting to the extent of the secured portion of the IRS, alleging that a portion of the funds held by the Debtor were held in trust for the state, and another portion constitute employee wages exempt under Section 42.001(b)(1) of the Texas Property Code.

#### **H. Current and Historical Financial Conditions**

1. At filing, Debtor was operating its music venue and restaurant, and marginally capable of operating at a profit, save for the burden of a IRS lien exceeding \$200,000, which Debtor was paying on monthly. Other pertinent details include:
  - a. Debtor's major assets included about \$5,000 in petty cash and food inventory, \$33,628.00 in restaurant equipment, and \$52,900 in two bank accounts held in the name of Afallon Holdings, Inc.
  - b. PlainsCapital has a contractual lien on Debtor's property based on a loan in the remaining amount of \$22,810.33.
  - c. Afallon Holdings, LLC has a secured lien for \$524,160.44 based on loans made for operating in the previous two years.
  - d. The IRS holds an undersecured debt of \$237,211.73, with a secured portion valued at \$52,900 based on the Debtor's cash held at filing.
  - e. Tarrant County has a secured debt of \$2804.04 against the equipment.
  - f. Debtor's landlord has a statutory lien on the Debtor's equipment.
2. Since filing, Debtor has continued to operate its music venue and restaurant.
  - a. Debtor agreed to sell its assets for financial assistance to complete a plan of reorganization as reflected in the Amended Purchase Asset Agreement, attached to the file Plan, and incorporated here.
  - b. Debtor's has dutifully filed monthly operating reports showing income between \$160,000 and \$180,000 and expenses ranging within 10% of Debtor's income.
  - c. Debtor has worked with the IRS to resolve the secured amount of its claim, successfully negotiating the security amount, and seeking additional reductions.

### **III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS**

#### **A. What is the Purpose of the Plan of Reorganization?**

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

## B. Unclassified Claims

Certain type of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

### 1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following are the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

Warren V. Norred, Debtor's Proposed Counsel in this matter intends to make application to the Court for approval of the fees he has incurred in representing Debtor in this Chapter 11 case. The amount of those fees is subject to Court approval and they are expected to be approximately \$20,000.

Trade debts and ad valorem taxes, incurred in the normal course of business on or after the Petition Date will be paid in the ordinary course of affairs unless a different time for payment is specified in this Plan. Quarterly fees to the U.S. Trustee will be paid until this case is closed, converted, or dismissed.

### 2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

<b>Description</b>	<b>Est. Debt</b>	<b>Date</b>	<b>Treatment</b>
Internal Revenue Service	\$233,889.40	2014-2016	\$20,792.41 secured paid out at \$500/month following confirmation.
Tarrant County personal property taxes	\$5422.59	2014-15	\$2804.04 paid in the normal course of business.

### C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

#### 1. *Classes of Secured Claims*

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim. The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan. Afallon .

Class #	Creditor	Collateral	Impaired?	Treatment
1	PlainsCapital Bank	Inventory and Accounts Receivable	Y	\$22,810.33 paid at closing
1	Tarrant County	All tangible property	Y	2014 paid in installments; 2015 in the course of business (\$5422.59).
1	Afallon Holdings, LLC	All assets	Y	\$524,160.44, credit bidding for assets.

#### 2. *Classes of Priority Unsecured Claims*

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept a different treatment.

The following chart lists all classes containing claims under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Code and their proposed treatment under the Plan: N/A

#### 3. *Classes of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. The following chart identifies the Plan's proposed treatment of Class 4, which contains general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment
3	General Unsecured Claims	Y	These claims will receive no distribution.

**D. Means of Implementing the Plan**

Payments under the Plan will be funded through business operations and through the Buyer of Debtor's assets of the Debtor.

**E. Risk Factors**

Payments for the Plan requires ongoing business to be maintained by the Buyer of the assets of the Debtor, and requires sales work to be performed by personnel who are now working for the buyer.

**F. Executory Contracts and Unexpired Leases**

Description	Payment	Term	Treatment
Lease for property with 1980 Properties, LLC.	\$6199	8 months + 2x60 month extensions	Debtor is assuming and then assigning to Buyer.
Metroplex Refrigeration*	\$125	n/a	Debtor is assuming and assigning to Buyer.

**G. Tax Consequences of Plan**

*Creditors and equity interest holders concerned with how the plan may affect their tax liability should consult with their own accountants, attorneys, and advisors.*

The following are the anticipated tax consequences of the Plan: (1) Tax consequences to the Debtor of the Plan; (2) General tax consequences on creditors of any discharge, and the general tax consequences of receipt of plan consideration after confirmation.

**IV. CONFIRMATION REQUIREMENTS AND PROCEDURES**

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

**A. Who May Vote or Object**

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.



Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that classes 1, 2, and 3 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that class 1 is impaired and that holders of claims in each of these classes, therefore, do not have the right to vote on Plan acceptance.

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

***The deadline for filing a proof of claim in this case is November 10, 2016.***

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is Not Entitled to Vote*

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- a. holders of claims and equity interests that have been disallowed by an order of the Court;
- b. holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.
- c. holders of claims or equity interests in unimpaired classes;
- d. holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and

- e. holders of claims or equity interest in classes that do not receive or retain any value under the Plan;
- f. administrative expenses.

***Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and the Adequacy of the Disclosure Statement.***

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

**B. Votes Necessary to Confirm the Plan**

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed in Section B.2.

1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

**You should consult your own attorney if a "cramdown" confirmation will affect your claim or equity interest, as this general rule has numerous complexities.**

**C. Liquidation Analysis**

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a Chapter 7 liquidation.

The Debtor has two creditors which have secured liens on all assets. However, all the secured creditors fare better under the Plan than in liquidation, as follows:

*1. PlainsCapital*

The Debtor owes PlainsCapital an unpaid secured debt on a note which is overdue in the amount of \$22,810.33. PlainsCapital has the highest priority claim on Debtor's assets, who is oversecured in this instance, as Debtor has equipment and personal assets which do not turn over that are valued at more than \$30,000. However, the value of the equipment is based on reasonable sale, and does not account for auction costs. In liquidation, there is no assurance that the equipment sale would result in a sum greater than \$22,810.33. PlainsCapital's position is better under the proposed Chapter 11 plan than in a Chapter 7 liquidation.

*2. Tarrant County*

Debtor owes Tarrant County for secured property taxes. Debtor intends to pay those taxes in the normal course of business. If Debtor's case is converted or is dismissed, Tarrant County will not have a ready source to pay the taxes, except to hope that there exists property after any auction of person property to satisfy the debt. Tarrant County is better positioned in this plan of reorganization.

*3. Internal Revenue Service*

This case was filed in large part because the Debtor has insufficient funds to pay the IRS an outstanding balance of a lien due to unpaid taxes in the amount of more than \$230,000. If this case were to be dismissed or converted to Chapter 7, the IRS would be able to obtain some of the remaining equipment, but have no ability to obtain more than perhaps \$10,000 in assets, as the Debtor had no bank accounts in its name, and has no cash available to it, other than those funds loaned to it from Afallon. Thus, the IRS is better positioned by the proposed plan which pays the IRS twice the sum it would receive otherwise.

4. *Unsecured Creditors*

Debtor owes about \$15,000 to various trade vendors, none of whom are paid under this plan, but who will still benefit from it by enjoying continued business by continuing their relationship with the Buyer.

Conclusion - As noted in the above paragraphs, each secured creditor is better off under the plan of reorganization, and the unsecured creditors are no worse positioned, which meets the standard of 11 USC 1129(a)(7).

**D. Feasibility**

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

1. *Ability to Initially Fund Plan*

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date, based on past performance of those who are members of the Buyer, who has been providing funds to stabilize the Debtor since 2015.

2. *Ability to Make Payments and Operate without Further Reorganization*

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments. Members of the Buyer have already expended more than \$500,000 to ensure that Debtor remains an ongoing concern, and its newly created business is stable. Members of the Buyer will provide testimony at the hearing on confirmation regarding ability to make payments.

***You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.***

**V. EFFECT OF CONFIRMATION OF PLAN**

**A. Discharge of Debtor**

Confirmation of the Plan does not discharge any debt provided for in the Plan until the court grants a discharge on completion of all payments under the Plan, or as otherwise provided in § 1141(d)(5) of the Code. Debtor will not be discharged from any debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

**B. Modification of Plan**

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoking on the Plan.

Upon request of the Debtor, the United States trustee, or the holder of an allowed unsecured claim, the Plan may be modified at any time after confirmation of the Plan but before completion of payments under the Plan, to (1) increase or reduce the amount of payments under the Plan on claims of a particular class, (2) extend or reduce the time period for such payments, or (3) alter the amount of distribution to a creditor whose claim is provided for by the Plan to the extent necessary to take account of any payment of the claim made other than under the Plan.

**C. Final Decree**

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. The Court may also enter such a final decree on its own motion.

**D. Closing of This Case**

Debtor intends to ask the Court to close this case once his Plan has been confirmed, and payments have commenced. If the Court grants such a Motion, Debtors can avoid continuing to pay the substantial quarterly fees that are due to the United States Trustee in Chapter 11 cases. The Court may or may not grant this request.

**E. Retention of Jurisdiction**

Despite the entry of the Confirmation Order, the Court will retain jurisdiction over certain aspects of this case as specified in the Plan.

**F. Sale Of Assets**

Debtor shall retain the power to sell any Asset of the Estate upon motion and notice to all Creditors pursuant to Bankruptcy Code § 363. The proposed Fourth Amended Plan of Reorganization sells all assets to a buyer that is funding the plan.

**G. Alternatives to the Plan**

Although the Disclosure Statement is intended to provide information to assist in the formation of a judgment as to whether to vote for or against the Plan and although creditors are not being offered through that vote an opportunity to express an opinion concerning alternatives to the Plan, a brief discussion of alternatives to the Plan may be

useful. Debtor believes the proposed Plan to be in the best interests of creditors and do not favor any alternative to the proposed Plan. In arriving at that conclusion, Debtor assesses the alternatives as follows:

1. *Chapter 7 Liquidation Analysis* - Debtor could convert this Case to Chapter 7 where a bankruptcy trustee would be appointed to liquidate and distribute assets. In the event that the Court does not confirm a plan of reorganization in this case, conversion to Chapter 7 will likely result. Debtor believes this alternative to be unsatisfactory because the Plan will ensure that the taxing authorities are paid, and the undersecured lender and landlord receives more funds than it would if the business simply failed.

2. *Dismissal of the Case* - Dismissal of the Chapter 11 case would lead to the same unsatisfactory result as a Chapter 7 liquidation.

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 that there is an alternative that is preferable to the Plan and you wish to urge it upon the Court, you should consult counsel.

Dated: October 24, 2016

Respectfully submitted,

/Warren V. Norred/

Warren V. Norred, TX 24045094

wnorred@norredlaw.com

200 E. Abram, Suite 300; Arlington, TX 76010

817-704-3984 o; 817-549-0161 f

Debtors' Attorney

Certificate of Service - I certify that I sent the foregoing to those parties in interest receiving documents by the Court's ECF system on October 24, 2016, which includes the U.S. Trustee.

/s/ Warren V. Norred

Warren V. Norred, wnorred@norredlaw.com