IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISON

IN RE:	§	
TAPS UNLIMITED, INC.	§	CASE NO. 14-30937
	§	
Debtor	§	Chapter 11

TAPS UNLIMITED, INC. – AMENDED DISCLOSURE STATEMENT

Contents

I. Introduction.

A. General Information Concerning Disclosure Statement and Plan.

TAPS UNLIMITED, INC. ("Debtor") submits this Disclosure Statement under section1125 of the Bankruptcy Code and Bankruptcy Rule 3016 to all of its known Creditors. The purpose of this Disclosure Statement is to disclose information adequate to enable Creditors who are entitled to vote to arrive at a reasonably informed decision in exercising their rights to vote on the Plan of Reorganization ("Plan"). A copy of the Plan is attached as Exhibit A.

Capitalized terms used but not defined in this Disclosure Statement shall have the meanings assigned to them in Article I of the Plan or in the Bankruptcy Code and Bankruptcy Rules. All section references in this Disclosure Statement are to the Bankruptcy Code unless otherwise indicated.

The Debtor has promulgated the Plan consistent with the provisions of the Bankruptcy Code. The purpose of the Plan is to provide an opportunity for the Debtor to fully repay its creditors. This Disclosure Statement is not intended to replace a careful review and analysis of the Plan, including the specific treatment of Claims under the Plan. It is submitted as an aid and supplement to your review of the Plan to explain the terms of the Plan. Every effort has been made to explain fully various aspects of the Plan as they affect the Creditors. If any questions arise, the Debtor urges you to contact the Debtor's counsel and he will attempt to resolve your questions. Counsel for the Debtor is Nelson M. Jones III, 440 Louisiana, Suite 1575, Houston, Texas 77002. You may, of course, wish to consult with your own counsel. All of the information contained in this Disclosure Statement was obtained from the Debtor's books and records or from the principal of the Debtor, Tony Black.

II. Disclaimers.

NO SOLICITATION OF VOTES HAS BEEN OR MAY BE MADE EXCEPT PURSUANT TO THIS DISCLOSURE STATEMENT AND SECTION 1125 OF THE BANKRUPTCY CODE, AND NO PERSON HAS BEEN AUTHORIZED TO USE ANY INFORMATION CONCERNING THE DEBTOR TO SOLICIT ACCEPTANCES OR REJECTIONS OF THE PLAN OTHER THAN THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. CREDITORS AND EQUITY INTEREST HOLDERS SHOULD NOT RELY ON ANY INFORMATION RELATING TO THE DEBTOR OTHER THAN THAT CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS AND SCHEDULES ATTACHED. EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS, NO REPRESENTATION CONCERNING THE DEBTOR, ITS ASSETS, PAST OR FUTURE OPERATIONS, OR CONCERNING THE PLAN IS AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN ARRIVING AT THE DECISION WITH RESPECT TO THE PLAN. ANY REPRESENTATIONS MADE TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR. UNLESS ANOTHER TIME IS SPECIFIED, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF. NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE CONCERNING THE DISCLOSURE STATEMENT AND THE PLAN SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE OF THE DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN PREPARATION OF THE DISCLOSURE STATEMENT WERE COMPILED. WHILE THE INFORMATION PROVIDED HEREIN IS BELIEVED RELIABLE, THE DEBTOR HAS NOT UNDERTAKEN TO VERIFY OR INVESTIGATE SUCH INFORMATION, AND MAKES NO REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION. DISTRIBUTION OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS ANY REPRESENTATION OR WARRANTY AT ALL, EITHER EXPRESS OR IMPLIED, BY THE DEBTOR

OR ITS RESPECTIVE PROFESSIONAL CONSULTANTS THAT THE PLAN IS FREE FROM RISK, THAT THE ACCEPTANCE OF THE PLAN WILL RESULT IN A RISK-FREE RESTRUCTURING OF THE DEBTOR'S OBLIGATIONS OR THAT THE DEBTOR'S OBLIGATIONS AS RESTRUCTURED BY THE PLAN WILL BE FULLY PERFORMED IN THE FUTURE WITHOUT RISK OF FURTHER DEFAULT. 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 THE COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THIS DISCLOSURE STATEMENT AND THE PLAN ATTACHED SHOULD BE READ IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN. FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND EQUITY INTERESTS, THE TERMS OF THE PLAN ARE SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN, WHICH CONTROLS IN CASE OF ANY INCONSISTENCY.

III. Answers to Commonly Asked Questions.

As part of the Debtor's effort to inform Creditors regarding the Plan and the Plan confirmation process, the following summary provides answers to questions which parties who receive a disclosure statement often ask.

A. Who is the Debtor?

Taps Unlimited, Inc. is a corporation organized in Texas that operates as a Childcare facility.

1. What is a Chapter 11 bankruptcy?

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code that allows financially distressed businesses to reorganize their debts. The commencement of a Chapter 11 case creates an estate containing all the legal and equitable interests of the Debtor in property as of the date the petition is filed. Section 1101, 1107 and 1108 of the Bankruptcy Code provide that a debtor may continue to operate the debtor's business as a debtor-in-possession. The Debtor remains in possession of its properties and assets. When a Chapter 11 bankruptcy case is filed, creditors are prohibited from attempting to collect debts or enforce liens against the Debtor or its assets without first obtaining approval from the Bankruptcy Court.

2. If the Plan governs how my claim is treated, what is this Disclosure Statement?

The Bankruptcy Code requires that debtors solicit acceptances and rejections of a proposed plan from creditors and shareholders whose claims and interests are impaired before the plan can be confirmed by the bankruptcy court. Before debtors may solicit acceptances of a plan, however, the bankruptcy court must approve a disclosure statement and determine that the disclosure statement contains information adequate to allow creditors and shareholders to make an informed judgment about the plan.

3. Do I have to attend the hearing on the Disclosure Statement and Plan?

If you do not believe that the disclosure statement contains adequate information or if you believe that there is a problem with the Debtor's plan and you want to either get additional information from the Debtor or object to the plan, you need to file a written objection stating your position and come to hearing. Debtor's counsel can discuss your concerns from the Debtor's perspective, but cannot give you legal advice and you may wish to consult your own counsel.

4. How do I determine how my Claim or Interest is classified?

To determine the classification of your Claim you must determine the nature of your claim or interest. Under the Plan, claims and interests are classified into a series of Classes. The pertinent sections of the Disclosure Statement and Plan disclose, among other things, the treatment that each class of Claims or Interests will receive if the Plan is confirmed.

5. Why is confirmation of the Plan important?

The Bankruptcy Court's confirmation of the Plan is a condition to the Debtor's right to carry out the treatment of creditors and shareholders under the Plan. Unless the Plan is confirmed, and any other conditions to confirmation or to the effectiveness of the Plan are satisfied, the Debtor is legally prohibited from satisfying Claims or Equity Interests as provided in the Plan.

6. What is necessary to confirm the Plan?

Under applicable provisions of the Bankruptcy Code, confirmation of the Plan requires, among other things that at least one class of impaired Claims or Interests vote to accept the Plan. Acceptance by a class of claims means that at least two-thirds in the total dollar amount and more than one-half in number of the allowed claims actually voting in the class vote in favor of the Plan. Because only those claims or interests who vote on a plan will be counted for purposes of determining acceptance or rejection of a plan by an impaired class, a plan can be approved with the affirmative vote of members of an impaired class who own less than two-thirds in amount and one-half in number of the claims. Besides acceptance of the plan by each class of impaired creditors or interests, a bankruptcy court also must find that a plan meets a number of statutory tests before it may confirm the plan. These requirements and statutory tests generally are designed to protect the interests of holders of impaired claims or interests who do not vote to accept a plan but who will nonetheless be bound by the plan's provisions if a bankruptcy court confirms a plan. If one or more classes vote to reject a plan, a debtor may still request that the bankruptcy court confirm a plan under section1129(b). To confirm a plan not accepted by all classes, a debtor must demonstrate that the plan does not discriminate unfairly, and is fair and equitable with respect to each class of claims or interests that is impaired under, and that has not accepted, the plan. This method of confirming a plan is commonly called a "cramdown". In addition to the statutory requirements imposed by the Bankruptcy Code, the plan itself also provides for certain conditions that must be satisfied as conditions to confirmation.

7. Is there a Creditors' Committee?

In this case no Creditors' Committee was formed.

IV. BACKGROUND/OVERVIEW OF THE DEBTOR'S BUSINESS

A. Description and History of the Debtor's Business

The Debtor is a Texas Corporation with its main facility located at 5410 Scott St. Houston, Texas 77021.

The Debtor initially opened for business in January of 2004 as a sole proprietorship. Its primary business both then and now is child care. The Debtor incorporated as a Texas Corporation in 2005.

The Debtor currently has one (1) child care facility in Houston, Texas. The Debtor cares for children of low income households. The ages range from six (6) weeks through twelve (12) years. The programs for children who have not started kindergarten consist of group play, motor skills development and toilet training. The programs for older children are primarily after school individual and group activities. The Debtor also maintains a partnership with a local organization called Young Learners that reinforces fundamental skills during these activities. The Debtor provides transportation from school to its facility for older children.

B. Management and Insiders of the Debtor

Since inception, the sole officers, directors and owners of the Debtor have been Tony & Pearl Black.

The Managers of the Debtor during the Debtor's chapter 11 case has continued to be Tony & Pearl Black.

After the effective date of the order confirming the Plan, the directors, officers, and voting trustees of the Debtor, any affiliate of the Debtor participating in a joint Plan with the Debtor, or successor of the Debtor under the Plan (collectively the "Post Confirmation Managers"), will be the same as the managers during the pendency of the chapter 11 case. The responsibilities and compensation of these Post Confirmation Managers are described in section V.C.2 of this Disclosure Statement.

C. Events Leading to Bankruptcy In 2014

During the years following its opening, the Debtor experienced consistent growth, averaging roughly 80 students enrolled in its program. However, in 2008 the Debtor saw a decrease in the number of students as the Nation suffered from a catastrophic Debt Crisis.

By 2010, the worldwide recession affected the business's profitability. Parents began directly feeling the impact of the looming economic deficit. Lay-offs and depletions in discretionary disposable income that may have otherwise been used toward reliable child care rendered parents unable to afford the service provided by the Debtor. As a result, student enrollment decreased nearly 50%.

Moreover, in 2010, in an effort to provide assistance to families struggling with the rising cost of child care and other services offered by education centers, the Houston Independent School District enacted initiatives that encouraged parents to begin elementary school for their children at the age of 3 rather than 5 years old. This initiative also included the development of after-school care for children. This program caused even more parents to remove their children from the Debtor's private programs and place them in the publicly funded, alternative care programs provided by the State.

This reduction in revenue, and the local school district's new initiatives adversely affected the Debtor's ability to meet financial obligations. Faced with collection efforts from creditors, including taxing authorities, the Debtor had no choice but to seek protection under the bankruptcy code.

D. Debtor's Financial Information

Since the filing of this case, the most significant events affecting the Debtor have been the Houston area economic recovery and a rise in enrollment at the childcare facility. The Debtor has generated income and paid post-petition expenses in the regular course of business. The Debtor's source of income continues to be revenue from the daycare centers. Additionally, the Debtor is reimbursed for meals by the State of Texas. The state has recently increased its reimbursement rates.

E. Events Leading to Modification of Debtor's Plan

Debtor had a contract to sell its real property located at 5410 Scott Street, Houston, Texas 77021, to Southwest Wholesale. Southwest Wholesale LLC, breached its contract to purchase Debtor's real property for $390,000.00. This breach of contract created a Plan deficit, and the Debtor was unable to consummate its confirmed Plan of Reorganization.

The Debtor has filed operating reports in this case that reflect its current financial condition. A summary of the three most recent operating reports reveal the following:

Average monthly gross revenue - $25,000.00

1. Accounting Method

The Debtor primarily uses the cash method of accounting.

2. Debtor's Assets

The Debtor filed with the Bankruptcy Court its Schedules of Assets and Liabilities and Statement of Financial Affairs (collectively, the "Schedules"). The Schedules contain a listing of the Debtor's assets and liabilities, together with the estimated fair market value of the Debtor's assets and the amounts owed to its Creditors. In connection with this Disclosure Statement, Creditors are referred to the Debtor's Schedules. The information contained in the Schedules was compiled by the Debtor to the best of its ability. These assets remain basically the same as on the date of filing and summarized below:

PROPERTY	VALUE
ACCOUNTS	
Checking and Savings accounts	$1,000.00
REAL	
5410 Scott St. Houston, Texas 77021; TR 36 H Abstract 75 Tiewester	$233,870.00
PERSONAL	
Office equipment, furnishings and supplies	$38,875.00

3. Executory Contracts and Unexpired Leases

The Debtor has no unexpired leases or executory contracts.

F. Significant Events during the Chapter 11 Case.

The Court signed an order approving counsel on March 31, 2014.

Since the filing of this case, and the imposition of the automatic stay, the Debtor has been able to meet its normal monthly tax obligations to the IRS and stabilize its finances.

As previously noted, failure to sell the Debtors real estate prevented consummation of its confirmed Plan. However, the Debtor's business has grown to the point that it can complete its modified plan.

G. Post-Petition Legal Proceedings

The Debtor has not commenced any post-petition legal proceedings or lawsuits.

H. Pre-Petition Legal Proceedings

Prior to filing, the Internal Revenue Service was taking significant steps toward collecting the arrears owed including levying on Debtor's accounts.

V. 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, individual claim recovery will be limited to the amount provided by the Plan.

B. Classes of Claims

Class 1 Allowed Administrative Claims

These claims shall be paid in cash and in full on the Effective Date, the date on which such claim becomes an Allowed Claim or on such later date as the Debtor and the Holder of any Class 1 Administrative Claims shall agree.

A. The U.S. Trustee fees will be paid as a Class 1 claimant if any are owed on the Effective Date. The Debtor shall be responsible for timely payment of United States Trustee quarterly fees incurred pursuant to 28 U.S.C. §1930(a)(6). Any fees due as of the date of confirmation of the plan will be paid in full on the effective date of the plan. After confirmation, the Debtor shall pay United States Trustee quarterly fees as they accrue until this case is closed by the Court. The Debtor shall file with the Court and serve on the United States Trustee a quarterly report for each quarter that the case remains open.

B. The administrative claim of the Internal Revenue Service will be paid as a Class 1 claimant. The claim in the amount of $4,319.59 shall be paid in one (1) installment 30 days after the order approving Debtor’s modified plan.

C. The administrative claim of the Texas Workforce Commission will also be paid as a Class 1 claimant. The claim in the amount of $629.02 shall be paid in one (1) installment 30 days after the order approving Debtor’s modified plan.

Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor’s bankruptcy estate (or that are subject to set off) 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.

Class 2– Secured Claim of Chase Bank – Unimpaired

A. Class 2 consists of the allowed secured claim for Chase Bank secured by the Debtor’s real property. The claim amount is $107,622.00. This Class 2 claim shall be paid 30 days after the order approving Debtor’s modified plan. The installment consists of principle and interest at the contractual rate. Chase shall retain its liens as provided by law. Default shall occur if a scheduled Plan payment is not made by the Debtor. In the event of default, Chase Bank shall send written notice of default to Debtor’s attorney. If the default is not cured within ten (10) days after notice of default is received, Chase Bank shall proceed with its remedies for collection of all amounts due under applicable law.

B. This Class 2 claim consists of the allowed arrearage claim of Chase Bank in Debtor's real property. The claim has a balance in the amount of $15,000.00 shall be paid in (27) equal installments of $555.50, 30 days after the order approving Debtor's modified plan.

Class 4 -Claim of Ad Valorem Tax Claimants – Impaired

Class 4 consists of all allowed secured claims for ad valorem property taxes.

A. Harris County claim shall be paid in one (1) installment for 30 days after the order approving Debtor's modified plan at the statutory interest rate (12.5%) under Texas law. This Class 4 creditor shall retain its statutory liens as provided by Texas law. As a taxing authority, default shall occur if a scheduled Plan payment is not made by the Debtor or its current post-petition taxes are not paid timely pursuant to state law. In the event of default, the taxing authority shall send written notice of default to Debtor's attorney. If the default is not cured within ten (10) days after notice of default is received, the taxing authority shall proceed with its state law remedies for collection of all amounts due under state law pursuant to Texas law. The claim of the Harris County, et al for 2010, 2012, 2013, and 2014 ad valorem taxes has a balance in the amount of $29,469.10 shall (27) equal installments of $1,091.44, 30 days after the order approving Debtor's modified plan.

B. The allowed secured claim of The Greater Southeast Management in the amount of $3,358.97 shall be paid in (27) equal installments of $128.77, 30 days after the order approving Debtor's modified plan at the statutory interest rate (12.5%) under Texas law. This Class 4 creditor shall retain its statutory liens as provided by Texas law. As a taxing authority, default shall occur if a scheduled Plan payment is not made by the Debtor or its current post-petition taxes are not paid timely pursuant to state law. In the event of default, the taxing authority shall send written notice of default to Debtor's attorney. If the default is not cured within ten (10) days after notice of default is received, the taxing authority shall proceed with its state law remedies for collection of all amounts due under state law pursuant to Texas law.

Class 5- Secured Claim of Chrysler Capital

Class 5 consists of the secured claim of Chrysler Capital for a 2012 Ford E350. This Class 5 claim shall be paid 30 days after the order approving Debtor's modified plan. The installment consists of principle and interest at the contractual rate. Chrysler Capital shall retain its liens as provided by law. Default shall occur if a scheduled Plan payment is not made by the Debtor. In the event of default, Chrysler Capital shall send written notice of default to Debtor's attorney. If the default is not cured within ten (10) days after notice of default is received, Chrysler Capital shall proceed with its remedies for collection of all amounts due under applicable law.

Classes of Unsecured Claims

Priority unsecured claims are not secured by property of the estate. The Debtor has a priority claim by the Internal Revenue Service which are priority under § 507(a) of the Code. The Debtor proposes to pay unsecured priority claimants one hundred percent (100%) of its allowed claim.

Class 6 –Unsecured Priority Claims- Impaired

Class 6 consists of the allowed unsecured priority claim of Internal Revenue Service. This claim shall be paid in full (100%) in (27) equal installments of $426.08, 30 days after the order approving Debtor's modified plan. The claim balance totals $11,504.20.

Class 6 also consists of the allowed unsecured priority claim of the Texas Workforce Commission. This claim shall be paid in (27) equal installments of $321.49, 30 days after the order approving Debtor's modified plan. The claim balance totals $8,680.11.

Additionally, Class 6 consists of the allowed unsecured priority claim of the Texas Comptroller of Public Accounts. This claim shall be paid in (27) equal installments of $42.79, 30 days after the order approving the Debtor's modified plan. The claim balance totals $1,153.96.

Class 7- General Unsecured Claim of the Internal Revenue Service

Class 7 consists of the general unsecured claim of the Internal Revenue Service in the amount of $5,041.56. This claim shall be (27) equal installments of $186.72, 30 days after the order approving Debtor's modified plan.

Class 7 also consists of the general unsecured claim of Chase Bank in the amount of $22,544.00 for a line of credit. This claim shall be paid in (27) equal installment payments of $834.96, 30 days after the order approving the Debtor's modified plan.

Class 7 also consists of the general unsecured claim of Chase Bank in the amount of $10,780.00 for a credit card. This claim shall be paid (27) equal installment payments of $399.52, 30 days after the order approving the Debtor's modified plan.

C. Means of Implementing the Plan

1. Source of Payments

Payments and distributions under the Plan will be funded from the ongoing business operations.

2. Post-confirmation Management

The Post-Confirmation Managers of the Debtor, and their monthly compensation, shall be as follows:

Name	Insider (yes or no)?	Position	Compensation
Tony Black	Yes	President	$0.00
Pearl Black	Yes	VP	$0.00

D. Risk Factors

Confirmation of the Plan and successful completion of the Plan depends on a number of factors. Set forth below are risks that are material to Debtor's business operations.

The major risk facing the Debtor's reorganization is an ability to make the payment over time required by this modification. The Debtor believes that it has stabilized its cash flow to the point that it can comfortably make the modified Plan payments over the remaining 27 months.

In addition, there are certain risks inherent in the reorganization process under the Bankruptcy Code. If certain standards set forth in the Bankruptcy Code are not met, the Bankruptcy Court will not confirm the Plan even if Creditors accept the Plan. Although the Debtor believes that the Plan meets such standards, there can be no assurance that the Bankruptcy Court will reach the same conclusion. If the Bankruptcy Court were to determine that such requirements were not met, it could require the Debtor to re-solicit acceptances, which could delay and/or jeopardize confirmation of the Plan. In this case, the same is true if the Bankruptcy Court determines that the contents of this Disclosure Statement are not sufficient or do not meet the standards of 11 U.S.C. § 1125.

As to the consummation of the Plan, if this Plan is confirmed then the Debtor believes it can perform as set forth in the proposed Plan.

E. Executory Contracts and Unexpired Leases

The Debtor has no unexpired leases.

F. Tax Consequences of Plan

1. Introduction

The following discussion summarizes certain of the important federal income tax consequences of the transactions described herein and in the Plan. This discussion is for informational purposes only and does not constitute tax advice. This summary is based upon the Internal Revenue Code and the Treasury Regulations promulgated thereunder, including judicial authority and current administrative rulings and practice. Neither the impact on foreign holders of claims and equity interests nor the tax consequences of these transactions under state and local law is discussed. Also, special tax considerations not discussed herein may be applicable to certain classes of taxpayers, such as financial institutions, broker-dealers, life insurance companies and tax-exempt organizations. Furthermore, due to the complexity of the transactions contemplated in the Plan, and the unsettled status of many of the tax issues involved, the tax consequences described below are subject to significant uncertainties. No opinion of counsel has been obtained and no ruling has been requested from the Internal Revenue Service ("IRS") on these or any other tax issues. There can be no assurance that the IRS will not challenge any or all of the tax consequences of the Plan, or that such a challenge, if asserted, would not be sustained.

HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTOR ARE THEREFORE URGED TO CONSULT WITH THEIR TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

2. Tax Consequences to the Debtor

Generally, under the terms of the Plan, Creditors' claims are to be discharged. Any income corresponding to the satisfaction of claims at a discount should not constitute taxable income to the Debtor since the debt forgiveness arises in connection with a case under Title 11of the United States Code. The Debtor may be required to reduce certain tax attributes, such as net operating loss ("NOL") carryovers. Any NOLs remaining may be subject to utilization limitations imposed by Section 382 of the Internal Revenue Code of 1986, as amended.

3. Tax Consequences to Creditors

In General, the federal income tax consequences of the implementation of the Plan to a holder of a Claim will depend, among other things, on: (a) whether its Claim constitutes a debt or security for federal income tax purposes, (b) whether the Claimant receives consideration in more than one tax year, (c) whether the Claimant is a resident of the United States, (d) whether all the consideration by the Claimant is deemed to be received by that Claimant as part of an integrated transaction, (e) whether the Claimant reports income using the accrual or cash method of accounting, and (f) whether the holder has previously taken a bad debt deduction or worthless security deduction with respect to the Claim. Gain or Loss on Exchange. Generally, a holder of an Allowed Claim will realize a gain or loss on the exchange under the Plan of his Allowed Claim for cash and other property in an amount equal to the difference between (i) the sum of the amount of any cash and the fair market value on the date of the exchange of any other property received by the holder (other than any consideration attributable to accrued but unpaid interest on the Allowed Claim), and (ii) the adjusted basis of the Allowed Claim exchanged therefore (other than basis attributable to accrued but unpaid interest previously included in the holder's taxable income). Any gain recognized generally will be a capital gain (except to the extent the gain is attributable to accrued but unpaid interest or accrued market discount, as described below) if the Claim was a capital asset in the hand of an exchanging holder, and such gain would be a long-term capital gain if the holder's holding period for the Claim surrendered exceeded one (1) year at the time of the exchange. Any loss recognized by a holder of an Allowed Claim will be a capital loss if the claim constitutes a "security" for federal income tax purposes or is otherwise held as a capital asset. For this purpose, a "security" is a debt instrument with interest coupons or in registered form.

4. Preservation of Net Operating Loss and Tax Attributes

Section 382 of the Internal Revenue Code could substantially limit, or deny in full, the availability of the Debtor's net operating loss and tax credit carry forwards as a result of the transactions contemplated under the Plan. Moreover, Section 108 of the Internal Revenue Code could result in the reduction of the loss and credit carry forwards based on the amount of debt discharged or converted to equity in the Reorganized Debtor as provided by the Plan.

5. Information Reporting and Backup Withholding

Under the backup withholding rules of the Internal Revenue Code, holders of Claims may be subject to backup withholding at the rate of 31 percent with respect to payments made pursuant to the Plan unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (ii) provides a correct taxpayer identification number and certifies under penalties of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividends and interest income. Any amount withheld under these rules will be credited against the holder's federal income tax liability. Holders of Claims may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/or Advisors.

The following are the anticipated tax consequences of the Plan: List the following general consequences as a minimum: (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.

VI. 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 <u>not</u> the only requirements listed in § 1129, and they are not the only requirements for

A. Who May Object

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

A creditor or equity interest holder has a right to object to 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 3, 4 and 5 are impaired and that holders of claims in each of these classes are therefore entitled to object to the modified Plan.

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 June 2, 2014.

B. Liquidation Analysis

At this date, the Debtor does not believe that the case should be converted to Chapter 7. If a conversion of the case were to occur, a trustee would be elected or appointed to liquidate the Debtor’s assets. The proceeds of the liquidation would be distributed to the respective holders of Claims against and Equity Interests in the Debtor according to the priorities established by the Bankruptcy Code. Under Chapter 7, a secured creditor whose claim is fully secured would be entitled to full payment, including interest, from the proceeds of the sale of its collateral. Unless its claim is nonrecourse, a secured creditor whose collateral is insufficient to pay its claim in full would be entitled to assert an unsecured claim for its deficiency. Claims entitled to priority under the Bankruptcy Code would be paid in full before any distribution to general unsecured creditors. Funds, if any, remaining after payment of secured claims and priority claims would be distributed pro rata to general unsecured creditors. Debtor believes that liquidation under Chapter 7 will not result in recovery of as much as it can realize in the pending arms-length sale of its business by the Debtor. Historically when Trustee’s sell property it is at a reduced value and the Trustee is allowed to be paid a percentage of the recovery and also to pay his professionals that are retained. Therefore, the Debtor believes that the most equity can be realized from the pending Plan modification.

C. Feasibility

The Court must find that modification 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.

Ability to Fund Plan

The Plan Proponent believes that the Debtor will have sufficient assets to pay all the claims and expenses that are entitled to be paid.

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

V. EFFECT OF MODIFIED OF PLAN

D. Discharge

<u>Discharge.</u> On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan to the extent permitted by the Bankruptcy Code and except as expressly provided in this Plan.

E. Further 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 revoting on the Plan.

The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the proposed modifications after notice and a hearing.

F. 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. Alternatively, the Court may enter such a final decree on its own motion.

THE DEBTOR STRONGLY URGES ALL IMPAIRED CREDITORS TO VOTE TO ACCEPT THE PLAN.

Respectfully submitted,

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