

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

In re: § Chapter 11
BUFFETS, LLC, *et al.*¹ § Case No. 16-50557-rbk
Debtors. § (Jointly Administered)

**DISCLOSURE STATEMENT FOR DEBTORS'
JOINT PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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DEBTORS-IN-POSSESSION

Dated: September 30, 2016

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Buffets, LLC (2294); Hometown Buffet, Inc. (3002); OCB Restaurant Company, LLC (7607); OCB Purchasing, Co. (7610); Ryan's Restaurant Group, LLC (7895); Fire Mountain Restaurants, LLC (8003); and Tahoe Joe's, Inc. (7129). The address for all of the Debtors is 120 Chula Vista Drive, Hollywood Park, Texas 78232.

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	2
B. Holders of Claims Entitled to Vote.....	5
C. Voting Procedures.....	6
D. Confirmation Hearing	7
II. OVERVIEW OF THE PLAN.....	7
A. Summary of Classification and Treatment	7
III. OVERVIEW OF CHAPTER 11	12
IV. COMPANY BACKGROUND	12
A. The Debtors.....	12
B. The Businesses.....	14
C. Debtors' Prepetition Capital Structure	14
V. EVENTS LEADING TO THE COMMENCEMENT OF THE CHAPTER 11 CASES	15
VI. THE CHAPTER 11 CASES	16
A. Significant "First Day" Motions; Retention of Professionals	16
B. DIP Facility.....	17
C. Official Committee of Unsecured Creditors	17
D. PACA Issues	17
E. Critical Vendor.....	18
F. Utilities.....	18
G. Assumption/Rejection of Leases and Executory Contracts	18
VII. SUMMARY OF THE PLAN	19
A. Classification and Treatment of Administrative Claims, Claims and Equity Interests Under the Plan	19
B. Provisions Regarding Corporate Governance and Management of the Reorganized Debtors.....	26
C. Substantive Consolidation	27
D. Provisions Regarding Means of Implementation, Voting, Distributions and Treatment of Disputed Claims	30
E. Estimation	38
F. Nonconsensual Confirmation.....	38
G. Intercompany Claims	38
H. Liens.....	38
I. Enforcement of Subordination.....	38
J. Effect of Confirmation of the Plan.....	39
K. Retention of Jurisdiction	44
L. Miscellaneous Provisions.....	45
M. Executory Contracts and Unexpired Leases	47

N.	Benefit Plans	49
O.	Confirmation and Effectiveness of the Plan	50
VIII.	PROJECTIONS AND VALUATION	51
A.	Financial Projections.....	51
IX.	CERTAIN RISK FACTORS TO BE CONSIDERED	55
A.	Projected Financial Information	55
B.	Risks Related to the Debtors' Business and Operations	56
C.	Certain Bankruptcy Law Considerations	62
D.	Certain Risks Related to the Litigation Trust.	62
X.	CONFIRMATION PROCEDURE	62
A.	Solicitation of Votes	63
B.	The Confirmation Hearing.....	63
C.	Confirmation.....	64
XI.	ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN	67
A.	Alternative Plan of Reorganization or Plan of Liquidation	67
B.	Liquidation Under Chapter 7	67
XII.	CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS	67
A.	U.S. Federal Income Tax Consequences to the Debtors.....	69
B.	Tax Considerations for Claim Holders	70
XIII.	CONCLUSION.....	70

IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT (AS SAME MAY BE AMENDED FROM TIME TO TIME (THE "DISCLOSURE STATEMENT") AND THE *DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE* (AS SAME MAY BE AMENDED FROM TIME TO TIME, THE "PLAN", A COPY OF WHICH IS ATTACHED AS EXHIBIT A HERETO) IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT, INCLUDING THE FOLLOWING SUMMARY, ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, EXHIBITS ANNEXED TO THE PLAN, THE PLAN SUPPLEMENT, THIS DISCLOSURE STATEMENT AND ALL EXHIBITS TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH DATE. **ALL CREDITORS SHOULD READ CAREFULLY THE "RISK FACTORS" SECTION HEREOF BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. SEE ARTICLE IX BELOW, "CERTAIN RISK FACTORS TO BE CONSIDERED."**

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 HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY OTHER SECURITIES REGULATORY AUTHORITY NOR HAS THE SEC OR ANY OTHER SECURITIES REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS OR EQUITY INTERESTS OF THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSES FOR WHICH THEY WERE PREPARED.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY ENTITY FOR ANY OTHER PURPOSE.

THE TERMS OF THE PLAN GOVERN IN THE EVENT OF ANY INCONSISTENCY WITH THE PLAN SUMMARY IN THIS DISCLOSURE STATEMENT. ALL EXHIBITS TO THIS DISCLOSURE STATEMENT ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

AS TO CONTESTED MATTERS, EXISTING LITIGATION INVOLVING, OR POSSIBLE ADDITIONAL LITIGATION TO BE BROUGHT BY, OR AGAINST, THE

DEBTORS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, A STIPULATION, OR A WAIVER, BUT RATHER AS A STATEMENT MADE WITHOUT PREJUDICE SOLELY FOR SETTLEMENT PURPOSES, WITH FULL RESERVATION OF RIGHTS, AND IS NOT TO BE USED FOR ANY LITIGATION PURPOSE WHATSOEVER BY ANY PERSON, PARTY OR ENTITY. AS SUCH, THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NONBANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY IN INTEREST, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, FINANCIAL OR OTHER EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTORS.

THIS DISCLOSURE STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS BASED PRIMARILY ON THE CURRENT EXPECTATIONS OF THE DEBTORS AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL TRENDS AFFECTING THE FINANCIAL CONDITION OF THE DEBTORS' AND REORGANIZED DEBTORS' BUSINESSES. IN PARTICULAR, STATEMENTS USING WORDS SUCH AS "BELIEVE," "MAY," "ESTIMATE," "CONTINUE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED BELOW UNDER ARTICLE IX. IN THE LIGHT OF THESE RISKS AND UNCERTAINTIES, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES DISCUSSED IN THIS DISCLOSURE STATEMENT MAY NOT OCCUR, AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS. CONSEQUENTLY, THE PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS CONTAINED HEREIN SHOULD NOT BE REGARDED AS REPRESENTATIONS BY ANY OF THE DEBTORS, THE REORGANIZED DEBTORS, THEIR ADVISORS, OR ANY OTHER PERSON THAT THE PROJECTED FINANCIAL CONDITIONS OR RESULTS OF OPERATIONS CAN OR WILL BE ACHIEVED. EXCEPT AS OTHERWISE REQUIRED BY LAW, NEITHER THE DEBTORS NOR REORGANIZED DEBTORS UNDERTAKE ANY OBLIGATION TO UPDATE OR REVISE PUBLICLY ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE FOLLOWING APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT.

I.

INTRODUCTION

On March 7, 2016 (the "Petition Date"), Buffets, LLC; Hometown Buffet, Inc.; OCB Restaurant Company, LLC; OCB Purchasing, Co.; Ryan's Restaurant Group, LLC; Fire Mountain Restaurants, LLC; and Tahoe Joe's, Inc. (collectively, the "Debtors" or the "Company") filed petitions for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Western District of Texas, San Antonio Division (the "Court"). The Debtors' bankruptcy cases are being jointly administered for procedural purposes only.

This Disclosure Statement (the "Disclosure Statement") describes certain aspects of the Plan, the Debtors' business and related matters.

The Plan is a new value plan. In particular, the existing equity owners will cause their affiliates, FMP and holders of the Acquisition Debt to contribute new value as described herein in exchange for which they will retain their equity interests. FMP will contribute \$2 million which may be setoff against the FMP Cure Claim and take the FMP Promissory Note in exchange for the balance of the FMP Cure Claim, the holders of the Acquisition Debt will subordinate their claims of approximately \$46 million to General Unsecured Creditors but retain their Liens and debt, and cause the Reorganized Debtors to pay other Claims as described herein and contribute the Litigation Trust Cash Component. The Debtors estimate this contribution will provide a return of approximately five percent (5%) to the General Unsecured Creditors with possible upside from litigation recoveries. The Plan further contemplates with respect to non-insider creditors (among other things):

(a) payment in full in Cash by the Debtors or Reorganized Debtors either on or after the Effective Date to holders of Allowed Administrative Claims;

(b) payment in full in Cash by the Debtors or Reorganized Debtors of Fee Claims within three (3) business days of a Final Order allowing such claims, provided fee applications are filed within thirty (30) days after the Effective Date;

(c) payment in full in Cash by the Debtors or Reorganized Debtors in two equal installment payments by the ninetieth (90) day after Effective Date to the holder of DIP Financing Claims with the first installment payment being made not later forty-five (45) days after the Effective Date;

(d) payment to holders of Priority Tax Claims will be paid in quarterly cash installments by the Debtors or Reorganized Debtors, commencing on the first day of the first month following the Effective Date, over a period of five years with interest;

(e) payment to Property Tax Claims in quarterly cash installments by the Debtors or Reorganized Debtors, commencing on the first day of the first month following the Effective Date, over a period of five years, with interest at a rate at the applicable nonbankruptcy rate, to the extent permissible under an applicable lease;

(f) payment to holders of Other Priority Claims will be paid in quarterly cash installments by the Debtors or Reorganized Debtors, commencing on the first day of the first month following the Effective Date, over a period of five years, with interest;

(g) payment of Allowed Other Secured Claims in the ordinary course by the Debtors or Reorganized Debtors or return the Collateral for Credit. The Debtor at its option may either: (i) return the Collateral to the holder of the Allowed Other Secured Claim; or (ii) seek a determination of the value of the Collateral and within thirty (30) days of the Final Order as to the value of the Collateral pay the value in full in Cash or as may otherwise be agreed between Debtors and holder of Allowed Other Secured Claim.

(h) payment in full in Cash by the Debtors or Reorganized Debtors to holders of Allowed PACA Claims within thirty (30) days after the Effective Date or within three (3) business days after a Final Order allowing such claims;

(i) Wells Fargo Letter of Credit Claims shall be satisfied by a new Letter of Credit and Reimbursement Agreement issued by the Reorganized Debtors to secure the outstanding letter of credit.

(j) Ace Companies Claims shall retain sufficient collateral to fully satisfy their secured claim;

(k) payment of Allowed General Unsecured Claims by funding cash to a Litigation Trust over three years and assigning certain Avoidance Actions and the Causes of Action.

(l) payment to Convenience Claims will be paid in cash fifty percent of their claim on the Initial Distribution Date for payments by the Litigation Trustee.

This Disclosure Statement is submitted pursuant to section 1125 of the Bankruptcy Code to holders of Claims against and Interests in the Debtors in connection with (i) the solicitation of acceptances of the Debtors' Plan and (ii) the hearing to consider confirmation of the Plan (the "Confirmation Hearing") scheduled for _____, 2016, at _____ a.m., prevailing Central Time.

Attached as Exhibits to this Disclosure Statement are copies of the following:

- The Plan (Exhibit A);
- The Disclosure Statement Approval Order (Exhibit B);
- The Debtors' Financial Projections (Exhibit C); and
- The Debtors' Liquidation Analysis (Exhibit D).

In addition, a Ballot for the acceptance or rejection of the Plan is enclosed with the Disclosure Statement submitted to the holders of Claims that are entitled to vote to accept or reject the Plan.

On _____, 2016, after notice and a hearing, the Court approved the Disclosure Statement (the "Disclosure Statement Order"), determining that the Disclosure Statement contains "adequate information" as that term is defined in section 1125 of the Bankruptcy Code. Section 1125(a)(1) of the Bankruptcy Code defines "adequate information" as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and the history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan, but adequate information need not include such information about any other

possible or proposed plan and in determining whether a disclosure statement provides adequate information, the court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information...." 11 U.S.C. § 1125(a)(1). NO STATEMENTS OR INFORMATION CONCERNING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY HAVE BEEN AUTHORIZED, OTHER THAN THE STATEMENTS AND INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE INFORMATION ACCOMPANYING THIS DISCLOSURE STATEMENT. ALL OTHER STATEMENTS REGARDING THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY, WHETHER WRITTEN OR ORAL, ARE UNAUTHORIZED.

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

The Disclosure Statement Order sets forth in detail the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes, and the applicable standards for tabulating Ballots. In addition, detailed voting instructions accompany each Ballot. Each holder of a Claim entitled to vote on the Plan should read in their entirety the Disclosure Statement, the Plan, the Disclosure Statement Order and the instructions accompanying the Ballots before voting on the Plan. These documents contain, among other things, important information concerning the classification of Claims for voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

B. Holders of Claims Entitled to Vote

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired are entitled to vote to accept or reject a proposed chapter 11 plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of claims or equity interests in which the holders of claims or equity interests are impaired but are not entitled to receive or retain any property on account of such claims or equity interests are deemed to have rejected the plan and similarly are not entitled to vote to accept or reject the plan.

Classes 1 (Priority Tax Claims), 2 (Property Tax Claims), 3 (Other Priority Claims), 6 (Alamo CRG, LLC), 8 (Ace Companies), 9 (Pre-Petition Secured Credit Claim), 10 (General Unsecured Claims) and 11 (Convenience Claims) under the Plan are Impaired. To the extent Claims in such Classes are not the subject of an objection, the holders of such Claims are entitled to vote to accept or reject the Plan. Classes 4 (Other Secured Claims), 5 (PACA Claims), 7 (Wells Fargo Bank, N.A.) and 12 (Equity Interests) under the Plan are unimpaired. Pursuant to section 1126(f) of the Bankruptcy Code, holders of Claims in Classes 4, 5, 7 and 12 are conclusively deemed to have accepted the Plan and therefore may not vote to accept or reject the Plan. ACCORDINGLY, A BALLOT TO ACCEPT OR REJECT THE PLAN IS BEING PROVIDED ONLY TO HOLDERS OF CLAIMS IN CLASSES 1, 2, 3, 6, 8, 9, 10 and 11.

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and represent more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. For a more detailed description of the requirements for confirmation of the Plan, see Article X below.

The Debtors intend to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code in the event any Class rejects the Plan. Section 1129(b) permits the Court to confirm a plan of reorganization notwithstanding the nonacceptance of a plan by one or more impaired classes of claims or equity interests and any other dissenting classes. Under that section, a plan may be confirmed if it does not "discriminate unfairly" and is "fair and equitable" with respect to each nonaccepting class. For a more detailed description of the requirements for confirmation of a nonconsensual plan, see Article X.C below.

For a summary of the treatment of each Class of Claims and Interests, see Article II below.

C. Voting Procedures

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. If you hold a Claim in more than one Class and you are entitled to vote Claims in more than one Class, you will receive separate Ballots that must be used for each separate Class of Claims. Please vote and return your Ballot(s).

Please vote and return your Ballot(s) directly to the following address:

<u>If by First Class Mail:</u>	<u>If by Hand Delivery or Overnight Mail:</u>
Donlin, Recano & Company, Inc. Re: Buffets Balloting Attn: Voting Department PO Box 192016 Blythebourne Station Brooklyn, NY 11219	Donlin, Recano & Company, Inc. Re: Buffets Balloting Attn: Voting Department 6201 15 th Ave Brooklyn, NY 11219
	<u>If by Phone</u>
	(212) 771-1128

DO NOT RETURN ANY INSTRUMENTS OR AGREEMENTS THAT YOU MAY HAVE WITH YOUR BALLOT(S).

TO BE COUNTED, YOUR BALLOT(S) INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE ACTUALLY RECEIVED BY DONLIN, RECANO & COMPANY, INC. AT THE ABOVE ADDRESS NO LATER THAN 5:00 P.M., PREVAILING EASTERN TIME, ON _____, 2016.

Any Claim to which an objection or request for estimation is pending, is not entitled to vote unless the holder of such Claim has obtained an order of the Court temporarily allowing such Claim for the purpose of voting on the Plan. In addition, Ballots cast by alleged creditors whose Claims (a) are not listed on the Debtors' Schedules of liabilities or (b) are listed as disputed, contingent and/or unliquidated on the Debtors' Schedules of liabilities, but who have timely filed proofs of claim in unliquidated or unknown amounts that are not the subject of an objection filed by the Debtors will have their Ballots counted towards satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code, but will not have their Ballots counted toward satisfying the aggregate Claim amount requirements of that section.

Pursuant to the Disclosure Statement Order, the Court set _____, 2016, the date of the entry of the Disclosure Statement Order, as the record date (the "Voting Record Date") for voting on the Plan. Accordingly, only holders of record as of _____, 2016 will receive a Ballot and may vote on the Plan.

If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot(s), received a damaged Ballot(s) or lost your Ballot(s), or if you have any questions concerning the Disclosure Statement, the Plan or the procedures for voting on the Plan, please call Donlin, Recano & Company at (212) 771-1128 from 9 a.m. to 6 p.m., prevailing Eastern Time, Monday through Friday.

D. Confirmation Hearing

Pursuant to section 1128 of the Bankruptcy Code, the Court has scheduled a hearing to consider confirmation of the Plan for _____, 2016 at _____ a.m. prevailing Central Standard Time before the Honorable Ronald B. King, United States Bankruptcy Court, 615 East Houston Street, Courtroom 1, San Antonio, TX 78205 (the "Confirmation Hearing"). The Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before _____, 2016 at 4:00 p.m., prevailing Central Standard Time, in the manner described below in Article X.B. The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE THEM TO REORGANIZE SUCCESSFULLY AND TO ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR CREDITORS. THE DEBTORS URGE CREDITORS TO VOTE TO ACCEPT THE PLAN.

II.

OVERVIEW OF THE PLAN

A. Summary of Classification and Treatment

The following table briefly summarizes the classification and treatment of Claims and Equity Interests under the Plan and the estimated distributions to be received by the holders of Allowed Claims and Interests thereunder.

SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN.²

Class	Designation	Impairment	Entitled to Vote	Treatment of Allowed Claims	Approximate Recovery
Unclassified	Administrative Claims	Unimpaired	No	Each holder of an Allowed Administrative Claim shall receive from the Debtors (a) Cash in an amount equal to the amount of such Allowed Administrative Claim on the later of the Effective Date and the date such Administrative Claim becomes an Allowed Administrative Claim, or as soon thereafter as is practicable, or (b) such other treatment as the Debtors and such holder shall have agreed upon in writing; provided, however, that Allowed Ordinary Course Administrative Claims shall be paid in full in the ordinary course of business of the Reorganized Debtors in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such transactions.	100%
Unclassified	Fee Claims	Unimpaired	No	Each holder of an Allowed Fee Claim shall receive from the Debtors Cash in an amount equal to the amount of such Allowed Fee Claim within three (3) business days of a Final Order allowing such claims, provided fee applications are filed within thirty (30) days after the Effective Date.	100%
Unclassified	DIP Financing Claims	Unimpaired	No	Holders of Allowed DIP Financing Claims shall receive payment in full in Cash from the Reorganized Debtors in two equal installment payments by the ninetieth (90) day after Effective Date to the holder of DIP Financing Claims with the first installment payment being made not later forty-five (45) days after the Effective Date, except to the extent that the holders of Allowed DIP Financing Claims agree to a different treatment. Notwithstanding anything to the contrary contained in the Plan, the liens and security interests securing the DIP Financing Claims shall continue in full force and effect until the Allowed DIP Financing Claims have been paid in full in Cash, unless the holders of the DIP Financing Claims agree to a different treatment.	100%

² This table is only a summary of the classification and treatment of Claims and Equity Interests under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims and Equity Interests.

Class	Designation	Impairment	Entitled to Vote	Treatment of Allowed Claims	Approximate Recovery
Unclassified	FMP Cure Claim	Unimpaired	No	FMP will receive \$2 million pursuant to the FMP Cash Contribution and the FMP Promissory Note.	100%
Class 1	Priority Tax Claims	Impaired	Yes	Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, each holder of an Allowed Priority Tax Claim will be paid in full by the Reorganized Debtor in quarterly cash installments, commencing on the first day of the first month following the Effective Date, over a period of five years, with interest at a rate at the Plan Interest Rate.	100%
Class 2	Property Tax Claim	Impaired	Yes	Each holder of an Allowed Property Tax Claim will be paid in full by the Reorganized Debtor in quarterly cash installments, commencing on the first day of the first month following the Effective Date, over a period of five years, with interest at a rate at Plan Interest Rate.	100%
Class 3	Other Priority Claim	Impaired	Yes	Except to the extent that a holder of an Allowed Other Priority Claim shall have agreed in writing to a different treatment, each holder of an Allowed Other Priority Claim will be paid in full by the Reorganized Debtor in quarterly cash installments, commencing on the first day of the first month following the Effective Date, over a period of five years, with interest at a rate at the applicable Plan Interest Rate.	100%
Class 4	Other Secured Claims	Unimpaired	No (deemed to accept)	Except to the extent that a holder of an Allowed Other Secured Claim shall have agreed in writing to a different treatment, at the sole option of the Debtors, in full and final satisfaction of such claim, (i) each Allowed Other Secured Claim shall be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable nonbankruptcy law that entitles the holder of an Allowed Other Secured Claim to demand or receive payment of such Allowed Other Secured Claim prior to the stated maturity of such Allowed Other Secured Claim from and after the occurrence of a default, (ii) each holder of an Allowed Other Secured Claim shall receive Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the	100%

Class	Designation	Impairment	Entitled to Vote	Treatment of Allowed Claims	Approximate Recovery
				<p>Bankruptcy Code, on the later of (a) thirty (30) days after Effective Date, and (b) the date such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable (but no later than thirty (30) days after the date such Other Secured Claim becomes an Allowed Other Secured Claim) or (iii) each holder of an Allowed Other Secured Claim shall receive the Collateral securing its Allowed Other Secured Claim and any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, in full and complete satisfaction of such Allowed Other Secured Claim as soon as is practicable, on the later of (i) thirty (30) days after Effective Date and (ii) the date such Other Secured Claim becomes an Allowed Other Secured Claim.</p> <p>Notwithstanding the foregoing, to the extent an Allowed Other Secured Claim arises on account of property taxes, such Allowed Other Secured Claim shall be treated as Property Tax Claim, and any applicable liens shall remain unimpaired until such Allowed Other Secured Claim is paid in full. Although all Other Secured Claims have been placed in one Class for purposes of nomenclature, each Other Secured Claim, to the extent secured by a Lien on Collateral different than that securing any Other Secured Claims, shall be treated as being in a separate sub-Class for the purpose of receiving Distributions under the Plan.</p>	
Class 5	Allowed PACA Claims	Unimpaired	No (deemed to accept)	<p>Except to the extent that a holder of an Allowed PACA Claim shall have agreed in writing to a different treatment, each Allowed PACA claim shall be paid in full in Cash within thirty (30) days after the Effective Date or within three (3) business days after a Final Order allowing such claims.</p>	100%
Class 6	Alamo CRG LLC	Impaired	Yes	<p>Alamo CRG LLC shall retain its liens and receive a new or modified note from the Reorganized Debtors for the full amount of its claim, amortized over 15 years with a five year maturity and bearing interest at the Plan Interest Rate.</p>	~100%

Class	Designation	Impairment	Entitled to Vote	Treatment of Allowed Claims	Approximate Recovery
Class 7	Wells Fargo Letter of Credit Claims	Unimpaired	No (deemed to accept)	Wells Fargo shall retain its security for its Letter of Credit Claims pursuant to a new or modified loan agreement.	~100%
Class 8	ACE Companies Claims	Impaired	Yes	Except to the extent that a holder of an Allowed ACE Companies Claim shall have agreed in writing to a different treatment, holders of Allowed ACE Companies Claim shall retain collateral sufficient to satisfy the ACE Secured Debt.	~100%
Class 9	Pre-Petition Secured Credit Claim	Impaired	Yes	The holders of Pre-Petition Secured Credit Claim shall retain its liens and be issued new or modified promissory notes by the Reorganized Debtors which notes shall provide for no payments or events of default may occur until the last of the payments of the Litigation Trust Component are made.	0% during Plan Period
Class 10	General Unsecured Claims	Impaired	Yes	Except to the extent that a holder of an Allowed General Unsecured Claim shall have agreed in writing to a different treatment, each holder of an Allowed General Unsecured Claim in Class 10 shall be deemed to receive its Pro Rata share of the Litigation Trust Interests. The Litigation Trust Interests shall entitle the holders of Allowed General Unsecured Claims to receive, on such date or dates determined in accordance with the Litigation Trust Agreement, their Pro Rata Share of the Litigation Trust Proceeds.	~5% ³
Class 11	Convenience Claims	Impaired	Yes	Each holder of an Allowed Convenience Claim shall receive, in full and final satisfaction of such claim, a distribution in Cash equal to fifty percent (50%) of such holder's Allowed Convenience Claim from the Litigation Trust within the later of (i) on the Initial Distribution Date of the Litigation Trust, and (ii) thirty (30) days after the date on which such holder's claim becomes an Allowed Convenience Claim.	~50%
Class 12	Equity Interests	Unimpaired	No	The holders of Equity Interests in Buffets shall retain the equity interests in the Reorganized Debtors.	N/A

³ Actual recoveries may vary depending upon proceeds from the Transferred Avoidance Actions, the Causes of Action, the final amount of Allowed General Unsecured Claims, and the costs and expenses of the Litigation Trust.

III.

OVERVIEW OF CHAPTER 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of itself, its creditors and equity interest holders. In addition to permitting rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and equity interests in the debtor. Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding upon a debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the confirmation order discharges a 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.

After a plan of reorganization has been filed, the holders of claims against or equity interests in a debtor are generally permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. The Debtors are submitting this Disclosure Statement to holders of Claims against the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code.

IV.

COMPANY BACKGROUND

A. The Debtors

Buffets, Inc. was founded in 1983 to develop buffet-style restaurants under the name Old Country Buffet®. In October 1985, Buffets, Inc. successfully completed an initial public offering with seven restaurants, and by 1988 had 47 company-owned units and nine franchised units. In September 1996, Buffets, Inc. merged with HomeTown Buffet, a similar publicly-held, buffet-style restaurant company established and developed by one of Buffets, Inc.'s co-founders. The merger of Buffets, Inc. and HomeTown Buffet added 80 company-owned restaurants in 11 states and 19 franchised restaurants in eight states, bringing the total number of restaurants to 346 company-owned restaurants and 24 franchised restaurants in 36 states as of December 31, 1996.

On October 2, 2000, Buffets Holdings, Inc. acquired Buffets in a buyout from its public shareholders. On November 1, 2006, Buffets, through a wholly-owned subsidiary, merged with Ryan's Restaurant Group, Inc. ("Ryan's") – a similar restaurant concept to Buffets with more than 300 steak-buffet restaurants operating primarily in the Southeastern United States. Under the merger, Buffets' wholly-owned subsidiary merged with and into Ryan's with Ryan's remaining as the surviving corporation. As a result of the Merger, Ryan's became a wholly-owned subsidiary of Buffets.

Due to a variety of external economic factors that adversely affected the companies' operating performance during 2007, Buffets Holdings, Inc. and its direct and indirect subsidiaries filed for Chapter 11 relief in January of 2008 (the "2008 Debtors"). After approximately 16 months in Chapter 11, the 2008 Debtors successfully reorganized and confirmed their Chapter 11 plan on April 17, 2009. The 2008 Debtors' Chapter 11 plan went effective on April 28, 2009 and their cases have been closed.

The Buffets companies were again impacted by external economic factors of a sluggish U.S. economy including a marked increase in unemployment, higher gasoline and energy costs, lower consumer confidence and associated decline in discretionary spending among the companies' core customers as well as an increase in the minimum wage. These factors together with above-market rent obligations led to Buffets, its direct parent, the ultimate parent and all direct and indirect subsidiaries filing for Chapter 11 relief in January of 2012 (the "2012 Debtors"). After approximately 5 months in Chapter 11, the 2012 Debtors successfully reorganized and confirmed their Chapter 11 plan on June 27, 2012. The 2012 Debtors' Chapter 11 plan went effective on July 18, 2012.

Three years later, on August 19, 2015, Alamo Ovation, LLC acquired Buffets Restaurants Holdings, Inc. (the "Merger"). Under the Merger, Alamo Ovation Acquisition, Inc., an acquisition subsidiary of Alamo Ovation, LLC, merged with and into Buffets Restaurants Holdings, Inc. with Buffets Restaurants Holdings, Inc. remaining as the surviving corporation. As a result of the Merger, Buffets Restaurants Holdings, Inc. became a wholly owned subsidiary of Alamo Ovation, LLC, a Texas limited liability company.

Immediately following the Merger, the Debtors operated over 300 restaurants in 35 states which included five buffet brands: Ryan's[®], HomeTown[®] Buffet, Old Country Buffet[®], Country Buffet[®], and Fire[®] Mountain and the one full service, casual dining brand, Tahoe Joe's[®] Famous Steakhouse.

The Debtors' business operations are, and have been, managed by FMP SA Management Group, LLC ("FMP") pursuant to a management agreement. FMP, a privately held company based in Hollywood Park, Texas, is a multi-concept developer and operator of independent restaurant chains. FMP provides operational oversight and all professional and administrative services for the Debtors. In return for the services provided, FMP receives reimbursement of allocated costs and expenses and a management fee. A separate entity, FMP Ovation Payroll, LLC ("FMP Ovation"), provides employment and wage related services for the Debtors.

B. The Businesses

The Debtors are some of the largest operator of buffet-style restaurants in the United States. Upon exit from bankruptcy, the Debtors anticipate they will be operating approximately 120 – 125 stores in approximately 25 states. The Debtors' concepts include five buffet restaurant chains and a full service steakhouse. The Debtors' buffet restaurants principally operate under the names Old Country Buffet®, Country Buffet®, HomeTown® Buffet, Ryan's® and Fire Mountain®. These locations primarily offer self-service buffets with entrees, sides, and desserts for an all-inclusive price. In addition, the Debtors own and operate an 10-unit full service, casual dining chain under the name Tahoe Joe's Famous Steakhouse®.

The Debtors maintain a high level of food quality and service in all of their restaurants through uniform operational standards initiated at the corporate level. The Debtors' strategy is to offer quality food at an exceptional value. Product quality is maintained by preparing food in small batches of six to eight servings at a time, with preparations scheduled by monitoring current customer traffic and applying the Debtors' proprietary food production forecasting model. The Debtors' buffet restaurants employ uniform menus, recipes and ingredient specifications, except for minor differences supporting regional preferences. The Debtors' restaurants operating under the Buffets brand offer an extensive menu with approximately 100 menu items at each meal, including entrees, soups, salads, fresh vegetables, non alcoholic beverages and desserts. Typical entrees include steak, chicken, carved roast beef, ham, shrimp, fish and casseroles. The Debtors' restaurants operating under the Ryan's brand offer similar menu items and entrees.

The Debtors were early innovators of the "scatter bar" — a buffet format believed to reduce the waiting time of customers' access to food, thereby enhancing the dining experience and increasing table turns. All of the Debtors' steak-buffet restaurants serve lunch and dinner seven days a week, and the Buffets brand restaurants and most of the Ryan's brand restaurants offer breakfast on Saturdays and Sundays.

The Debtors' buffet restaurants use an all-inclusive, all you can eat, pricing strategy designed to provide a very high dining value to their customers. The company's core proposition of great food at a great value attracts a broad variety of customers, including families, singles and senior citizens. In order to further enhance guests' dining experience, management has focused on providing a level of customer service designed to supplement the self-service buffet format, including such features as limited table side service and greeters.

Upon exit from bankruptcy, the Debtors anticipate they will have approximately 6,000 employees.

C. Debtors' Prepetition Capital Structure

1. Secured Financing and Unsecured Debt

As of the Petition Date, Buffets is the primary obligor on several term notes the approximate principal amounts of which total in the aggregate \$46,168,000 (the "Loans"). Buffets pledged all of its assets as collateral to secure the Loans with Pre-Petition Secured Creditors. The Loans are guaranteed by each of the Debtors as well as the following non-

debtors: Alamo Ovation, LLC, Buffets Restaurants Holdings, Inc. and Buffets Holdings, LLC. In connection with the Plan (and only for the purposes of this Plan), the Pre-Petition Secured Creditors have agreed to subordinate their claims to payments to General Unsecured Creditors. In addition, Alamo CRG has a note for \$2 million plus interest secured by virtually all of the Debtors' assets. Finally, the Debtors have unsecured debt in an estimated aggregate amount of \$100 - \$115 million, exclusive of administrative and priority claims as described herein.

2. Equity Interests in Debtors.

Buffets, LLC sole member is Buffets Holdings, LLC.

Hometown Buffet, Inc. 100% of common stock held by Buffets, LLC.

OCB Restaurant Company, LLC sole member is Buffets, LLC.

OCB Purchasing Co. 100% of common stock held by Buffets, LLC.

Ryan's Restaurant Group, LLC sole member is Buffets, LLC.

Fire Mountain Restaurants, LLC sole member is Ryan's Restaurant Group, LLC.

Tahoe Joe's, Inc. 100% of common stock held by Hometown Buffet, Inc.

V.

**EVENTS LEADING TO THE COMMENCEMENT
OF THE CHAPTER 11 CASES**

Since the Merger, certain events have occurred that were the genesis for the filing of these Chapter 11 cases. In October 2015, an \$11.37 million judgment against Buffets, LLC (formerly known as Buffets, Inc., which was the named defendant although not the entity actually operating the restaurant where the alleged incident occurred) was awarded to plaintiffs in a 2014 court case for an incident dating back to 2010. No answer to such lawsuit was timely filed by prior management and such lawsuit was not disclosed by the previous management and ownership group in the course of 2015 negotiations leading to the 2015 Merger and change of control. Buffets, LLC is attempting to overturn such judgment on the basis of the wrong defendant entity having been sued and other grounds.

Although at the time of the Merger, Buffets Restaurants Holdings, Inc. represented adequate positive cash flow for the operating entities, the financial results since the Merger have been far less than expected. For example, sales were down almost immediately by approximately twenty-two percent (22%) from the seller's projections. This decline in the Debtors' cash flow performance combined with unanticipated expenses caused a severe liquidity strain. Despite the Debtors' best efforts, the Debtors fell behind on their obligations to creditors.

Due to the numerous underperforming restaurants, the Debtors closed and vacated 74 stores several weeks prior to the Petition Date and closed another 92 stores immediately

preceding the bankruptcy filing. More recently, the Debtors have closed additional stores and renegotiated a number of leases.

As of the Petition Date, the Debtors continued to operate approximately 150 restaurants in over 25 states including Texas, California, Minnesota, Wisconsin, Michigan, Illinois, Colorado, Missouri, New York, New Jersey, Pennsylvania, Maine, Tennessee, Indiana, Washington, Oregon, Delaware, South Carolina, Louisiana, West Virginia, Ohio, Kentucky, North Carolina, Tennessee and Mississippi.

The Debtors have diligently evaluated, in consultation with their professionals, a number of options to address the Debtors' current financial issues. These efforts have included retaining a Chief Restructuring Officer, Bill Patterson of Bridgepoint Consulting, LLC, for the Debtors with the goal of consensually restructuring the Debtors' restaurant footprint and balance sheet.

The Debtors commenced these cases in order to fully implement their restructuring efforts and to deal with both legacy costs and those liabilities resulting from the store closures. The Debtors believe that once they shed themselves of the burdens associated with the litigation that resulted in the default judgment and the unprofitable stores, they can focus their efforts on their successful stores which will provide sufficient cash to fund the Debtors' ordinary course expenses and enable the Debtors to become a profitable enterprise.

VI.

THE CHAPTER 11 CASES

A. Significant "First Day" Motions; Retention of Professionals

On the Petition Date, the Debtors filed motions seeking the Court's approval of several orders authorizing the Debtors to pay various prepetition claims, which were designed to ease the strain on the Debtors' relationships with customers, employees and vendors as a consequence of the filings. The motions sought authority for the Debtors, among other things, to (i) pay prepetition compensation, benefits and employee expense reimbursements to employees, as well as continue certain workers' compensation programs and insurance policies; (ii) pay certain taxes that the Debtors are required to collect from third parties and remit to the appropriate taxing authorities; (iii) continue certain customer practices and programs; (iv) pay prepetition claims of critical vendors (the "Critical Vendor Motion"), (v) pay prepetition claims of suppliers of goods that may be considered "perishable agricultural commodities," as such term is defined under Perishable Agricultural Commodities Act of 1930, 7 U.S.C. §§ 499a, et seq., as amended (the "PACA Motion"), and (vi) obtain postpetition financing and grant first priority liens, super-priority administrative expense status and adequate protection to the Debtors' postpetition lenders. The Debtors also filed motions seeking relief from certain administrative requirements of the Bankruptcy Code and to establish procedures to resolve adequate assurance requests for their approximately 4,400 utility accounts.

In addition, the Debtors filed several applications seeking orders authorizing the retention of certain professionals. Specifically, the Debtors filed applications, which have been approved by the Court, to retain (i) Akerman LLP, as counsel; (ii) Hilco Real Estate, LLC to provide real

estate consulting and advisory services; (iii) Bridgepoint Consulting, ad Financial Advisors and William R. Patterson, Chief Restructuring Officer; (iv) Padgett Stratemann as consultants; (v) Donlin, Recano & Company, Inc. as claims and noticing agent for the Debtors; (vi) Donlin, Recano & Company, Inc. as administrative agent for the Debtors; and (viii) certain ordinary course professionals.

Subsequently the Debtors filed a motion to establish procedures to pay certain food suppliers and vendors entitled to administrative priority under Bankruptcy Code sections 503(b)(9) and 507(a)(2) (the "503(b)(9) Motion"). During the Chapter 11 Cases the Debtors have paid approximately \$150,000 to certain food suppliers and vendors pursuant to the 503(b)(9) Motion.

B. DIP Facility

To provide the Debtors with the cash and liquidity necessary to continue operating and to maintain normal vendor relations postpetition, the Debtors procured a \$4,000,000 debtor-in-possession financing facility (the "DIP Facility") and an interim draw of \$1,000,000 (the "DIP Facility") consisting of a *Note and Security Agreement* (as amended from time to time, the "DIP Credit Agreement"),⁴ and each of the other Loan Documents, the "DIP Documents"), from Alamo CRG, LLC (the "DIP Lender"). The Debtors have not had to draw on the balance of the DIP Facility, beyond the initial draw.

C. Official Committee of Unsecured Creditors

On March 21, 2016, the United States Trustee for the Western District of Texas, San Antonio Division appointed the Creditors Committee. The Creditors Committee is currently comprised of Van Eerden Foodservice Company, Heather Gage, Bryce King, Realty Income Corporation, Windstream, Automatic Data Processing, Inc. and Edward Don & Company.

The Creditors Committee has, with Court approval, employed and retained (i) Greenberg Traurig, LLP as its counsel and (ii) FTI Consulting, Inc. as its financial advisor.

D. PACA Issues

Prior to the Filing Date, the Debtors regularly purchases goods that qualify as "perishable agricultural commodities" under the Perishable Agricultural Commodities Act of 1930, as amended, 7 U.S.C. §§ 499a et seq. ("PACA").

Certain of the Debtors' produce suppliers were eligible to assert claims against the Debtors under PACA (the "PACA Claims"). In order to facilitate the orderly and efficient determination and payment of valid PACA Claims, the Debtors requested that the Bankruptcy Court institute certain procedures related to the PACA Claims made by the Debtors' produce suppliers. On March 9, 2016, the Court entered an Order Granting Debtor's Motion for Entry of an Order (I) Authorizing the debtor to Pay Certain Pre-Petition Claims Arising Under the Perishable Agricultural Commodities Act, And (II) Granting Related Relief (the "PACA Order").

⁴ All capitalized terms not otherwise defined in this subsection shall have the meanings ascribed to such terms in the DIP Credit Agreement, or the Court's orders approving the DIP Credit Agreement.

As of the date of this Disclosure Statement, the Debtors believe all PACA Claims against the Debtors have been resolved. During the Chapter 11 Cases the Debtors have paid approximately \$1,400,000 in PACA Claims.

E. Critical Vendor

By order granted on March 9, 2016 (Doc. No. 66), the Bankruptcy Court authorized the Debtors to pay prepetition Claims of certain critical vendors and suppliers in an amount not to exceed 75% of the vendor's claim. During the Chapter 11 Cases the Debtors have paid approximately \$2,300,000 to certain critical vendors and suppliers.

F. Utilities

By interim order granted on March 9, 2016 (Doc. No. 69), the Bankruptcy Court established procedures for determining adequate assurance of payment for future utility services in recognition of the impact even a brief disruption of utility services would have on the Debtors. The Bankruptcy Court entered a final order on March 29, 2016 (Doc. No. 238).

G. Assumption/Rejection of Leases and Executory Contracts

Pursuant to the Bankruptcy Code, the Debtors have (a) 120 days after the Petition Date to assume or reject unexpired leases on non-residential real property unless such time period is extended by the Court for cause and (b) until confirmation of the Plan to assume or reject executory contracts. The Court may extend the period to assume or reject unexpired leases of nonresidential real property for 90 days for cause, and may further extend such period only upon prior written consent of the lessor. By various Court orders, the deadline to assume or reject the Debtors' unexpired leases of nonresidential real property in the Chapter 11 Cases was extended through October 3, 2016.

The Debtors, together with their retained, court-approved professionals and advisors, carefully analyzed their portfolio of leases of non-residential real property to determine whether it would be in the best interest of the Debtors and their creditors to assume or reject those leases. This analysis has included consideration of the following factors with respect to each individual restaurant:

- (a) Restaurant operating performance (both historical and projected);
- (b) Competition with geo graphical market;
- (c) Rent and other material terms under the leases;
- (d) Market rent for leases of similar properties;
- (e) Remaining term of leases;
- (f) Condition of buildings;

(g) Additional miscellaneous considerations (e.g. trade vendor relations, road construction, dynamics of the local market area, etc.)

Based on the analysis of the above factors, the debtors closed a number of restaurants, rejected certain leases, and terminated leases pursuant to various orders of the Court and restructured a number of leases that will be assumed as modified.

VII.

SUMMARY OF THE PLAN

THE FOLLOWING IS A SUMMARY OF SOME OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN.

A. Classification and Treatment of Administrative Claims, Claims and Equity Interests Under the Plan

Only administrative expenses, claims and equity interests that are "allowed" may receive distributions under a chapter 11 plan. An "allowed" administrative expense, claim or equity interest simply means that the Debtors agree, or in the event of a dispute, that the Court determines, that the administrative expense, claim or equity interest, including the amount thereof, is in fact a valid obligation of, or equity interest in, the Debtors. Section 502(a) of the Bankruptcy Code provides that a timely filed administrative expense, claim or equity interest is automatically "allowed" unless the debtor or another party in interest objects. However, section 502(b) of the Bankruptcy Code specifies certain claims that may not be "allowed" in a bankruptcy case even if a proof of claim is filed. These include, without limitation, claims that are unenforceable under the governing agreement or applicable non-bankruptcy law, claims for unmatured interest on unsecured and/or undersecured obligations, property tax claims in excess of the debtor's equity in the property, claims for certain services that exceed their reasonable value, nonresidential real property lease and employment contract rejection damage claims in excess of specified amounts, and late-filed claims. In addition, Bankruptcy Rule 3003(c)(2) prohibits the allowance of any claim or equity interest that either is not listed on the debtor's schedules or is listed as disputed, contingent, or unliquidated if the holder has not filed a proof of claim or equity interest before the deadline to file proofs of claim and equity interests.

The Bankruptcy Code also requires that, for purposes of treatment and voting, a chapter 11 plan divide the different claims against, and equity interests in, the Debtors into separate classes based upon their legal nature. Claims of a substantially similar legal nature are usually classified together, as are equity interests of a substantially similar legal nature. Because an entity may hold multiple claims and/or equity interests which give rise to different legal rights, the holders of such claims and/or equity interests may find themselves as members of multiple classes of claims and/or equity interests.

Under a chapter 11 plan, the separate classes of claims and equity interests must be designated either as "impaired" (altered by the plan in any way) or "unimpaired" (unaltered by

the plan). If a class of claims or interests is "impaired," the Bankruptcy Code affords certain rights to the holders of such claims or interests, such as the right to vote on the plan (unless the plan provides for no distribution to the holder, in which case, the holder is deemed to reject the plan), and the right to receive an amount under the chapter 11 plan that is not less than the value that the holder would receive if the debtor were liquidated under chapter 7. Under section 1124 of the Bankruptcy Code, a class of claims or interests is "impaired" unless, with respect to each claim or interest of such class, the plan (i) does not alter the legal, equitable or contractual rights of the holders of such claims or interests or (ii) irrespective of the holders' right to receive accelerated payment of such claims or interests after the occurrence of a default, cures all defaults (other than those arising from, among other things, the debtor's insolvency or the commencement of a bankruptcy case), reinstates the maturity of the claims or interests in the class, compensates the holders of such claims or interests for any damages incurred as a result of their reasonable reliance upon any acceleration rights and does not otherwise alter their legal, equitable or contractual rights. Typically, this means that the holder of an unimpaired claim will receive on the later of the effective date of the plan of reorganization or the date on which amounts owing are due and payable, payment in full, in cash, with postpetition interest to the extent permitted and provided under the governing agreement between the parties (or, if there is no agreement, under applicable non-bankruptcy law), and the remainder of the debtor's obligations, if any, will be performed as they come due in accordance with their terms. Thus, other than its right to accelerate the debtor's obligations, the holder of an unimpaired claim will be placed in the position it would have been in had the debtor's case not been commenced.

Consistent with these requirements the Plan divides the Claims against, and Equity Interests in, the Debtors into the following Classes and affords the treatments described:

Class	Designation	Impairment
Unclassified	Administrative Claims	Paid in Full
Unclassified	Fee Claims	Paid in Full
Unclassified	DIP Financing Claims	Paid in Full
Unclassified	FMP Cure Claim	Paid in Full
Class 1	Priority Tax Claims	Impaired
Class 2	Property Tax Claims	Impaired
Class 3	Other Priority Claims	Impaired
Class 4	Other Allowed Secured Claims	Unimpaired
Class 5	Allowed PACA Claims	Unimpaired
Class 6	Alamo CRG LLC Secured Claims	Impaired

Class 7	Wells Fargo Letter of Credit Claims	Unimpaired
Class 8	Ace Companies Claims	Impaired
Class 9	Pre-Petition Secured Credit Claim	Impaired
Class 10	General Unsecured Claims	Impaired
Class 11	Convenience Claims	Impaired
Class 12	Equity Interests	Unimpaired

For purposes of computing distributions under the Plan, Allowed Claims do not include postpetition interest unless otherwise specified in the Plan.

1. **Unclassified — Administrative Claims**

Administrative Claims include any right to payment constituting a cost or expense of administration of the Chapter 11 Cases of a kind specified under section 503(b) of the Bankruptcy Code and entitled to priority under section 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation, any actual and necessary costs and expenses of preserving the Debtors' estates, any actual and necessary costs and expenses of operating the Debtors' business, any indebtedness or obligations incurred or assumed by the Debtors in Possession in connection with the conduct of their business, including, without limitation, for the acquisition or lease of property or an interest in property or the rendition of services, all compensation and reimbursement of expenses to the extent awarded by the Court under sections 330, 331 or 503 of the Bankruptcy Code, any fees or charges assessed against the Debtors' estates under section 1930 of chapter 123 of title 28 of the United States Code, any Claim for goods delivered to the Debtors within twenty (20) days of the Petition Date and entitled to administrative priority pursuant to section 503(b)(9) of the Bankruptcy Code.

Each holder of an Allowed Administrative Claim shall receive from the Debtors (a) Cash in an amount equal to the amount of such Allowed Administrative Claim on the later of the Effective Date and the date such Administrative Claim becomes an Allowed Administrative Claim, or as soon thereafter as is practicable, or (b) such other treatment as the Debtors and such holder shall have agreed upon in writing; provided, however, that Allowed Ordinary Course Administrative Claims shall be paid in full in the ordinary course of business of the Reorganized Debtors in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such transactions.

Unless a prior date has been established pursuant to the Bankruptcy Code, the Bankruptcy Rules or a prior order of the Court, the Confirmation Order will establish a bar date for filing applications for allowance of Administrative Claims (except for (i) Fee Claims, (ii) Ordinary Course Administrative Claims, (iii) DIP Financing Claims, (iv) the FMP Cure Claim; and (v) (collectively (i) - (v) shall hereinafter be referred to as the "Excluded Administrative Claims"), which date will be the first business day that is thirty (30) days after the Confirmation Date. Holders of Administrative Claims, except Excluded Administrative Claims not paid prior to the Confirmation Date shall submit requests for payment on or before the applicable

Administrative Claims Bar Date or forever be barred from doing so. The notice of confirmation to be delivered pursuant to Bankruptcy Rules 3020(c) and 2002(f) will set forth the Administrative Claims Bar Date and constitute good and sufficient notice of the Administrative Claims Bar Date. The Reorganized Debtors shall have 120 days (or such longer period as may be allowed by order of the Court, which may be entered without notice or a hearing) following the Administrative Claims Bar Date to review and object to all Administrative Claims.

2. **Unclassified — Fee Claims**

Fee Claims are Administrative Claims under section 330(a), 331 or 503 of the Bankruptcy Code for compensation of a Professional or other Person for services rendered or expenses incurred in the Chapter 11 Cases on or prior to the Effective Date (including reasonable expenses of the members of the Creditors Committee incurred as members of the Creditors Committee in discharge of their duties as such).

All requests for compensation or reimbursement of Fee Claims pursuant to sections 327, 328, 330, 331, 503 or 1103 of the Bankruptcy Code for services rendered prior to the Effective Date shall be filed and served on the Reorganized Debtors, counsel to the Reorganized Debtors, the United States Trustee, and counsel to the Creditors Committee and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Court, no later than thirty (30) days after the Effective Date. Holders of Fee Claims that are required to file and serve applications for final allowance of their Fee Claims and that do not file and serve such applications by the required deadline shall be forever barred from asserting such Claims against the Debtors, Reorganized Debtors or their respective properties, and such Fee Claims shall be deemed discharged as of the Effective Date. Objections to any Fee Claims must be filed and served on the Reorganized Debtors, counsel for the Reorganized Debtors, and the requesting party no later than seventy-five (75) days after the Effective Date.

3. **Unclassified – DIP Financing Claims**

DIP Financing Claims are all Claims arising under or relating to the DIP Credit Facility, the orders of the Court approving the DIP Credit Facility and all agreements and instruments relating thereto, including, without limitation, Claims for the fees, reasonable and documented expenses, costs and other charges of the DIP Administrative Agent and the lenders under the DIP Credit Facility (including those of their respective counsel and advisors) to the extent provided in the DIP Credit Facility.

On or before the Effective Date, holders of Allowed DIP Financing Claims shall receive payment in full in Cash in two equal installment payments by the ninetieth (90) day after Effective Date to the holder of DIP Financing Claims with the first installment payment being made not later forty-five (45) days after the Effective Date, except to the extent that the holders of Allowed DIP Financing Claims agree to a different treatment. Notwithstanding anything to the contrary contained in the Plan, the liens and security interests securing the DIP Financing Claims shall continue in full force and effect until the Allowed DIP Financing Claims have been paid in full in Cash, unless the holders of the DIP Financing Claims agree to a different treatment.

4. **Unclassified - FMP Cure Claim**

FMP shall receive \$2 million in cash on the Effective Date via setoff of the FMP Cash Contribution and receive the FMP Promissory Note for the balance of the FMP Cure Claim.

5. **Classification and Treatment of Claims**

(a) Class 1 – Priority Tax Claims

Priority Tax Claims include any unsecured Claim that is entitled to a priority in right of payment under sections 502(i) or 507(a)(8) of the Bankruptcy Code, except for Property Tax claims.

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, at the sole option of the Reorganized Debtors, (a) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable, but no later than thirty (30) days after the Effective Date, or (b) through quarterly installment payments in cash (i) of a total value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim; (ii) over a period ending not later than 5 years after the Petition Date with interest at the Plan Interest Rate; and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan.

(b) Class 2 – Property Tax Claim

Except to the extent a holder of an Allowed Property Tax Claim agrees to a different treatment, each holder of an Allowed Property Tax Claim shall receive, at the sole option of the Reorganized Debtors, (a) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable, but no later than thirty (30) days after the Effective Date, or (b) through quarterly installment payments in cash (i) of a total value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim; (ii) over a period ending not later than 5 years after the Petition Date with interest at the Plan Interest Rate; and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan.

(c) Class 3 – Other Priority Claims

Other Priority Claims include certain allowed employee compensation and benefit claims of the Debtors' employees incurred within one hundred eighty (180) days prior to the Petition Date, and other claims entitled to priority under Section 507 other than Priority Tax Claims and Property Tax Claims. Except to the extent a holder of an Allowed Other Priority Claim agrees to a different treatment, each holder of an Allowed Other Priority Claim shall receive, at the sole option of the Reorganized Debtors, (a) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Claim becomes an Allowed Priority Claim, or as soon thereafter as is practicable, but no later than thirty (30) days after the Effective Date, or (b) through quarterly installment payments in cash (i) of a total value, as of the

Effective Date of the Plan, equal to the allowed amount of such Claim; (ii) over a period ending not later than 5 years after the Petition Date with interest at the Plan Interest Rate; and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan.

(d) Class 4 – Other Secured Claims

Other Secured Claims include any Secured Claim (other than the DIP Financing Claim, the Wells Fargo Letter of Credit Claim, the Pre-Petition Secured Credit Claim, the Alamo CRG LLC Claim or the Ace Secured Claim) to the extent reflected in the Schedules or a proof of claim filed as a Secured Claim, which is secured by a Lien on Collateral to the extent of the value of such Collateral, as determined in accordance with section 506(a) of the Bankruptcy Code, or, in the event that such Claim is subject to setoff under section 553 of the Bankruptcy Code, to the extent of such setoff.

Except to the extent that a holder of an Allowed Other Secured Claim shall have agreed in writing to a different treatment, at the sole option of the Debtors, in full and final satisfaction of such claim, (i) each Allowed Other Secured Claim shall be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable nonbankruptcy law that entitles the holder of an Allowed Other Secured Claim to demand or receive payment of such Allowed Other Secured Claim prior to the stated maturity of such Allowed Other Secured Claim from and after the occurrence of a default, (ii) each holder of an Allowed Other Secured Claim shall receive Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of (a) thirty (30) days after Effective Date, and (b) the date such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable (but no later than thirty (30) days after the date such Other Secured Claim becomes an Allowed Other Secured Claim) or (iii) each holder of an Allowed Other Secured Claim shall receive the Collateral securing its Allowed Other Secured Claim and any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, in full and complete satisfaction of such Allowed Other Secured Claim as soon as is practicable, on the later of (i) thirty (30) days after Effective Date and (ii) the date such Other Secured Claim becomes an Allowed Other Secured Claim.

Notwithstanding the foregoing, to the extent an Allowed Other Secured Claim arises on account of property taxes, such Allowed Other Secured Claim shall be treated as Property Tax Claim, and any applicable liens shall remain unimpaired until such Allowed Other Secured Claim is paid in full. Any applicable interest shall be paid at the Plan Interest Rate. Although all Other Secured Claims have been placed in one Class for purposes of nomenclature, each Other Secured Claim, to the extent secured by a Lien on Collateral different than that securing any Other Secured Claims, shall be treated as being in a separate sub-Class for the purpose of receiving Distributions under the Plan.

Notwithstanding the foregoing, to the extent an Allowed Other Secured Claim arises on account of property taxes, such Allowed Other Secured Claim shall be treated as Property Tax Claims, and any applicable liens shall remain unimpaired until such Allowed Other Secured

Claim is paid in full. Any applicable interest shall be calculated in a manner consistent with section 511 of the Bankruptcy Code.

Although all Other Secured Claims have been placed in one Class for purposes of nomenclature, each Other Secured Claim, to the extent secured by a Lien on Collateral different than that securing any Other Secured Claims, shall be treated as being in a separate sub-Class for the purpose of receiving Distributions under the Plan.

(e) Class 5 – PACA Claims

Except to the extent that a holder of an Allowed PACA Claim shall have agreed in writing to a different treatment, each Allowed PACA claim shall be paid in full in Cash within thirty (30) days after the Effective Date or within three (3) business days after a Final Order allowing such claims.

(f) Class 6 – Alamo CRG LLC Claim

The holder of the Alamo CRG LLC claim shall retain its liens and receive a new or modified promissory note issued by the Reorganized Debtors in the full amount of the Claim, amortized over 15 years and bearing interest at the Plan Interest Rate. The note shall mature 5 years after the Effective Date.

(g) Class 7 – Wells Fargo Letter of Credit Claims

Wells Fargo shall retain its collateral and receive a new Letter of Credit and Reimbursement Agreement or will otherwise be treated in a manner so as to render the Debtors' obligations to holders of Wells Fargo Letter of Credit Claims unimpaired as agreed to by the holders of Wells Fargo Letter of Credit Claims.

(h) Class 8 – Ace Secured Claim

Except to the extent that a holder of an Allowed ACE Companies Claim shall have agreed in writing to a different treatment, holders of Allowed ACE Companies Claim shall retain collateral sufficient to satisfy its secured claim.

(i) Class 9 – Pre-Petition Secured Credit Claim

Pre-Petition Secured Credit Claims are all Claims arising under or relating to the Acquisition Debt.

Holders of Allowed Class 9 Claims shall retain their liens and be issued new or modified notes by the Reorganized Debtors, provided that such notes shall not provide for any payment or event of default prior to payment in full by the Reorganized Debtor of the Litigation Trust Cash Component.

(j) Class 10 – General Unsecured Claims – Approximate Aggregate Amount of Claims in Class 10 is \$100-115 million.

A General Unsecured Claim is a Claim against any of the Debtors that is not otherwise classified.

Except to the extent that a holder of an Allowed General Unsecured Claim shall have agreed in writing to a different treatment, each holder of an Allowed General Unsecured Claim in Class 10 shall be deemed to receive its Pro Rata share of the Litigation Trust Interests. The Litigation Trust Interests shall entitle the holders of Allowed General Unsecured Claims to receive, on such date or dates determined in accordance with the Litigation Trust Agreement, their Pro Rata share of the Litigation Trust Proceeds. Under no circumstances shall any holder of an Allowed General Unsecured Claim receive more than payment in full of such Claim.

(k) Class 11 – Convenience Claims

Holders of Convenience Claims shall receive 50% of their Allowed Convenience Class Claim in cash on the later of (a) the Initial Distribution Date of Litigation Trust or (b) within 30 days following the date such Claim is allowed.

(l) Class 12 – Equity Interests

The holders of Equity Interests in Debtors shall retain their interests.

B. Provisions Regarding Corporate Governance and Management of the Reorganized Debtors

1. Amendments to Certificates of Incorporation

On the Effective Date, or as soon thereafter as is practicable, the certificate of incorporation for each Debtor shall be amended to permit the issuance of new membership interests, name changes or any other corporate action necessary to implement this Plan. An organization chart reflecting the Reorganized Debtors corporate structure will be included in the Plan Supplement.

2. Management

(a) Appointment of Officers and Directors. The Debtors' current officers shall serve in the same capacity as officers of the Reorganized Debtors and shall serve in accordance with any applicable non-bankruptcy law.

(b) Powers of Officers. The officers of the Debtors or the Reorganized Debtors, as the case may be, shall have the power to enter into or execute any documents or agreements that they deem reasonable and appropriate to effectuate the terms of the Plan.

(c) Management of Reorganized Debtors. The Reorganized Debtors' officers shall serve in accordance with the Reorganized Debtors and applicable non-bankruptcy law.

(d) Reorganized Debtors' Management Incentive Plan. Following the Effective Date, the Debtors' pre-petition Management Incentive Plan shall be assumed and remain effective in accordance with its terms. The Management Incentive Plan shall otherwise be on the terms to be described generally in the Plan Supplement.

(e) Indemnification of Directors, Officers and Employees. Upon the Effective Date, the charters and by-laws of each Reorganized Debtor shall contain provisions which (i) eliminate the personal liability of the Debtors' and the Reorganized Debtors' then-present and future directors and officers for post-Effective Date monetary damages resulting from breaches of their fiduciary duties to the fullest extent permitted by applicable law in the state in which the subject Reorganized Debtor is organized; and (ii) require such Reorganized Debtor, subject to appropriate procedures, to indemnify the Reorganized Debtors' directors, officers, and other employees (as such employees are identified by the New Board) serving on or after the Effective Date for all post-Effective Date claims and actions to the fullest extent permitted by applicable law in the state in which the subject Reorganized Debtor is organized.

3. **FMP.**

FMP shall continue to manage the Reorganized Debtors pursuant to the FMP Management Contract.

4. **Corporate Action.**

Except as set forth in the Plan, any action under the Plan to be taken by or required of the Debtors or the Reorganized Debtors, including, without limitation, the adoption or amendment of certificates of incorporation and by-laws, the issuance of securities and instruments or the selection of officers or directors, shall be authorized and approved in all respects, without any requirement of further action by any of the Debtors' or Reorganized Debtors' boards of directors or managers, as applicable, or security holders.

The Debtors, the Reorganized Debtors, and the Litigation Trustee, as appropriate, shall be authorized to execute, deliver, file, and record such documents (including the Plan Supplement Documents), contracts, instruments, releases and other agreements and take such other action as may be necessary to effectuate and further evidence the terms and conditions of the Plan, without the necessity of any further Court, corporate, board or shareholder approval or action. In addition, the selection of the Persons who will serve as the initial directors, officers and managers of the Reorganized Debtors as of the Effective Date shall be deemed to have occurred and be effective on and after the Effective Date without any requirement of further action by the board of directors, board of managers, or stockholders of the applicable Reorganized Debtor.

C. Substantive Consolidation

Solely in connection with Distributions to be made to the holders of Allowed Claims, the Plan is predicated upon, and it is a condition precedent to confirmation of the Plan, that the Court provide in the Confirmation Order for the substantive consolidation of the Estates of the Debtors into a single Estate for purposes of the Plan and the Distributions thereunder. To the extent a Claim (including any Disputed Claim) becomes an Allowed Claim, such Claim shall be satisfied in accordance with the provisions of the Plan.

Pursuant to the Confirmation Order, upon the Effective Date and without further order of the Court, except as expressly provided in the Plan, (i) all assets and liabilities of the substantively consolidated Debtors will be deemed to be merged solely for purposes of the Plan and Distributions to be made thereunder, (ii) the obligations of each Debtor will be deemed to be the obligation of the substantively consolidated Debtors solely for purposes of the Plan and Distributions thereunder, (iii) any Claims filed or to be filed in connection with any such obligations will be deemed Claims against the substantively consolidated Debtors, (iv) each Claim filed in the Chapter 11 Case of any Debtor will be deemed filed against the Debtors in the consolidated Chapter 11 Cases in accordance with the substantive consolidation of the assets and liabilities of the Debtors, (v) all transfers, disbursements and distributions made by any Debtor hereunder will be deemed to be made by the substantively consolidated Debtors, and (vi) all guarantees of the Debtors of the obligations of any other Debtors shall be deemed eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of any of the Debtors shall be deemed to be one obligation of the substantively consolidated Debtors. Holders of Allowed Claims in each Class shall be entitled to their share of assets available for distribution to such Class without regard to which Debtor was originally liable for such Claim. Notwithstanding the foregoing, such substantive consolidation shall not affect (a) the legal and corporate structure of the Reorganized Debtors, (b) guarantees that are required to be maintained post-Effective Date (i) in connection with executory contracts or unexpired leases that were entered into during the Chapter 11 Cases or that have been, or will hereunder be, assumed, pursuant to the express terms of the Plan, or (b) the Liens and security interests securing the Pre-Petition Secured Credit Claims. The substantive consolidation proposed in the Plan shall not affect each Debtor's obligation to file the necessary operating reports and pay any required fees pursuant to 28 U.S.C. § 1930(a)(6). Such obligations shall continue until an order is entered closing, dismissing or converting each such Debtor's Chapter 11 Case.

Unless the Court has approved the substantive consolidation of the Estates by a prior order, the Plan shall serve as, and shall be deemed to be, a motion for entry of an order substantively consolidating the Estates as set forth in the Plan. If no objection to substantive consolidation under the Plan is timely filed and served, then the holders of Claims will be deemed to have consented to substantive consolidation for the purpose of the Plan only and the Court may approve substantive consolidation of the Debtors' Estates in the Confirmation Order. If such objection to the substantive consolidation provided for in the Plan is timely filed and served, a hearing with respect to the substantive consolidation of the Estates and the objections thereto shall be scheduled by the Court, which hearing may coincide with the Confirmation Hearing.

The Debtors believe that substantive consolidation is warranted here because, among other reasons, the Debtors historically operated on a consolidated basis. All Debtors have the same officers and directors. For purposes of the Debtors' negotiation of secured and certain unsecured financing, the Debtors believe the parties to such financing arrangements treated the Debtors' operations as unitary. Customers and others identified the Debtors by their trade names at particular restaurant locations as opposed to their corporate identities. However, the trade name of a restaurant location does not reliably correlate to the corporate entity that owns such location. For example, a number of HomeTown Buffet-branded restaurants are owned by OCB Restaurant Co.; some Ryan's-branded restaurants are owned by Fire Mountain Restaurants, LLC,

and *vice versa*. The Debtors' unsecured creditors viewed the Debtors as a single entity when extending credit terms, as such negotiations and agreements customarily provided for services to be rendered to multiple restaurant brands and locations owned by various Debtors, and the Debtors capitalized upon the scale and operations of the entirety of the Debtors' business operations to negotiate such agreements and maximize value. Further, all accounts payable functions were performed from one centralized location, by the same administrative staff working on behalf of all Debtors, and virtually all debts were centralized and paid by one Debtor entity. Determining the sources of the Debtors' pre-petition assets and liabilities on a per-entity basis would involve the nearly impossible task of reviewing and categorizing records of thousands of individual transactions to trace such transactions back to the proper entity.

Indeed, given the nominal amount of assets held by various of the Debtors, and the expense of generating separate plans of reorganization for each of the Debtors, the Debtors believe that the overall effect of substantive consolidation will be more beneficial than harmful to creditors and will allow for greater efficiencies and simplification in administering the Plan. Accordingly, the Debtors believe that substantive consolidation of the Debtors' estates under the terms of the Plan will not adversely impact the treatment of any of the Debtors' creditors, but rather will reduce administrative expenses by automatically eliminating duplicative claims asserted against more than one of the Debtors, decreasing the administrative difficulties and costs related to the administration of seven (7) separate Debtor's estates separately, as well as eliminating the need to determine professional fees on a case-by-case basis and streamlining the administration of the Plan.

Substantive consolidation is defined as "[t]he merger of two or more bankruptcy cases, usually pending against the same debtor or related debtors, into one estate or purposes of distributing assets, usually resulting in the two estates sharing assets and liabilities, and in the extinguishment of duplicate claims and claims between debtors." *In re Introgen Therapeutics, Inc.*, 429 B.R. 570, 581 (Bankr. W.D. Tex. 2010) (quoting Black's Law Dictionary 351, 9th Ed. 2009). Even though substantive consolidation was not codified in the Bankruptcy Code, the power is universally recognized as an equitable remedy available to the Bankruptcy Court under section 105 of the Bankruptcy Code. *See In re S.I. Acquisition, Inc.*, 817 F.2d 1142, 1144 n.2 (5th Cir. 1987)("The bankruptcy court has authority to order *de facto* disregard of the corporate form through [substantive] consolidation proceedings").

The Fifth Circuit has not specified a test for determining when substantive consolidation is appropriate. *See, i.e. In re Introgen Therapeutics, Inc.*, 429 B.R. at 582. Generally, courts have applied too distinct types of tests: (i) a factor based test and (ii) a balancing test. *Id.* Recent Texas cases have adopted the balancing test, focusing on the impact of consolidating the creditors and weighing it against the benefits of consolidation. *In re Introgen Therapeutics*, 429 B.R. at 583. A court looks to the reliance of the creditor to evaluate (1) whether creditors dealt with the entities as a single economic unit and did not rely on their separate identity when extending credit, or (2) whether the affairs of the debtors are so entangled that consolidation benefits all creditors. *Id.*

For the reasons articulated earlier in this Article VII.C, the Debtors believe that substantive consolidation is justified in these cases.

Certain real estate leases with Debtors other than Buffets are guaranteed by Buffets and as a consequence of substantive consolidation rejection claims arising from the lease and from the guarantee will be treated as only one claim.

D. Provisions Regarding Means of Implementation, Voting, Distributions and Treatment of Disputed Claims

1. FMP Contribution

FMP shall contribute \$2 million to the Debtors on the Effective Date, which payment may be offset against the FMP Cure Claim in FMP's sole discretion.

2. Payment of Claims

The Debtors or Reorganized Debtors shall pay all Allowed unclassified claims and Allowed Claims in Classes 1 – 9. The Litigation Trust shall pay all Allowed claims in Classes 10 and 11.

3. Restructuring Transactions

On or before the Effective Date, the Debtors may, provided there are no material adverse tax consequences to the Debtors and no material adverse consequences to holders of General Unsecured Claims (i) cause any or all of the Debtors to be merged into one or more of the Debtors, dissolved, or otherwise consolidated, (ii) cause the transfer of assets between and among the Debtors, (iii) convert or change the corporate form of any Debtor, or (iv) engage in any other transaction in furtherance of the Plan. Any such transaction shall be effective pursuant to the Confirmation Order without any further action by the members or directors of any of the Debtors.

4. Litigation Trust

The Litigation Trust Agreement shall become effective on the Effective Date. In accordance with the Litigation Trust Agreement, the Litigation Trust shall be administered by the Litigation Trustee, who shall be designated by the Debtors. Subject to the Litigation Trust Agreement, the Litigation Trustee shall serve from and after the Effective Date until completion of its responsibilities. Section VII.D. of the Plan sets forth certain of the rights, duties and obligations of the Litigation Trustee and the terms of the Litigation Trust, all of which will be more fully described in the Litigation Trust Agreement. In the event of any conflict between the terms of Section VII.D. of the Plan and the terms of the Litigation Trust Agreement, the terms of the Litigation Trust Agreement shall govern.

(a) Duties and Powers of the Litigation Trust and Litigation Trustee

The Litigation Trust shall be established solely for the purposes provided for in the Litigation Trust Agreement, which shall include (i) administering, maintaining and ultimately distributing the Litigation Trust Proceeds in accordance with the Plan, (ii) providing for the prosecution, collection, compromise and settlement of the Transferred Avoidance Actions and Causes of Action and (iii) determining, objecting to and resolving objections to unliquidated and

Disputed General Unsecured Claims. Such rights, powers and duties granted to the Litigation Trustee shall vest on the Effective Date without the need to obtain further Court approval. The Litigation Trustee, in its discretion and in consultation with the Trust Advisory Board, may settle any Disputed General Unsecured Claim by providing the holder of such Claim an immediate Cash Distribution on the Allowed amount of such Claim proximate to the estimated amount of the projected Distribution to holders of Allowed General Unsecured Claims without further order of the Court. The Litigation Trustee shall pursue, litigate, compromise or abandon the Transferred Avoidance Actions and Causes of Action with the objective of maximizing the return to holders of Allowed General Unsecured Claims, in accordance with the Litigation Trust Agreement, and pay all associated costs. None of the Debtors or the Reorganized Debtors shall have any liability for any cost or expense of the Litigation Trust following the Effective Date. The Litigation Trustee shall distribute the Litigation Trust Proceeds in accordance with the Litigation Trust Agreement and the terms of the Plan.

(b) Transfer by Debtors to Litigation Trust

On the Effective Date, the Debtors shall transfer, assign, deliver and distribute to the Litigation Trust all right, title and interest in the Transferred Avoidance Actions, the Causes of Action and the Litigation Trust Cash Component. Subject to the terms of the Plan and the Litigation Trust Agreement, the Litigation Trust and the Litigation Trustee shall, on the Effective Date, be vested with and succeed to all rights, privileges, immunities, title and interest of the Debtors in and to the Transferred Avoidance Actions, the Causes of Action and the Litigation Trust Cash Component. Upon such transfer, the Debtors, the Debtors' Estates, and the Reorganized Debtors shall have no other further rights or obligations with respect thereto. In addition, on the Effective Date, the Litigation Trust and the Litigation Trustee shall be vested with and succeed to all of the applicable Debtor's rights of setoff, credits, credit balances, defenses, and any right with respect to the adjustment to General Unsecured Claims but only to the extent such rights (i) existed as of or related to the period prior to the Petition Date, and (ii) do not exceed the Allowed amount of the applicable General Unsecured Claim. Notwithstanding the foregoing, the Reorganized Debtors shall make available to the Litigation Trustee (subject to appropriate confidentiality and privilege arrangements) reasonable access during normal business hours, upon reasonable notice, to personnel and books and records of the Reorganized Debtors to enable the Litigation Trustee to perform the Litigation Trustee's tasks under the Litigation Trust Agreement and the Plan, and the Debtors and the Reorganized Debtors shall permit the Litigation Trustee (subject to appropriate confidentiality and privilege arrangements) reasonable access to information related to the Transferred Avoidance Actions, the Causes of Action and the unliquidated and Disputed General Unsecured Claims that is reasonably requested by the Litigation Trustee, as more specifically set forth in the Litigation Trust Agreement. With respect to the Insured Claims, the Reorganized Debtors shall also make available to the Litigation Trustee reasonable access and cooperation during normal business hours to personnel responsible for administering the Claims, in addition to access to books and records of the Debtors or the Reorganized Debtors, including any incident files or other documents related to the Insured Claims. The Litigation Trustee shall also have the authority (subject to the Debtors' insurance policies) to work directly with the Debtors' insurers, claims adjusters, third party administrators and agents with respect to the reconciliation, allowance, settlement, and/or prosecution of the Insured Claims and the Reorganized Debtors will reasonably cooperate with the Litigation Trustee to assist with such efforts. Notwithstanding

anything to the contrary herein, the Reorganized Debtors will not be required to incur any expenses in discharging its commitments set forth in this paragraph. Interests in the Litigation Trust shall be uncertificated and shall be non-transferable except upon death of the interest holder or by operation of law.

(c) Funding of Litigation Trust

The expenses of the Litigation Trust, including the fees of the Litigation Trustee, shall be funded solely from the Litigation Trust Cash Component and any proceeds received by the Litigation Trust from the Transferred Avoidance Actions and Causes of Action.

(d) Retention of Professionals by the Litigation Trustee

The Litigation Trustee may retain and pay the fees and expenses of counsel and other professionals to assist in its duties, on such terms as the Litigation Trustee deems appropriate, without Court approval.

(e) Termination of Litigation Trustee

Upon the final resolution of the Transferred Avoidance Actions, the distribution of any and all Litigation Trust Proceeds, and completion of the Litigation Trustee's responsibilities, the Litigation Trustee shall be relieved of further responsibility.

5. The Trust Advisory Board

(a) Subject to the provisions of the Litigation Trust Agreement, the Trust Advisory Board shall be comprised of three (3) members which shall be designated by the Debtors. The Litigation Trustee shall consult regularly with the Trust Advisory Board when carrying out the purpose and intent of the Litigation Trust. Members of the Trust Advisory Board shall be entitled to reimbursement of the reasonable and necessary expenses incurred by them in carrying out the purpose of the Trust Advisory Board, which shall be payable by the Litigation Trust.

(b) In the case of an inability or unwillingness of any member of the Trust Advisory Board to serve, such member may be replaced by designation of the remaining members of the Trust Advisory Board.

(c) Upon the final resolution of the Transferred Avoidance Actions and Causes of Action the distribution of the Litigation Trust Proceeds, and the completion of the Litigation Trustee's responsibilities, the members of the Trust Advisory Board shall be deemed to resign their positions, whereupon they shall be discharged from further duties and responsibilities.

(d) The Trust Advisory Board may remove the Litigation Trustee in its discretion. In the event the requisite approval necessitated by the Litigation Trust Agreement or documents related thereto is not obtained, the Litigation Trustee may be removed by the Court for cause shown. In the event of the resignation or removal of the Litigation Trustee, the Trust Advisory Board shall, by majority vote, designate a person to serve as successor Litigation

Trustee. The identity of any successor Litigation Trustee shall be promptly disclosed in a filing with the Court.

(e) Notwithstanding anything to the contrary in the Plan, neither the Trust Advisory Board nor any of its members, designees, counsel, financial advisors or any duly designated agent or representatives of any such party shall be liable for the act, default or misconduct of any other member of the Trust Advisory Board, nor shall any member be liable for anything other than such members' own gross negligence or willful misconduct. The Trust Advisory Board may, in connection with the performance of its duties, and in its sole and absolute discretion, consult with its counsel, accountants or other professionals, and shall not be liable for anything done or omitted or suffered to be done in accordance with such advice or opinions. If the Trust Advisory Board determines not to consult with counsel, accountants or other professionals, such action or omission shall not be deemed to impose any liability on the Trust Advisory Board, or its members and/or designees.

(f) The Trust Advisory Board shall govern its proceedings through the adoption of bylaws, which the Trust Advisory Board shall adopt by majority vote.

6. **Voting of Claims**

Each holder of an Allowed Claim in an Impaired Class of Claims entitled to vote on the Plan shall be entitled to vote to accept or reject the Plan as provided in such order as may be entered by the Court establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order or orders of the Court.

7. **Distributions**

(a) Allowed Claims

(i) Delivery of Distributions. Distributions under the Plan shall be made by the Reorganized Debtors or their designee or the Litigation Trustee, as applicable, to the holders of Allowed Claims in all Classes at the addresses set forth on the Schedules, unless such addresses are superseded by proofs of claim or transfers of claim filed pursuant to Bankruptcy Rule 3001 by the Record Date (or at the last known addresses of such holders if the Debtors, the Reorganized Debtors, or the Litigation Trustee, as applicable, have been notified in writing of a change of address).

(ii) Distribution of Cash. Any payment of Cash by the Reorganized Debtors or the Litigation Trustee pursuant to the Plan shall be made at the option and in the sole discretion of the Reorganized Debtors or Litigation Trustee, as applicable, by (i) a check drawn on, or (ii) wire transfer from, a domestic bank selected by the Reorganized Debtors or Litigation Trustee, as applicable.

(iii) Unclaimed Distributions of Cash. Any distribution of Cash under the Plan that is unclaimed after six months after it has been delivered (or attempted to be delivered) shall become the property of the Reorganized Debtor or the Litigation Trustee, as applicable, against which such Claim was Allowed notwithstanding any state or other escheat or similar laws to the contrary, and the entitlement by the holder such unclaimed Allowed Claim to

such distribution or any subsequent distribution on account of such Allowed Claim shall be extinguished and forever barred.

(iv) Saturdays, Sundays, or Legal Holidays. If any payment, distribution or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, and shall be deemed to have been completed as of the required date.

The Debtors or the Reorganized Debtors or the Litigation Trustee, as the case may be, shall not be required to, but may in their sole and absolute discretion, make distributions to any holder of a Claim of Cash in an amount less than \$10. In addition, the Debtors and the Reorganized Debtors or Litigation Trustee shall not be required to, but may in their sole and absolute discretion, make any payment on account of any Claim in the event that the costs of making such payment exceeds the amount of such payment.

(v) Distributions as of the Record Date. As of the close of business on the Record Date, the claims register for Claims shall be closed, and there shall be no further changes in the record holders of any Claims or Equity Interests. The Debtors, the Reorganized Debtors and the Litigation Trustee shall have no obligation to, but may in their sole and absolute discretion, recognize any transfer of any Claims or Equity Interests occurring after the Record Date. The Debtors, the Reorganized Debtors and the Litigation Trustee shall instead be entitled to recognize and deal for purposes under the Plan with only those record holders stated on the claims register for Claims as of the close of business on the Record Date.

(vi) Interest on Claims. Except as specifically provided for in the Plan, no Claims (including Administrative Claims), Allowed or otherwise, shall be entitled, under any circumstances, to receive any interest on a Claim.

(b) Objections to and Resolution of Claims

The Reorganized Debtors shall have the exclusive right to make and to file objections to, or otherwise contest the allowance of all Claims except for unliquidated and/or Disputed General Unsecured Claims or Convenience Class Claims which shall be the exclusive right of the Litigation Trustee. Unless otherwise ordered by the Court, objections to, or other proceedings concerning the allowance of, Administrative Claims and Claims shall be filed and served upon the holders of the Administrative Claims or Claims as to which the objection is made, or otherwise commenced, as the case may be, as soon as practicable, but in no event later than the Claims Objection Deadline. Objections to Fee Claims shall be filed and served within seventy-five (75) days of the Effective Date (or such longer period as may be allowed by order of the Court).

Objections to, or other proceedings contesting the allowance of, Administrative Claims and Claims may be litigated to judgment, settled or withdrawn, in the sole discretion of the Reorganized Debtors or the Litigation Trustee, as applicable. The Debtors or the Litigation Trustee, as appropriate, may settle any such objections or proceedings without Court approval or may seek Court approval without notice to any Person.

Unless an order of the Court specifically provides for a later date, any party filing a proof of Claim after the bar date established by the Court shall not be entitled to treatment as a creditor with respect to such Claim for the purposes of voting on and distribution under the Plan, unless and until the party filing such Claim either obtains the written consent of the Reorganized Debtors or the Litigation Trustee, as appropriate, to file such Claim late or obtains an order of the Court upon written motion on notice to the Reorganized Debtors or the Litigation Trustee, as appropriate, that permits the filing of the Claim. In the event any proof of Claim is permitted to be filed after the Claims Objection Deadline, the Reorganized Debtors or the Litigation Trustee, as appropriate, shall have ninety (90) days from the date of such order or agreement to object to such Claim, which deadline may be extended by the Court on motion of the Reorganized Debtors or the Litigation Trustee, as appropriate, without a hearing or notice to Creditors.

(c) Special Provisions Regarding Insured Claims, Workers' Compensation Claims and Automobile Liability Claims

(i) distributions under the Plan to each holder of an Insured Claim that is also a General Unsecured Claim shall be in accordance with the treatment provided under the Plan for General Unsecured Claims; *provided, however*, that

(a) to the extent a holder has an Allowed Insured Claim, all or a portion of which is within the applicable self-insured retention or deductible (of the relevant insurance policy of the Debtors, then such holder shall have an Allowed General Unsecured Claim for the amount which is within the applicable self-insured retention or deductible of the relevant insurance policy of the Debtors;

(b) to the extent a holder has an Allowed Insured Claim, a portion of which exceeds the limits of coverage available from the relevant insurance policies of the Debtors, such holder shall have an Allowed General Unsecured Claim in the amount by which such Allowed Insured Claim exceeds the limits of coverage available from the Debtors' relevant insurance policies;

(c) any final settlement of or judgment on account of an Allowed Insured Claim, all or a portion of which is within the applicable self-insured retention or deductible of the relevant insurance policy of the Debtors, shall be satisfied first by the application of the full amount of Debtors' self-insured retention or deductible under the relevant insurance policy, as though such self-insured retention or deductible were paid in full dollar for dollar, in cash (up to the amount of the settlement or judgment), even though the self-insured retention or deductible may be satisfied by way of a Distribution under the Plan in another form or amount, and regardless of the value of such Distribution under the Plan;

(d) an Allowed Insured Claim shall not be valid or enforceable against the Debtors' insurers unless and until, among other things, the applicable self-insured retention or deductible has been satisfied in accordance

with the Plan by a Distribution under the Plan by the Debtors (or after the Effective Date, the Reorganized Debtors) or the Litigation Trust, as applicable, on account of a Claim equal to the full amount of the self-insured retention or deductible;

(e) the Debtors' insurers shall have no duty or obligation to pay any amount within the self-insured retention or deductible of any insurance policy of the Debtors except as may be required by law;

(f) to the extent the Debtors, the Litigation Trust and/or the Debtors' insurers have an obligation to satisfy any Insured Claim, in whole or in part, in accordance with the Plan, an applicable general liability policy or law, each Allowed Insured Claim that is not a Workers' Compensation Claim or Automobile Liability Claim shall be adjusted, settled and/or paid in accordance with the terms of the applicable insurance policies of the Debtors, subject to the terms, conditions, self-insured retentions or deductibles and limits of such policies and subject to the Plan;

(g) each Automobile Liability Claim or Workers' Compensation Claim shall be adjusted, settled and/or paid in the ordinary course in accordance with the terms of the applicable insurance policies of the Debtors, subject to the terms, conditions and limits of such policies without the need or requirement for the claimant, the insurer or third party administrator to seek relief from the automatic stay or Plan injunction to the extent applicable; and

(h) nothing in this section shall constitute a waiver of any causes of action the Debtors or the Litigation Trustee, as applicable, may hold against any Person, including the Debtors' insurance carriers or a waiver of any rights, claims and defenses the insurers may have. Nothing in this section is intended to, shall, or shall be deemed to preclude any holder of an Allowed Insured Claim from seeking and/or obtaining a distribution or other recovery from any insurer of the Debtors in addition to (but not in duplication of) any distribution such holder may receive under the Plan or to preclude any insurer from contesting or asserting defenses to the claims of such holders. The Debtors and the Litigation Trustee, as applicable, do not waive, and expressly reserve their rights to assert that any insurance policy proceeds are property of the Estates to which they are entitled and the insurers expressly reserve their rights to contest or assert defenses to any such assertion by the Debtors. Nothing in the Disclosure Statement, Plan, or Confirmation Order shall be construed as, or is, a determination as to coverage in connection with any Insured Claim under any applicable insurance policy.

(ii) none of the Disclosure Statement, Plan, or Confirmation Order shall: (a) modify the coverage provided under the Debtors' insurance policies, (b) except as provided for in the Plan, alter in any way the rights and obligations of the Debtors' insurers under their policies, or (c) except as provided in the Plan, alter in any way the rights and obligations of the Debtors (or after the Effective Date, the Reorganized Debtors) or the Litigation

Trustee, as applicable, under the insurance policies, including, without limitation, any duty of the Debtors or the Litigation Trustee, as applicable, to defend, at their own expense, against claims asserted under the insurance policies. The Debtors' insurers shall retain any and all defenses to coverage that such insurers may have, including the right to contest and/or litigate with any party, including the Debtors (or after the Effective Date, the Reorganized Debtors) and the Litigation Trustee, as applicable, the existence, primacy, and/or scope of available coverage under any alleged applicable policy. Nothing in the Disclosure Statement, Plan or Confirmation Order in any way permits any holder of a Workers' Compensation Claim, Automobile Liability Claim or an Insured Claim to recover the same amounts from the insurers and any other party including, but not limited to, the Debtors or the Reorganized Debtors, or the Litigation Trustee. Nothing in the Disclosure Statement, Plan, or Confirmation Order shall modify the rights of the Debtors' insurers with respect to the maintenance or use of any letters of credit, or other collateral and security provided to them, in connection with liabilities arising under the applicable insurance agreements.

(d) Alternative Dispute Resolution Procedures

The Litigation Trustee shall be deemed to substitute for the Debtors in the Alternative Dispute Resolution Procedures approved by the Court. The ADR Order shall remain in full force and effect.

(e) Distributions Following Allowance

Notwithstanding anything to the contrary set forth in the Plan, each holder of a Disputed Claim that becomes an Allowed Claim subsequent to the applicable Initial Distribution Date shall receive the Distribution to which such holder of an Allowed Claim is entitled at such time that the Reorganized Debtors or the Litigation Trustee, as appropriate, determine, in their discretion, to make subsequent Distributions to holders of other Claims Allowed following the applicable Initial Distribution Date. Nothing set forth in the Plan is intended to, nor shall it, prohibit the Debtors or the Litigation Trustee, as appropriate, in their discretion, from making a Distribution on account of any Claim at any time after such Claim becomes an Allowed Claim.

8. Cancellation and Surrender of Existing Securities and Agreements

Notwithstanding any other provision of the Plan, as a condition precedent to receiving any distribution under the Plan, each holder of a promissory note, or other instrument or security evidencing a Claim (other than DIP Financing Claims or Pre-petition Secured Credit Claims or the Alamo CRG LLC Secured Claim) must tender such promissory note or other instrument or security to the Reorganized Debtors or their designee or must execute and deliver an affidavit of loss and furnish an indemnity or bond in substance and amount reasonably satisfactory to the Reorganized Debtors.

Any holder of a Claim (other than DIP Financing Claims or Pre-petition Secured Credit Claims or the Alamo CRG LLC Secured Claim) that fails to surrender such instrument or to provide the affidavit and indemnity or bond within six months of the date such holder would have been entitled to receive a distribution under the Plan shall be deemed to have forfeited all rights and/or Claims and may not receive or participate in any distribution under the Plan.

E. Estimation

The Debtors, Reorganized Debtors, or the Litigation Trustee, as applicable, may at any time, request that the Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors, the Reorganized Debtors, or the Litigation Trustee have previously objected to such Claim. The Court will retain jurisdiction to estimate any Claim at any time, including during proceedings concerning any objection to such Claim. In the event that the Court estimates any Disputed Claim, such estimated amount may constitute either (a) the Allowed amount of such Claim, (b) the amount on which a reserve is to be calculated for purposes of any reserve requirement to the Plan, or (c) a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors, the Reorganized Debtors, or the Litigation Trustee as the case may be, may elect to object to ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another.

F. Nonconsensual Confirmation

The Debtors will seek to have the Court confirm the Plan under section 1129(b) of the Bankruptcy Code.

G. Intercompany Claims

At the option of the Debtors, with the consent of the Requisite Consenting Parties, or the Reorganized Debtors, as applicable, each Intercompany Claim shall be, either (i) reinstated and continued in full or in part, or (ii) eliminated in full or in part by offset, distribution, cancellation, assumption or contribution of such Intercompany Claim or otherwise; provided, however, that no Intercompany Claim shall be Allowed as a General Unsecured Claim or be payable from the Litigation Trust.

H. Liens

Notwithstanding anything to the contrary contained in the Plan, the substantive consolidation of the Debtors pursuant to Article VI of the Plan shall not affect the extent or validity of any Lien.

Upon the treatment or other satisfaction of any secured Claims in accordance with the Plan, the Liens securing such secured Claim shall be deemed released, terminated and extinguished, in each case without further notice to or order of the Court, act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person.

I. Enforcement of Subordination.

The classification and manner of satisfying all Claims and Equity Interests and the respective distributions and treatments under the Plan take into account or conform to the relative priority and rights of the Claims and Equity Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto whether under general

principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise, and any and all such rights are settled, compromised and released pursuant to the Plan. The Confirmation Order shall enjoin, effective as of the Effective Date, all persons and entities from enforcing or attempting to enforce any such contractual, legal and/or equitable rights so satisfied, compromised and settled.

J. Effect of Confirmation of the Plan

1. Continued Corporate Existence

The Debtors, as Reorganized Debtors, shall continue to exist after the Effective Date with all powers of a corporation or limited liability company, as the case may be, under the laws of the respective states governing their formation and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under such applicable state law, except as such rights may be limited and conditioned by the Plan and the documents and instruments executed and delivered in connection therewith. In addition, the Reorganized Debtors may operate their business free of any restrictions imposed by the Bankruptcy Code, the Bankruptcy Rules or by the Court, subject only to the terms and conditions of the Plan as well as the documents and instruments executed and delivered in connection therewith, including without limitation, the documents and instruments included in the Plan Supplement. The Reorganized Debtors shall be responsible for filing required post-confirmation reports and each Reorganized Debtor shall pay quarterly fees of such Debtor due to the Office of the United States Trustee until such time as a final decree is entered closing the applicable Chapter 11 Case or the Bankruptcy Code orders otherwise.

2. Settlement of Treatment of General Unsecured Claims

Pursuant to Bankruptcy Rule 9019 and in consideration for the Distributions and other benefits provided under the Plan, the Plan constitutes a good faith compromise and settlement of the rights and claims, if any, that the holders of Claims may have against the Released Parties. Any Distributions to be made pursuant to the Plan shall be made on account, and in consideration, of the compromise and settlement provided hereunder, which upon the Effective Date shall be binding on the holders of Claims (whether or not Allowed). The entry of the Confirmation Order shall constitute the Court's approval, as of the Effective Date, of the settlement and the Court's finding that the settlement is in the best interests of the Debtors and their Estates.

3. Dissolution of Creditors Committee

The Creditors Committee shall continue in existence until the Effective Date to exercise those powers and perform those duties specified in section 1103 of the Bankruptcy Code. Thereafter, the Creditors Committee shall continue in existence until the latest of: (1) the Effective Date; and (2) the conclusion of any appeals or other challenges or matters with respect to the Confirmation Order. On the latest of such dates, the Creditors Committee shall be dissolved and its members shall be deemed released of all their duties, responsibilities and obligations in connection with the Chapter 11 Cases or the Plan and its implementation, and the retention or employment of the Creditors Committee's attorneys, financial advisors, and other

agents shall terminate; provided, however, such attorneys and financial advisors shall be entitled to pursue their own Fee Claims. Following the Confirmation Date, in accordance with the foregoing, (x) the attorneys and financial advisors to the Creditors Committee shall be entitled to request any reasonable claims for compensation for services rendered or reimbursement for expenses incurred after the Confirmation Date through and including the dissolution of the Committee in connection with the services to the Creditors Committee and (y) the members of the Creditors Committee shall be entitled to reimbursement of their reasonable expenses incurred in connection with their exercise of the foregoing duties and responsibilities. The Reorganized Debtors shall pay, within ten (10) Business Days after submission of a detailed invoice to the Reorganized Debtors, such reasonable claims for compensation or reimbursement of expenses incurred by the professionals of the Creditors Committee. If the Reorganized Debtors dispute the reasonableness of any such invoice, the Reorganized Debtors or the affected professional may submit such dispute to the Court for a determination of the reasonableness of any such invoice, and the disputed portion of such invoice shall not be paid until the dispute is resolved. The undisputed portion of such reasonable fees and expenses shall be paid as provided in the Plan.

4. Vesting of Property

The property of the Debtors' estates shall be revested in the Reorganized Debtors on the Effective Date.

5. Discharge of the Debtors

The rights afforded in the Plan and the treatment of all Claims and Equity Interests in the Plan shall be in exchange for and in complete satisfaction, discharge, and release of all Claims of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtors, the Debtors in Possession, the Reorganized Debtors or any of their respective assets or properties, arising prior to the Effective Date. Except as otherwise expressly specified in the Plan, the Confirmation Order shall act as of the Effective Date as a discharge of all debts of, Claims against, and Liens on the Debtors, their respective assets and properties, arising at any time before the Effective Date, regardless of whether a proof of Claim with respect thereto was filed, whether the Claim is Allowed, or whether the holder thereof votes to accept the Plan or is entitled to receive a distribution hereunder. Except as otherwise expressly specified in the Plan, after the Effective Date, any holder of such discharged Claim shall be precluded from asserting against the Debtors, the Reorganized Debtors, or any of their respective assets or properties, any other or further Claim based on any document, instrument, act, omission, transaction, or other activity of any kind or nature that occurred before the entry of the Confirmation Order.

6. Injunction

Except as otherwise expressly provided in the Plan, the Confirmation Order, or a separate order of the Court, all entities who have held, hold, or may hold Claims against the Debtors that arose before or were held as of the Effective Date, are permanently enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind against the Debtors, the Reorganized

Debtors or the Litigation Trustee, with respect to any such Claim, (b) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against the Debtors, the Reorganized Debtors or the Litigation Trustee on account of any such Claim, (c) creating, perfecting, or enforcing any encumbrance of any kind against the Debtors, the Reorganized Debtors or the Litigation Trustee or against the property or interests in property of the Debtors or the Litigation Trustee on account of any such Claim, and (d) asserting any right of setoff, or subrogation of any kind against any obligation due from the Debtors, the Reorganized Debtors or the Litigation Trustee or against the property or interests in property of the Debtors on account of any such Claim. Such injunction shall extend to successors of the Debtor (including, without limitation, the Reorganized Debtors) or the Litigation Trustee and their respective properties and interests in property.

ANY PARTY WISHING TO PRESERVE ITS SETOFF RIGHT, MUST FILE, PRIOR TO THE CONFIRMATION DATE, A MOTION FOR RELIEF FROM THE AUTOMATIC STAY SEEKING THE AUTHORITY TO EFFECTUATE SUCH A SETOFF RIGHT OR HAVE TIMELY FILED A PROOF OF CLAIM WITH THE COURT PRESERVING SUCH SETOFF RIGHT IN SUCH PROOF OF CLAIM OR AMENDMENT THERETO.

7. Preservation of Causes of Action

The Reorganized Debtors and the Litigation Trustee, as applicable, shall retain all Causes of Action, other than as expressly released below. Except as expressly provided in the Plan or the Confirmation Order, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any such Causes of Action. Nothing contained in the Plan or the Confirmation Order shall be deemed a waiver or relinquishment of any Claim, Causes of Action, right of setoff, or other legal or equitable defense that the Debtors had immediately prior to the Petition Date that is not specifically waived, released or relinquished by the Plan. The Reorganized Debtors and the Litigation Trustee, as applicable, shall have, retain, reserve and be entitled to assert all such Claims, Causes of Action, rights of setoff and other legal or equitable defenses that the Debtors had immediately prior to the Petition Date as fully as if the Chapter 11 Cases had not been commenced, and all of the Debtors' legal and equitable rights respecting any Claim that are not specifically waived or relinquished by the Plan may be asserted after the Effective Date by the Reorganized Debtors or the Litigation Trustee, as applicable, to the same extent as if the Chapter 11 Cases had not been commenced. The Plan Supplement shall contain a non-exhaustive list of the claims that are preserved.

8. Votes Solicited in Good Faith

The Debtors have, and upon confirmation of the Plan shall be deemed to have, solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code.

9. Administrative Claims Incurred After the Effective Date

Obligations incurred by the Reorganized Debtors after the Effective Date including (without limitation) Claims for Professionals' fees and expenses incurred after such date, may be paid by the Reorganized Debtors in the ordinary course of business and without application for or Court approval, subject to any agreements with any claim holders.

10. Releases by the Debtors

On the Effective Date, the Debtors and the Reorganized Debtors, on behalf of themselves and their estates, shall be deemed to release unconditionally (a) all of their respective officers, current directors, employees, partners, advisors, attorneys, financial advisors, accountants, and other professionals, (b) the DIP Lenders, (c) the Pre-Petition Secured Creditors, (d) FMP, (e) the members of the Creditors' Committee, and as to each (c) – (e) their respective officers, directors, principals, members employees, partners, subsidiaries, affiliates, advisors, attorneys, financial advisors, accountants, and other professionals (collectively the "Released Parties" and each a "Released Party") from any and all claims, obligations, suits, judgments, damages, rights, Causes of Action and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon actions taken solely in their respective capacities described above or any omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, or the Plan, except that (i) no individual shall be released from any act or omission that constitutes gross negligence or willful misconduct, (ii) the Reorganized Debtors and the Litigation Trustee, as applicable, shall not relinquish or waive the right to assert any of the foregoing as a legal or equitable defense or right of set off or recoupment against any Claims of any such persons asserted against the Debtors, (iii) the foregoing release shall not apply to any obligations that remain outstanding in respect of loans or advances made to individuals by the Debtors, (iv) the foregoing release applies to the Released Parties solely in their respective capacities described above and (v) notwithstanding any other provisions of the Plan, the foregoing release shall not affect the creation of the Litigation Trust.

11. Releases by Non-Debtors.

On the Effective Date, all Persons who (a) directly or indirectly, have held, hold, or may hold Claims, or (b) vote to accept the Plan as set forth on the relevant Ballot, and (c) do not mark their Ballot to indicate their refusal to grant the releases provided in this paragraph, shall be deemed, by virtue of their receipt of Distributions and/or other treatment contemplated under the Plan, to have forever released and covenanted with the Reorganized Debtors and the Released Parties not to (y) sue or otherwise seek recovery from any of the Reorganized Debtors or any Released Party on account of any Claim in any way related to the Debtors or their business and affairs, including but not limited to any Claim based upon tort, breach of contract, violations of federal or state securities laws or otherwise, based upon any act, occurrence, or failure to act from the beginning of time through the Effective Date or (z) assert against any of the Reorganized Debtors or any Released Party any claim, obligation, right, cause of action or liability that any holder of a

Claim or Interest may be entitled to assert, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, or occurrence from the beginning of time through the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, or the Plan, provided, however, (i) none of the Released Parties shall be released from any Claim primarily based on any act or omission that constitutes gross negligence or willful misconduct as determined by a court of competent jurisdiction, (ii) the foregoing release shall not apply to obligations arising under the Plan, and (iii) the foregoing release shall not be construed to prohibit a party in interest from seeking to enforce the terms of the Plan.

12. **Exculpation and Injunction in Respect of Released Parties**

(a) **Exculpation.** The Debtors, the Reorganized Debtors, and the other Released Parties shall have no liability whatsoever to any holder or purported holder of an Administrative Claim, a Claim, or an Equity Interest for any act or omission in connection with, or arising out of, the Plan, or the Disclosure Statement, the negotiation of the Plan, or the Disclosure Statement, the negotiation of the documents included in the Plan Supplement, the pursuit of approval of the Disclosure Statement or the solicitation of votes for confirmation of the Plan, the Chapter 11 Cases, the consummation of the Plan, the administration and implementation of the Plan or the property to be distributed under the Plan, or any transaction contemplated by the Plan or Disclosure Statement or in furtherance thereof except for any act or omission that constitutes willful misconduct or gross negligence as determined by a Final Order. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations and any other applicable law or rules protecting such Released Parties from liability.

(b) **Injunction.** Pursuant to section 105 of the Bankruptcy Code, no holder or purported holder of an Administrative Claim, a Claim or an Equity Interest that provides a release or is deemed to release the Released Parties, shall be permitted to commence or continue any action, employment of process, or any act to collect, offset, or recover any Claim against a Released Party that accrued on or prior to the Effective Date and that has been released or waived pursuant to the Plan.

13. **Term of Bankruptcy Injunction or Stays**

All injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

14. **Preservation of Insurance**

The Debtors' discharge and release from all Claims as provided in the Plan, except as necessary to be consistent with the Plan, shall not diminish or impair the enforceability of any insurance policy that may cover Claims against the Debtors, the Reorganized Debtors (including, without limitation, its officers and current and former directors) or any other person or entity.

15. Indemnification Obligations Owed by the Debtors

Indemnification Obligations owed to directors, officers, and employees of the Debtors (or the estates of any of the foregoing) who served or were employed by the Debtors as of or after the Petition Date, excluding claims which have been determined by Final Order to have resulted from gross negligence, willful misconduct, breach of fiduciary duty, or intentional tort, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code under the Plan; provided that the Reorganized Debtors' liabilities in respect of such obligations shall be limited to the extent of available insurance coverage.

All Indemnification Obligations owed to directors, officers, and employees of the Debtors who served or were employed by the Debtors prior to, but not after, the Petition Date shall be deemed to be, and shall be treated as though they are, executory contracts that are rejected pursuant to section 365 of the Bankruptcy Code under the Plan.

Indemnification Obligations owed to any Professionals retained pursuant to sections 327 or 328 of the Bankruptcy Code and order of the Court, to the extent that such Indemnification Obligations relate to the period after the Petition Date, shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed pursuant to section 365 of the Bankruptcy Code under the Plan.

K. Retention of Jurisdiction

The Court shall have exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan pursuant to, and for the purposes of, section 105(a) and section 1142 of the Bankruptcy Code and for, among other things, the following purposes: (1) to hear and determine motions for the assumption or rejection of executory contracts or unexpired leases pending on the Confirmation Date, and the allowance of Claims resulting therefrom; (2) to determine any other applications, adversary proceedings, and contested matters pending on the Effective Date; (3) to ensure that distributions to holders of Allowed Claims are accomplished as provided in the Plan; (4) to resolve disputes as to the ownership of any Claim or Equity Interest; (5) to hear and determine objections to Claims and to consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim, including any Administrative Expense Claim; (6) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated; (7) to issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code; (8) to consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Court, including, without limitation, the Confirmation Order; (9) to hear and determine all applications for compensation and reimbursement of expenses of Professionals under sections 330, 331 and 503(b) of the Bankruptcy Code; (10) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan; (11) to hear and determine any issue for which the Plan requires a Final Order of the Court; (12) to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code; (13) to hear and determine disputes arising in connection with compensation and reimbursement of expenses of professionals for services rendered during the period

commencing on the Petition Date through and including the Effective Date; (14) to hear and determine any Causes of Action, including any Avoidance Action, preserved under the Plan under Bankruptcy Code sections 544, 547, 548, 549, 550, 551, 553, and 1123(b)(3); (15) to hear and determine any matter regarding the existence, nature and scope of the Debtors' discharge; (16) to hear and determine any matter regarding the existence, nature, and scope of the releases and exculpation provided in Article VIII of the Plan; (17) to enter a final decree closing the Chapter 11 Cases; (18) to hear and determine all controversies, suits, and disputes that may arise out of or in connection with the Litigation Trust, Litigation Trustee and/or the Litigation Trust Agreement; and (19) hear, determine, and adjudicate any and all (x) Claims, including allowance, classification, priority, compromise, estimation or payment, or (y) Transferred Avoidance Actions brought by the Litigation Trustee.

L. Miscellaneous Provisions

1. Payment of Statutory Fees

All fees payable on or before the Effective Date pursuant to section 1930 of title 28 of the United States Code shall be paid by the Debtors on or before the Effective Date. Each Reorganized Debtor shall pay such fees payable after the Effective Date until such time as a final decree is entered closing the applicable Chapter 11 Case or the Court orders otherwise.

2. Modification of the Plan

Subject to the limitations contained in the Plan: (1) the Debtors reserve the right in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code; and (2) after the entry of the Confirmation Order, the Debtors or the Reorganized Debtors, as the case may be, may, with the consent of the Requisite Consenting Parties (in consultation with the Trust Advisory Board with respect to the treatment of holders of General Unsecured Claims and matters pertaining to the Litigation Trust or any other matter affecting the rights of the holders of General Unsecured Claims), and upon order of the Court, amend or modify the Plan, in accordance with Section 1127(b) of the Bankruptcy Code.

3. Governing Law

Unless a rule of law or procedure is supplied by Federal law (including the Bankruptcy Code and Bankruptcy Rules) or the Delaware General Corporation Law, the laws of the State of Texas (without reference to the conflicts of laws provisions thereof) shall govern the construction and implementation of the Plan and any agreements, documents, and instruments executed in connection with the Plan, unless otherwise specified.

4. Filing or Execution of Additional Documents

On or before the Effective Date, the Debtors or the Reorganized Debtors, shall file with the Court or execute, as appropriate, such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

5. Withholding and Reporting Requirements

In connection with the Plan and all instruments issued in connection therewith and distributions thereon, the Reorganized Debtors and Litigation Trustee, as applicable, shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements.

6. Exemption From Transfer Taxes

Pursuant to, and to the fullest extent permitted by, section 1146(c) of the Bankruptcy Code, (a) the issuance, transfer or exchange under the Plan of New Equity Interests, (b) the making or assignment of any lease or sublease, or (c) the making or delivery of any other instrument whatsoever, in furtherance of or in connection with the Plan shall not be subject to any stamp tax or other similar tax.

7. Waiver of Federal Rule of Civil Procedure 62(a)

The Debtors may request that the Confirmation Order include (a) a finding that Fed. R. Civ. P. 62(a) shall not apply to the Confirmation Order, and (b) authorization for the Debtors to consummate the Plan immediately after entry of the Confirmation Order.

8. Exhibits/Schedules

All Exhibits and schedules to the Plan and the Plan Supplement Documents are incorporated into and constitute a part of the Plan as if set forth in the Plan.

9. Notices

All notices, requests, and demands to be effective shall be in writing and unless otherwise expressly provided in the Plan, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

To the Debtors: the Debtors, Buffets, LLC *et al.*, 120 Chula Vista Dr., Hollywood Park, TX 78232 (Attn: Adele Wang), and a copy to counsel for the Debtors, Akerman LLP, 2001 Ross Avenue, Ste. 2550, Dallas, TX 75201 (Attn: David W. Parham and John E. Mitchell); Telephone: (214) 720-4300; Facsimile: (214) 981-9339.

To the Creditors Committee: In care of Greenberg Traurig, LLP, Terminus 200, 3333 Piedmont Road NE, Ste. 2500, Atlanta, GA 30305 (Attn: David B. Kurzweil and John D. Elrod) and Greenberg Traurig, LLP, 1000 Louisiana, Ste. 1700, Houston, TX 77002 (Attn: Shari L. Heyen and David R. Eastlake), Telephone: _____; Facsimile: _____.

10. Plan Supplement

Forms of the Plan Supplement Documents (which may be in substantially final form) or term sheets relating to the Exit Facility, the Operating Agreement, the Schedule of Additional Rejected Contracts and Leases, the Schedule of Additional Assumed Leases, the Litigation Trust Agreement, the identity of the members of the Trust Advisory Board, amendments to certificates of incorporation and by-laws, FMP Promissory Note, Causes of Action, Included Avoidance Actions, and the Excluded Avoidance Actions and such other documents as the Debtors determine to be necessary or appropriate to the implementation and/or confirmation of the Plan shall be contained in the Plan Supplement which will be filed with the Clerk of the Court no later than seven (7) calendar days prior to the Confirmation Hearing. The Plan Supplement may be inspected in the office of the Clerk of the Court during normal court hours and shall be available online at "<https://ecf.deb.uscourts.gov>." Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement upon written request to counsel to the Debtors in accordance with Article X.J of the Plan and from Donlin, Recano and Company, Inc. website at <https://www.donlinrecano.com/>.

11. Conflict

The terms of the Plan shall govern in the event of any inconsistency with the summaries of the Plan set forth in the Disclosure Statement.

M. Executory Contracts and Unexpired Leases

The Bankruptcy Code grants the Debtors the power, subject to the approval of the Court, to assume or reject executory contracts and unexpired leases. If an executory contract or unexpired lease is rejected, the other party to the agreement may file a claim for damages, if any, incurred by reason of the rejection. In the case of the Debtors' rejection of leases of real property and employment agreements, such damage claims are subject to certain caps imposed by the Bankruptcy Code.

1. Assumption and Rejection of Executory Contracts and Unexpired Leases

To the extent not (i) assumed in the Chapter 11 Cases prior to the Confirmation Date, (ii) rejected in the Chapter 11 Cases prior to the Confirmation Date, (iii) subject of a separate motion or subject to the expedited procedures approved by the Court to assume or reject under section 365 of the Bankruptcy Code pending on the Effective Date, or (iv) specifically assumed pursuant to the Plan, each executory contract and unexpired lease that exists between Debtor and any Person is specifically rejected by the Debtor that is a party to such executory contract or unexpired lease as of and subject to the Effective Date pursuant to the Plan.

The following executory contracts and unexpired leases are rejected:

(a) executory contracts or unexpired leases that were rejected before the Confirmation Date; and

(b) contracts and unexpired leases identified in the Schedule of Additional Rejected Contracts and Leases in the Plan Supplement, which contracts and unexpired leases are deemed rejected by the applicable Debtor as of the corresponding rejection dates set forth in the Schedule of Additional Rejected Contracts and Leases.

Unexpired leases of nonresidential real property identified on the Schedule of Additional Assumed Leases in the Plan Supplement, are specifically assumed by the applicable Debtor listed on such schedule as of and subject to the Effective Date, and the Confirmation Order shall operate as an order authorizing the Debtors' assumption of the leases set forth on the Schedule of Additional Assumed Leases, as may be amended by agreement of the parties thereto, as of and subject to the Effective Date.

The following executory contracts and unexpired leases are assumed:

- (a) the FMP Management Contract;
- (b) all existing insurance policies that have not expired, been rejected or are subject to a motion to reject as of the Confirmation Date;
- (c) all real estate leases that have been assumed pursuant to a court order during these bankruptcy cases; and
- (d) all contracts with food vendors that were not rejected prior to confirmation or were not the subject of a motion to reject as of the Confirmation Date.

2. **Limited Extension of Time to Assume or Reject**

In the event of a dispute as to whether a contract or lease is executory or unexpired, the right of the Debtors or Reorganized Debtors to move to assume or reject such contract or lease, either by motion or pursuant to such expedited procedures as have been approved by the Court, shall be extended until the date that is thirty (30) days after the entry of a Final Order by the Court determining that the contract or lease is executory or unexpired. The deemed assumptions and rejections provided for in Article XI.B of the Plan shall not apply to such contract or lease.

In the event the Debtors or the Reorganized Debtors become aware after the Effective Date of the existence of an executory contract or unexpired lease that was not included in the Schedules or on the Schedule of Additional Assumed Leases, the right of the Reorganized Debtors to move to assume or reject such contract or lease shall be extended until the date that is thirty (30) days after the date on which the Debtors or the Reorganized Debtors become aware of the existence of such contract or lease. The deemed assumptions and rejections provided for in Article XI.B of the Plan shall not apply to any such contract or lease.

The Debtors reserve the right to amend Schedule of Additional Rejected Contracts and Leases up until three (3) days prior to the Confirmation Hearing and amend Schedule of Additional Assumed Leases up until the Effective Date.

3. **Cure**

The applicable Reorganized Debtor, except as otherwise agreed by the parties, will cure any and all undisputed defaults under any executory contract or unexpired lease that is assumed by such Reorganized Debtor pursuant to the Plan in accordance with section 365 of the Bankruptcy Code. In the event there is a dispute as of the Effective Date regarding the amount required to cure defaults under any executory contract or unexpired lease that the Reorganized Debtors propose to assume, the Reorganized Debtors shall have until thirty (30) days after entry of a Final Order determining the amount, if any, of the applicable Debtor or Reorganized Debtor's liability with respect thereto, or as may otherwise be agreed by the parties, to determine whether to assume or reject the related executory contract or unexpired lease. In the event the applicable Reorganized Debtor determines to assume the applicable executory contract or unexpired lease related to the disputed cure, such disputes shall be cured either within thirty (30) days of the entry of a Final Order determining the amount, if any, of the applicable Debtor or the applicable Reorganized Debtor's liability with respect thereto, or as may otherwise be agreed to by the parties.

4. **Rejection Damage Claims**

All Claims for damages arising from the rejection of executory contracts or unexpired leases must be filed with the Court in accordance with the terms of the order authorizing such rejection and any applicable bar dates established during the case, but in no event later than thirty (30) days after the Effective Date (unless rejected at a later date as a result of a disputed cure amount as set forth in Article XI.C. of the Plan). Any Claims not filed within such time will be forever barred from assertion against the Debtors, their respective estates and the Reorganized Debtors, and the Litigation Trust and the Litigation Trustee. All Allowed Claims arising from the rejection of executory contracts or unexpired leases shall be treated as General Unsecured Claims.

N. **Benefit Plans**

As of and subject to the Effective Date, all employee compensation and benefit plans, policies, and programs of the Debtors applicable generally to their employees, as in effect on the Effective Date, including, without limitation, all savings plans, retirement plans, health care plans, disability plans, incentive plans, and life, accidental death, and dismemberment insurance plans, but excluding any employment and severance agreements, plans or policies (unless, with the consent of the Requisite Consenting Parties, such employment and severance agreements, plans or policies are assumed by the Debtors pursuant to Court order), shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed under the Plan, and the Debtors' obligations under such agreements and programs shall survive the Effective Date of the Plan, without prejudice to the Reorganized Debtors' rights under applicable non -bankruptcy law to modify, amend, or terminate the foregoing arrangements, except for (i) such executory contracts or plans specifically rejected pursuant to the Plan, including on the Schedule of Additional Rejected Contracts and Leases, and (ii) such executory contracts or plans as have previously been terminated, or rejected, pursuant to a Final Order, or specifically waived by the beneficiaries of such plans, contracts, or programs.

O. Confirmation and Effectiveness of the Plan

1. Conditions Precedent to Confirmation

Confirmation of the Plan is subject to the Confirmation Order being in form and substance acceptable to the Debtors, and there shall not be a stay or injunction (or similar prohibition) in effect with respect thereto.

2. Conditions precedent to Effectiveness

The Plan shall not become effective unless and until it has been confirmed and the following conditions have been satisfied in full or waived pursuant to Article XIII.B of the Plan:

(a) the Confirmation Order, in form and substance satisfactory to the Debtors shall have become a Final Order;

(b) all authorizations, consents and regulatory approvals required (if any) for the Plan's effectiveness shall have been obtained; and

(c) each of the Plan Supplement Documents shall be in form and substance satisfactory to the Debtors, and any conditions (other than the occurrence of the Effective Date or certification by a Debtor that the Effective Date has occurred) contained therein having been satisfied or waived in accordance therewith.

3. Waiver of Conditions

The Debtors may waive any of the conditions set forth in Article XIII.B (a), (b), or (d) of the Plan above at any time without leave of or order of the Court and without any formal action.

4. Effect of Failure of Conditions

In the event that the Effective Date does not occur on or before ninety (90) days after the Confirmation Date, or such later date as may be provided in a Court Order, upon notification submitted by the Debtors to the Court: (a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made, (c) the Debtors and all holders of Claims and Equity Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred, and (d) the Debtors' obligations with respect to the Claims and Equity Interests shall remain unchanged and nothing contained in the Plan shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors unless extended by Court order.

5. Vacatur of Confirmation Order

If a Final Order denying confirmation of the Plan is entered, or if the Confirmation Order is vacated, then the Plan shall be null and void in all respects, and nothing contained in the Plan shall (a) constitute a waiver or release of any Claims against or Equity Interests in the Debtors;

(b) prejudice in any manner the rights of the holder of any Claim against, or Equity Interest in, the Debtors; (c) prejudice in any manner any right, remedy or claim of the Debtors; or (d) be deemed an admission against interest by the Debtors.

6. Revocation, Withdrawal, or Non-Consummation

(a) Right to Revoke or Withdraw. Subject to the terms of, and without prejudice to the rights of any party, the Debtors reserve the right to revoke or withdraw the Plan at any time prior to the Effective Date.

(b) Effect of Withdrawal, Revocation, or Non-Consummation. If the Debtors revoke or withdraw the Plan prior to the Effective Date, or if the Confirmation Date or the Effective Date does not occur, the Plan, any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Interest or Class of Claims or Interests), the assumption or rejection of executory contracts, unexpired leases, or benefit plans effected by the Plan, any release, exculpation or indemnification provided for in the Plan, and any document or agreement executed pursuant to the Plan shall be null and void. In such event, nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan shall be deemed to constitute a waiver or release of any Claims by or against or Interests in the Debtors or any other Person, to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors, or to constitute an admission of any sort by the Debtors or any other Person.

VIII.

PROJECTIONS AND VALUATION

The Debtors, with the assistance of their advisors, developed a set of financial projections (as summarized below and in Exhibit C, the "Financial Projections") to generally assess the value of the Reorganized Debtors in connection with the appropriateness of seeking confirmation and consummation of the Plan. The Financial Projections and valuations set forth below and in Exhibit C are based on a number of significant assumptions, including, among other things, the successful reorganization of the Debtors.

THE FINANCIAL PROJECTIONS AND VALUATIONS ARE BASED UPON A NUMBER OF SIGNIFICANT ASSUMPTIONS. ACTUAL OPERATING RESULTS AND VALUES MAY VARY.

A. Financial Projections

As a condition to confirmation of a plan, the Bankruptcy Code requires, among other things, that the Court determine that confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor. In connection with the development of the Plan, and for purposes of determining whether the Plan satisfies this feasibility standard, the Debtors' management have, through the development of the Financial Projections, analyzed the Debtors' ability to meet their obligations under the Plan and to maintain sufficient liquidity and capital resources to conduct their business subsequent to their emergence

from Chapter 11. The Financial Projections were also prepared to assist holders of Allowed Claims entitled to vote on the Plan in determining whether to accept or reject the Plan.

The Financial Projections should be read in conjunction with the assumptions and qualifications set forth herein and in Exhibit C. The Financial Projections were prepared in good faith based upon assumptions believed to be reasonable. The Financial Projections, which were prepared in July, 2016 and revised on September 2016, were based, in part, on economic, competitive, and general business conditions prevailing at the time. Any future changes in these conditions may materially impact the Debtors' ability to achieve the Financial Projections.

THE DEBTORS DO NOT, AS A MATTER OF NORMAL COURSE, PUBLISH PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION, RESULTS OF OPERATIONS OR CASH FLOWS. ACCORDINGLY, THE DEBTORS DO NOT INTEND TO, AND DISCLAIM ANY OBLIGATION TO (A) FURNISH UPDATED PROJECTIONS TO HOLDERS OF CLAIMS OR EQUITY INTERESTS PRIOR TO THE EFFECTIVE DATE OR TO ANY OTHER PARTY AFTER THE EFFECTIVE DATE, OR (B) OTHERWISE MAKE SUCH UPDATED INFORMATION PUBLICLY AVAILABLE.

THESE FINANCIAL PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTORS' MANAGEMENT, MAY NOT BE REALIZED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE AS TO THE ACCURACY OF THESE FINANCIAL PROJECTIONS OR TO THE DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE. FURTHER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THESE FINANCIAL PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED AND, THUS, THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER.

FINALLY, THE FINANCIAL PROJECTIONS INCLUDE ASSUMPTIONS AS TO THE ENTERPRISE VALUE OF THE REORGANIZED DEBTORS, AND THEIR ACTUAL ESTIMATED LIABILITIES AS OF THE EFFECTIVE DATE. THE REORGANIZED DEBTORS WILL BE REQUIRED TO MAKE SUCH ESTIMATIONS AS OF THE EFFECTIVE DATE.

1. **Scope of Financial Projections**

As part of this analysis, the Debtors have prepared projections of their financial performance for the five-year period through the end of fiscal year 2021 (the "Projection Period"). These projections and the assumptions upon which they are based are included in the Financial Projections that are annexed hereto as Exhibit C.

The financial information and projections appended to the Disclosure Statement include for the Projection Period:

- Pro forma projected consolidated balance sheet for the fiscal years ended on or near January 1, 2017, 2018, 2019, 2020, and 2021.
- Pro forma projected income statement for the fiscal years ended on or near January 1, 2017, 2018, 2019, 2020, and 2021.

The financial information and projections are based on the assumptions that the Plan will be confirmed by the Court and, for projection purposes that the Effective Date under the Plan will occur approximately in December, 2016. The Debtors believe that an actual Effective Date any time during the fourth quarter of fiscal year 2016 or early in the first quarter of fiscal year 2017 would not have any material effect on the Financial Projections.

2. Summary of Significant Assumptions

The following summarizes management's projections regarding revenues, expenses, EBITDA, capital expenditures and financial needs of the Reorganized Debtors and their consolidated subsidiaries for the fiscal years ended December 31, 2017 ("FYE 2017") through December 31, 2021 ("FYE 2021") (the "Projection Period"). The projections are based on a number of assumptions, including the expectation that the Reorganized Debtors have liquidity to achieve these Financial Projections, either through the generation of free cash flow. Capital will be required to remodel existing stores in a timely fashion and rehabilitate current locations to maintain support current and stop erosion of guest traffic.

Number of Restaurants. The Financial Projections assume the Reorganized Debtors would emerge from bankruptcy with 120 Company-owned stores. The footprint upon emergence is subject to change depending on determinations made by the Debtors during the course of the Chapter 11 Cases. The Financial Projections also assume the closure of underperforming stores over time as it remains within the normal course of business to periodically determine which restaurant leases should be renewed as such leases come up for renewal or extension.

Revenue Assumptions. During FY 2017, the Reorganized Debtors expect to generate \$278.1 million in restaurant sales, significantly down from the prior year, primarily due to (i) the closure of over 200 Company-owned stores during FY 2016. Restaurant sales are then projected to decline each year from \$249.5 million during FY 2018 to \$197.2 million in FY 2021, primarily due to no new planned store openings (for the purposes of these projections) coupled with the closure of 43 underperforming stores at the end of their respective lease terms leaving a total of 77 units in FY 2021.

Cost Assumptions. The Debtor has provided a complete overview and cost assumptions in Exhibit C. Store level cash flow ("SLCF") is expected to decrease from \$24.1 million during FY 2017 to \$15.0 million in FY 2021, with SLCF margins declining 1.1% during the Projection Period with the closing of underperforming restaurants whose leases are expiring and focusing on other cost savings initiatives and revenue enhancement opportunities.

Operating costs, such as utilities, supplies, repairs and maintenance, are projected to be flat as a percent of restaurant sales for all projected years of the plan.

Marketing is budgeted overall at 2.7% of sales for FY 2017 and will go down to 2.6% by FY 2021. Marketing expenditures will decline from \$7.9 million in FY 2017 to \$5.1 million in FY 2021. General and Administrative and Management fee expenses are overall 6.4% for each projection year as a percent of restaurant sales, and are expected to decline from \$17.8 million in FY 2017, to \$12.6 million in FY 2021. Both Marketing, General and Administrative, and Management Fee expenses are expected to decline in terms of total spend primarily resulting from the expected decrease in restaurant counts.

EBITDA. EBITDA for FY 2017 is projected to be \$6.2 million. Over the Projected Period, EBITDA is expected to decrease to \$2.4 million by FY 2021. The EBITDA margin is projected to decrease from 2.3% of total revenues for FY 2017 to 1.2% of revenues for FY 2021. The decrease in EBITDA and EBITDA margin is attributable to loss of revenues due to restaurant closures.

Capital Expenditures. Total capital expenditures are expected to be \$9.9 million in total over all projection years. Capital Expenditures for remodels make up \$6.6 million of the overall total and will peak in FY 2018 with an expected \$2.5 million to be spent. The Company is also expecting to spend \$3.3 million for deferred maintenance expenditures in FY 2017. The remodel program is expected to help maintain existing traffic and slow the year over year erosion in guest traffic and sales.

Working Capital. Investments in Working Capital are expected to increase over the course of the projection period as the Reorganized Debtors work to maintain the store network, and improve trade terms with their distributors and other vendors.

Fresh Start Accounting. The pro forma balance sheet adjustments contained herein account for the reorganization and related transactions pursuant to the Plan. The Company has evaluated and determined that Fresh Start Accounting is not applicable pursuant to Statement of Position 90-7 ("SOP 90-7"), *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*, as issued by the American Institute of Certified Public Accountants (the "AICPA").

The above financial projections are based on assumptions that are inherently uncertain and unpredictable. The operating and financial information contained in the Reorganized Debtors' projected financial data have been prepared by management and reflect management's current estimates of the Reorganized Debtors' future performance. The projections and assumptions have not been reviewed or independently verified by any third party. The projected results are dependent on the successful implementation of management's growth strategies and are based on assumptions and events over which, in many cases, the Reorganized Debtors will have only partial or no control. The selection of assumptions underlying such projected information require the exercise of judgment, and the projections are subject to uncertainty due to the effects that economic, business, competitive, legislative, political or other changes may have on future events. Changes in facts or circumstances underlying such assumptions could materially affect the projections. To the extent that assumed

events do not materialize, actual results may vary substantially from the projected results. As a result, no assurance can be made that the Reorganized Debtors will achieve the operating or financial results set forth in the financial projections, nor can there be any assurance that results will not vary, perhaps materially and/or adversely.

Any statements included in the Plan or Disclosure Statement regarding plans, objectives, goals, strategies, future events or performance of the Reorganized Debtors, including the above financial projections, are based on various assumptions, many of which in turn are based on other assumptions that management believes to be reasonable but which are inherently uncertain and unpredictable. The assumptions underlying projections may be incomplete and inaccurate, and unanticipated events and circumstances are likely to occur. For these reasons, actual results achieved during periods covered may vary from the projections, and such variations may be material or adverse. The projections are included solely to provide holders of Claims information concerning estimates of future operating results based on the assumptions, and no representation is intended that such results will be achieved. The Reorganized Debtors make no representation or warranty as to the accuracy or completeness of any of the foregoing information.

IX.

CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED HEREIN BY REFERENCE), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

A. Projected Financial Information

The Financial Projections included in this Disclosure Statement are dependent upon the successful implementation of the Reorganized Debtors' business plan and the validity of the assumptions contained therein. These projections reflect numerous assumptions, including, without limitation, confirmation and consummation of the Plan in accordance with its terms, the Reorganized Debtors' anticipated future performance, the future performance of the restaurant industry, certain assumptions with respect to the Reorganized Debtors' competitors, general business and economic conditions and other matters, many of which are beyond the control of the Reorganized Debtors. In addition, unanticipated events and circumstances occurring subsequent to the preparation of the Financial Projections may affect the Reorganized Debtors' actual financial results. Although the Reorganized Debtors believe that the Financial Projections are reasonably attainable, variations between the actual financial results and those projected may occur and be material.

B. Risks Related to the Debtors' Business and Operations

1. Marketing and Competition

The Debtors' restaurants operate in a highly competitive industry comprising a large number of restaurants, including national and regional restaurant chains and franchised restaurant operations, as well as locally-owned, independent restaurants. Price, restaurant location, food quality, service and attractiveness of facilities are important aspects of competition, and the competitive environment is often affected by factors beyond a particular restaurant management's control, including changes in the public's taste and eating habits, population and traffic patterns and economic conditions and the number of competitors in the restaurant's trade area. Many of the Debtors' competitors have greater financial resources and there are few non-economic barriers to entry. Therefore, new competitors may emerge at any time. It cannot be certain that the Debtors will be able to compete successfully against their competitors in the future or that competition will not have a material adverse effect on the Debtors' operations or earnings.

The Debtors have operated their core buffet restaurant concept since 1983, and the Ryan's restaurant chain acquired in November 2006 dates its operations to 1978. As a result, the Debtors are exposed to vulnerabilities associated with being a mature concept. These include vulnerability to innovations by competitors and out-positioning in markets where the demographics or customer preferences have changed. Mature units require greater expenditures for repair, maintenance, refurbishments and re-concepting, and the Debtors will be required to continue making such expenditures in the future in order to preserve traffic at many of the Debtors' restaurants. The Debtors cannot be sure that these expenditures, particularly for remodeling and refurbishing, will be successful in preserving or building guest counts.

If the Debtors' competitors in the casual dining, mid-scale and quick-service segments respond to any economic changes by adopting discount pricing strategies, it could have the effect of drawing customers away, thereby reducing sales and pressuring margins. Because certain elements of the Debtors' cost structure are fixed in nature, particularly over shorter time horizons, changes in marginal sales volume can have a more significant impact on the Debtors' profitability than for a business operating in a more variable cost structure.

2. Employees and Labor Costs

The Debtors operate in the service sector and are therefore extremely dependent upon the availability of qualified restaurant personnel. Availability of staff varies widely from location to location. If restaurant management and staff turnover trends increase, the Reorganized Debtors would suffer higher direct costs associated with recruiting, training and retaining replacement personnel. Moreover, the Reorganized Debtors could suffer from significant indirect costs, including restaurant disruptions due to management changeover and increased above-store management staffing costs. Competition for qualified employees exerts pressure on wages paid to attract qualified personnel and raises recruiting expenses, resulting in higher labor costs.

Many employees are hourly workers whose wages may be impacted by an increase in the federal or state minimum wage. Legislation is regularly introduced at federal and state levels to

increase minimum wage levels. The Fair Minimum Wage Act of 2007 increased the federal minimum wage to \$7.25 on July 24, 2009 and it has remained at that rate since then. An increase in the minimum wage may create pressure to increase the pay scale for the Reorganized Debtors' employees. A shortage in the labor pool, competition for employees or other general inflationary pressures or changes could also increase the Reorganized Debtors' labor costs.

Furthermore, the operation of buffet-style restaurants is materially different than other restaurant concepts. Consequently, the retention of executive management familiar with the Debtors' core buffet business is important to the Reorganized Debtors' continuing success. The departure of one or more key operations executives or the departure of multiple executives in a short time period could have an adverse impact on the Reorganized Debtors' business.

The Debtors' workers' compensation and employee benefit expenses are disproportionately concentrated in states with adverse legislative climates. The Debtors' highest per-employee workers' compensation insurance costs are in California, where the Debtors retain a large employment presence. In addition, the Federal Affordable Care Act and various states have considered or enacted legislation that would require large employers to provide health insurance or equivalent funding for workers who have traditionally not been covered by employer health plans. Other potential state and federal mandates, such as compulsory paid absences, increases in overtime wages and unemployment tax rates, stricter citizenship requirements and revisions in the tax treatment of employee gratuities, could also adversely affect the Reorganized Debtors' business. Any increases in labor costs could have a material adverse effect on the Reorganized Debtors' results of operations and could decrease the Debtors' profitability and cash available to service the Reorganized Debtors' debt obligations, if the Reorganized Debtors were unable to compensate for such increased labor costs by raising the prices charged or realizing additional operational efficiencies.

3. Vendors; Raw Material Costs

The Debtors are dependent on timely deliveries of fresh ingredients, including fresh produce, dairy products and meat. The cost, availability and quality of the ingredients used to prepare food are subject to a range of factors, many of which are beyond the Debtors' control. Fluctuations in weather, supply and demand and economic and political conditions could adversely affect the cost, availability and quality of ingredients. Historically, when operating expenses increased due to inflation or increases in food costs, the Debtors have been able to recover these increased costs by increasing menu prices. However, the Debtors may not be able to recover increased costs in the future because competition may limit or prohibit such future increases. If food quality declines due to the lack, or lower quality, of ingredients or due to interruptions in the flow of fresh ingredients and similar factors, customer traffic may decline and negatively affect the restaurants' results of operations. The Debtors rely exclusively on third-party distributors and suppliers for such deliveries. The number of companies capable of servicing the Debtors' distribution needs on a national basis has declined over time, reducing the Debtors' bargaining leverage and increasing vulnerability to distributor interruptions. In addition, the Debtors' suppliers typically provide trade credit in connection with Reorganized Debtors' purchases.

If significant suppliers or distributors are unable to perform their agreements with the Debtors, or if the agreements with such parties are suddenly and unexpectedly terminated, or if the terms by which the Reorganized Debtors' purchase products are significantly amended in a manner adverse to the Reorganized Debtors, supply costs could increase and disruptions in distribution could occur during the transition to other food suppliers which could have an adverse effect on the Reorganized Debtors' business, liquidity and results of operations.

4. Seasonality and Major World Events

The Debtors' restaurant sales volume fluctuates seasonally. Overall, restaurant sales are generally higher in the summer months and lower in the winter months although seasonality varies by geographic area. Positive or negative trends in weather conditions can have a strong influence on the Debtors' business. This effect is heightened because many of the Debtors' restaurants are in geographic areas that experience extremes in weather, including severe winter conditions and tropical storm patterns. Increases in gasoline prices also have a negative impact on the Debtors' business as they may decrease customers' discretionary spending and their dining out expenditures. Additionally, major world developments and other significant events that distract consumers from traditional spending patterns may adversely affect the Reorganized Debtors' business.

Additionally, the price and availability of the food that the Debtors purchase, which is influenced in large part by demand, capacity and oil and gasoline prices, significantly affects the Debtors' business. Fluctuating oil and energy costs, like those experienced in the last few years, could adversely affect the Reorganized Debtors' costs. The Reorganized Debtors may not be able to fully offset food price increases through customer price increases and process efficiencies. To the extent the Reorganized Debtors are unable to so offset any further raw material price increases their business may be adversely affected.

5. Consumer Preferences and Consumer Discretionary Spending

The restaurant industry is affected by consumer preferences and perceptions. If consumers seek out other dining alternatives rather than visit the Reorganized Debtors' restaurants, whether due to shifts in dietary trends, health emphasis or otherwise, the Reorganized Debtors' business could be hurt. In addition, negative publicity about the

Reorganized Debtors' products could materially harm their business, results of operations and financial condition.

The Debtors' success depends to a significant extent on consumers having ready access to discretionary income. Discretionary spending can be influenced by a large number of factors, including changes in general economic conditions or consumer confidence. Significant declines in consumer confidence or in the amount of funds available for discretionary spending could have a material adverse effect on the Reorganized Debtors' business, results of operations and financial condition. The Reorganized Debtors could experience declines in sales and profits during economic downturns, when energy prices are high, or due to concerns related to terrorism, for example. Escalating gasoline prices could motivate customers to visit the Reorganized Debtors' restaurants less frequently, alter their dining-out patterns or cause them to

spend less when they do decide to dine away from home. Other factors that could reduce consumers' discretionary spending could include increased borrowing costs due to adverse mortgage rate adjustments, credit card liability or other debt service expense.

6. Certain Restaurant Locations

The success of any restaurant depends, in substantial part, on its location. There can be no assurance that current locations will continue to be attractive as demographic patterns change. Neighborhood or economic conditions where restaurants are located could decline in the future, thus resulting in potentially reduced sales in these locations.

The Reorganized Debtors' success will depend in part on the ability to secure leases in desired locations at rental rates believed to be reasonable. The Debtors currently lease all of their restaurants. Each of the Debtors' lease agreements provides that the lessor may terminate the lease for a number of reasons, including the Debtors' default in any payment of rent or taxes or breach of any covenant or agreement in the lease. Termination of any of the Reorganized Debtors' leases could harm the results of operations and, as with a default under any of their indebtedness, could have a material adverse impact on the Reorganized Debtors' liquidity. There is no assurance that the Reorganized Debtors will succeed in obtaining extensions in the future at rental rates believed to be reasonable or at all. Moreover, if some locations should prove to be unprofitable, the Reorganized Debtors could remain obligated for lease payments even if the Reorganized Debtors decide to withdraw from those locations. The Reorganized Debtors will incur special charges relating to the closing of such restaurants, including lease termination costs. Impairment charges and other special charges will reduce the Reorganized Debtors' profits.

7. Government Regulations

In addition to wage and benefit regulatory risks, the Debtors are subject to other extensive government regulation at federal, state and local levels. These include, but are not limited to, regulations relating to the sale of food in all of the Debtors' restaurants and of alcoholic beverages in the Debtors' Tahoe Joe's Famous Steakhouse® restaurants. The Debtors are required to obtain and maintain governmental licenses, permits and approvals. Difficulty or failure in obtaining or maintaining them in the future could result in delaying or canceling the opening of new restaurants or the closing of current ones. Local authorities may suspend or deny renewal of the Reorganized Debtors' governmental licenses if they determine that the Reorganized Debtors' operations do not meet the standards for initial grant or renewal. This risk would be even higher if there were a major change in the licensing requirements affecting the Reorganized Debtors' types of restaurants.

The Federal Americans with Disabilities Act prohibits discrimination on the basis of disability in public accommodations and employment. Mandated modifications to the Reorganized Debtors' facilities in the future to make different accommodations for disabled persons could result in material, unanticipated expense.

State "dram shop" statutes generally provide a person injured by an intoxicated patron the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Application of these statutes to the Reorganized Debtors' operations, or

liabilities otherwise associated with liquor service in the Tahoe Joe's Famous Steakhouse® restaurants, could negatively affect the Reorganized Debtors' financial condition if not otherwise insured.

The Debtors' steak-buffet restaurants have a service format that is heavily dependent upon self-service by customers. Food tampering by customers or other events affecting the self-service format could cause regulatory changes or changes in the Reorganized Debtors' business pattern or customer perception. Any development that would materially impede or prohibit the Reorganized Debtors' continued use of a self-service approach, or reduce the appeal of self-service to guests, would have a material adverse impact on the Reorganized Debtors' primary business.

8. Environmental Laws

The Debtors are subject to federal, state and local laws, regulations and ordinances relating to the protection of the environment, including those that govern the cleanup of contaminated sites and activities or operations that may have adverse environmental effects, such as discharges to air and water, as well as handling and disposal practices for solid and hazardous wastes. These laws and regulations may impose liability for the costs of cleaning up, and damage resulting from, sites contaminated by past spills, disposals or other releases of hazardous materials. The Reorganized Debtors could incur such liabilities, including resulting cleanup costs, regardless of whether the Reorganized Debtors lease or own the restaurants or land in question and regardless of whether such environmental conditions were created by the Reorganized Debtors or resulted from historical operations of a prior owner or tenant or other third parties. Significant expense could also arise in relation to governmental regulations involving the handling and storage of hazardous materials, response planning for environmental contingencies and the reporting of environmentally related occurrences. It cannot be guaranteed that obligations relating to prior, existing or future restaurants or restaurant sites will not have a material adverse effect on the Reorganized Debtors.

9. Risk of Negative Publicity

The Debtors are, from time to time, faced with negative publicity relating to food quality, restaurant facilities, restaurant closures, health inspection scores, employee relationships or other matters at one of their restaurants or those of their franchisees. Adverse publicity may negatively affect the Reorganized Debtors, regardless of whether the allegations are valid or whether the Reorganized Debtors are liable. In addition, the negative impact of adverse publicity relating to one restaurant may extend beyond the restaurant involved to affect some or all of the Reorganized Debtors' other restaurants. A similar risk exists with respect to totally unrelated food service businesses, if customers mistakenly associate such unrelated businesses with the Reorganized Debtors' own operations.

10. Risk of Food-Borne Illness Incidents

While the Debtors maintain internal controls and training to prevent all food-borne illnesses, it cannot be guaranteed that such efforts will be fully effective. Furthermore, reliance on third-party food processors makes it difficult to monitor food safety compliance and increases

the risk that food-borne illness would affect multiple locations rather than single restaurants. Some food-borne illness incidents could be caused by third-party food suppliers and transporters outside of the Reorganized Debtors' control. New illnesses resistant to current precautions may develop in the future, or diseases with long incubation periods could arise that could give rise to claims or allegations on a retroactive basis. In addition, the levels of chemicals or other contaminants that are currently considered safe in certain foods may be regulated more restrictively in the future or become the subject of public concern.

The reach of food-related public health concerns can be considerable due to the level of attention given to these matters by the media. Local public health developments and concerns over diseases such as avian flu and bacteria such as E. coli or Salmonella could have a national adverse impact on the Reorganized Debtors' sales. Similarly, concerns related to particular food constituents or the byproducts of cooking processes could also have an adverse impact. This could occur whether or not the developments are specifically attributable to the Reorganized Debtors' restaurants or those of the Reorganized Debtors' franchisees or competitors.

11. Protection of Trademarks and Other Proprietary Rights

The Debtors believe that their trademarks and other proprietary rights are important to their success and competitive position. Accordingly, the Debtors devote substantial resources to the establishment and protection of their trademarks and proprietary rights. However, actions taken may be inadequate to prevent imitation of brands, proprietary rights and concepts by others, which may thereby dilute the Reorganized Debtors' brands in the marketplace or diminish the value of such proprietary rights, or to prevent others from claiming violations of their trademarks and proprietary rights by the Reorganized Debtors. In addition, others may assert rights in the Reorganized Debtors' trademarks and other proprietary rights. The Reorganized Debtors' exclusive rights to trademarks are subject to the common law rights of any other person who began using the trademark (or a confusingly similar mark) prior to both the date of registration and first use of such trademarks in the relevant territory. The Reorganized Debtors cannot guarantee that third parties will not assert claims against the Reorganized Debtors' intellectual property or that the Reorganized Debtors will be able to successfully resolve such claims. Future actions by third parties may diminish the strength of the Reorganized Debtors' restaurant concepts' trademarks or other proprietary rights and decrease the Reorganized Debtors' competitive strength and performance. The Reorganized Debtors could also incur substantial costs to defend or pursue legal actions relating to the use of intellectual property, which could have a material adverse effect on their business, results of operation or financial condition.

12. Complaints or Litigation

The Debtors are from time to time subject to employee claims alleging injuries, wage and hour violations, discrimination, harassment or wrongful termination, as well as customer and third party claims. In recent years, a number of restaurant companies have been subject to lawsuits, including class action lawsuits, alleging violations of federal and state law regarding workplace, employment and similar matters. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. Regardless of whether any claims against the Reorganized Debtors are valid or whether they are ultimately determined to be liable, claims may be expensive to defend and may divert time and money away from the Reorganized

Debtors' operations and hurt the Reorganized Debtors' financial performance. A significant judgment for any claim(s) could materially adversely affect the Reorganized Debtors' financial condition or results of operations.

13. Goodwill and Intangible Assets

The Debtors are required to evaluate goodwill and other intangibles for impairment whenever changes in circumstances indicate that the carrying amount may not be recoverable from estimated future cash flows or at least annually. This evaluation requires the use of projections of future cash flows from the reporting segment. These projections are based on growth rates, anticipated future economic conditions, the appropriate discount rates relative to risk and estimates of residual values. If changes in growth rates, future economic conditions, discount rates or estimates of residual values were to occur, goodwill and other intangibles may become impaired. This could result in material charges that could be adverse to the Reorganized Debtors' operating results and financial position.

C. Certain Bankruptcy Law Considerations

1. Risk of Non-Confirmation of the Plan

Although the Debtors believe that the Plan satisfies all of the requirements necessary for confirmation by the Court, there can be no assurance that the Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the resolicitation of votes to accept the Plan, as modified. If the Plan is not confirmed, significant delay will ensue, which the Debtors believe will hamper their prospects for reorganization and likely result in smaller recoveries to creditors.

2. Risk of Non-Occurrence of the Effective Date

Although the Debtors believe that the Effective Date may occur during the fourth calendar quarter of 2016, there can be no assurance as to such timing or that such conditions to the Effective Date contained in the Plan will ever occur.

D. Certain Risks Related to the Litigation Trust.

While the Debtors project an approximate 5% recovery to General Unsecured Creditors the exact amount of such recovery will be based upon the ultimate aggregate amount of Allowed General Unsecured Claims, the performance of the Litigation Trust in managing the Litigation Trust Proceeds (which will include the Litigation Trust Cash Component and the Transferred Avoidance Actions and Causes of Action) and the expenses of the Litigation Trust. Accordingly, actual recoveries may ultimately be less than the projected approximate recovery.

X.

CONFIRMATION PROCEDURE

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

A. Solicitation of Votes

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Claims and Interests in Classes _____, _____, _____ and _____ of the Plan are Impaired, but only the holders of Allowed Claims in Classes _____ and _____ are entitled to vote to accept or reject the Plan. Holders of Claims and Interests in Classes _____ and _____ are presumed to reject the Plan and are not entitled to vote to accept or reject the Plan. The Claims and Interests in Classes _____ and _____ are unimpaired. The holders of Allowed Claims in Classes _____ and _____ are conclusively presumed to have accepted the Plan and the solicitation of acceptances with respect to such Class therefore is not required under section 1126(f) of the Bankruptcy Code.

As to Classes of Claims entitled to vote on the Plan, the Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that have timely voted to accept or reject a plan.

A vote may be disregarded if the Court determines, after notice and a hearing, that acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

Any Claim in Classes 10 or 11 to which an objection or request for estimation is pending, or which is scheduled by the Debtors as unliquidated, disputed or contingent and for which no proof of claim has been filed, is not entitled to vote unless the holder of such Claim has obtained an order of the Court temporarily allowing such Claim for the purpose of voting on the Plan. In addition, the Debtors propose that Ballots cast by alleged creditors whose claims (a) are not listed on the Debtors' Schedules of liabilities or (b) are listed as disputed, contingent and/or unliquidated on the Debtors' Schedules of liabilities, but who have timely filed proofs of claim in unliquidated or unknown amounts that are not the subject of an objection filed by the Debtors will have their Ballots counted towards satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code, but will not have their Ballots counted toward satisfying the aggregate claim amount requirements of that section.

B. The Confirmation Hearing

The Bankruptcy Code requires the Court, after notice, to hold a confirmation hearing. The Confirmation Hearing in respect of the Plan has been scheduled for _____, 2016 at _____ a.m./p.m., prevailing Central Time, before the Honorable Ronald B. King, United States Bankruptcy Court, 615 East Houston Street, Courtroom 1, San Antonio, TX 78205. The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for an announcement of the adjourned date made at the

Confirmation Hearing. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim(s) or other Interest(s) held by the objector. Any such objection must be filed with the Court and served so that it is received by the Court and the following parties and the other parties requesting notice in these cases on or before June 4, 2012 at 4:00 p.m.:

To the Debtors: the Debtors, Buffets, LLC *et al.*, 120 Chula Vista Dr., Hollywood Park, TX 78232 (Attn: Adele Wang), and a copy to counsel for the Debtors, Akerman LLP, 2001 Ross Avenue, Ste. 2550, Dallas, TX 75201 (Attn: David W. Parham and John E. Mitchell); Telephone: (214) 720-4300; Facsimile: (214) 981-9339.

To the Creditors Committee: In care of Greenberg Traurig, LLP, Terminus 200, 3333 Piedmont Road NE, Ste. 2500, Atlanta, GA 30305 (Attn: David B. Kurzweil and John D. Elrod) and Greenberg Traurig, LLP, 1000 Louisiana, Ste. 1700, Houston, TX 77002 (Attn: Shari L. Heyen and David R. Eastlake), Telephone: _____; Facsimile: _____.

The Office of the United States Trustee, the Office of the United States Trustee, 615 E. Houston, Ste. 533, San Antonio, TX 78205 (Attn: James W. Rose, Jr.).

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014 and orders of the Court.

C. Confirmation

At the Confirmation Hearing, the Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (i) accepted by all impaired classes of claims and equity interests or, if rejected by an impaired class, that the plan "does not discriminate unfairly" and is "fair and equitable" as to such class, (ii) feasible and (iii) in the "best interests" of creditors and equity interest holders that are impaired under the Plan.

1. Acceptance

Classes _____ and _____ of the Plan are Impaired under the Plan. Classes _____ and _____ of the Plan are unimpaired and, therefore, are conclusively presumed to have voted to accept the Plan. Class _____ is deemed to reject the Plan because they will not receive a distribution under the Plan. Thus, only Classes _____ and _____ are entitled to vote to accept or reject the Plan. Because Class _____ is Impaired and is deemed to reject the Plan, the Debtors will seek nonconsensual confirmation of the Plan under section 1129(b) of the Bankruptcy Code, with respect to such Class. In addition to the extent any Impaired Class(es) entitled to vote on the Plan reject(s) the Plan, the Debtors may also seek the nonconsensual confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to such rejecting Class(es). Finally, the Debtors reserve their rights to amend the Plan in accordance with Article X.B. of the Plan with respect to any such rejecting Class(es).

2. Unfair Discrimination and Fair and Equitable Tests

To obtain nonconsensual confirmation of the Plan, also referred to as a "cram down," it must be demonstrated to the Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each Impaired, nonaccepting Class. The Bankruptcy Code provides a non-exclusive definition of the phrase "fair and equitable." The Bankruptcy Code provides that a plan is "fair and equitable" with respect to a class of creditors or equity holders if:

(a) Secured Creditors. Either (i) each Impaired creditor retains its liens securing its secured claim and receives on account of its secured claim deferred cash payments having a present value equal to the amount of its Allowed secured claim, (ii) each Impaired secured creditor realizes the "indubitable equivalent" of its Allowed secured claim or (iii) the property securing the claim is sold free and clear of liens with such liens to attach to the proceeds of the sale and the treatment of such liens on proceeds to be as provided in clause (i) or (ii) of this subparagraph.

(b) Unsecured Creditors. Either (i) each Impaired unsecured creditor receives or retains under the Plan property of a value equal to the amount of its Allowed Claim or (ii) the holders of Claims and Interests that are junior to the Claims or Interests of the nonaccepting class will not receive any property under the Plan.

(c) Equity Interests. Either (i) each holder of an Equity Interest will receive or retain under the Plan property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled or the value of its interest or (ii) the holder of an Interest that is junior to the nonaccepting class will not receive or retain any property under the Plan.

3. **Feasibility**

The Bankruptcy Code permits a plan to be confirmed if it is not likely to be followed by a liquidation or the need for further financial reorganization of the debtor. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan. Based upon the Financial Projections attached as Exhibit C and the assumptions set forth therein, the Debtors believe that they will be able to make all distributions required pursuant to the Plan and to fund their operations going forward and, therefore, that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

4. **Best Interests Test**

With respect to each Impaired Class of Claims and Equity Interests, confirmation of the Plan requires that each holder of an Allowed Claim or Equity Interest either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. To determine what holders of Claims and Equity Interests in each Impaired Class would receive if the Debtors were liquidated under chapter 7, the Court must determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case. The Cash amount that would be available for satisfaction of Claims and Equity Interests would consist of the proceeds resulting from the disposition of the unencumbered assets and properties of the Debtors, augmented by the unencumbered Cash, if any, held by the Debtors at the time of the commencement of the liquidation case. Such Cash amount would be reduced by the amount of the costs and expenses of the liquidation and by such additional administrative and priority claims that might result from the termination of the Debtors' business and the use of chapter 7 for the purposes of liquidation.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a chapter 7 trustee, as well as those fees that might be payable to attorneys and other professionals that such a trustee might engage. In addition, claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors during the pendency of the Chapter 11 Cases. The foregoing types of claims and other claims that might arise in a liquidation case or result from the pending Chapter 11 Cases, including any unpaid expenses incurred by the Debtors and the Creditors Committee during the Chapter 11 Cases such as compensation for attorneys, financial advisors and accountants, would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition Allowed Unsecured Claims.

To determine if the Plan is in the best interests of each Impaired Class, the value of the distributions from the proceeds of a liquidation of the Debtors' unencumbered assets and properties, after subtracting the amounts attributable to the foregoing claims, are then compared with the value of the property offered to such Classes of Claims and Equity Interests under the Plan.

After considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors and Interest holders in the Chapter 11 Cases, including (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) the likely erosion in value of assets in a chapter 7 case in the context of an expeditious liquidation and the "forced sale" atmosphere that would prevail under chapter 7 and (iii) the substantial increases in Claims which would be satisfied on a priority basis or on parity with creditors in the Chapter 11 Cases, the Debtors have determined that confirmation of the Plan will provide each holder of an Allowed Claim or Equity Interest with a recovery that is not less than such holder would receive pursuant to a liquidation of the Debtors under chapter 7.

The Debtors' Liquidation Analysis is attached hereto as Exhibit D. The information set forth in Exhibit D provides a summary of the liquidation values of the Debtors' assets, assuming a chapter 7 liquidation in which a trustee appointed by the Court would liquidate the assets of the Debtors' estates. As reflected in Exhibit D, the Debtors believe the Plan satisfies the best interests test of section 1129(a)(7) of the Bankruptcy Code.

Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by management, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtors and their management. The Liquidation Analysis is also based on assumptions with regard to liquidation decisions that are subject to change. Accordingly, the values reflected might not be realized if the Debtors were, in fact, to undergo such a liquidation. The chapter 7 liquidation period is assumed to be a period of 6 months, allowing for, among other things, the (i) discontinuation of the Debtors' operations, (ii) sale of assets and (iii) collection of receivables.

XI.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the alternatives to the Plan include (i) liquidation of the Debtors under chapter 7 of the Bankruptcy Code and (ii) an alternative plan of reorganization or a plan of liquidation.

A. Alternative Plan of Reorganization or Plan of Liquidation

If the Plan is not confirmed, the Court could confirm a different plan. The Plan is, in essence, a reorganization of the Debtors' business and a different plan might involve either a reorganization and continuation of the Debtors' business or an orderly liquidation of the Debtors' assets. The Debtors believe that the Plan, as described herein, enables creditors and interests holders to realize the highest and best value under the circumstances. The Debtors believe that any liquidation of the Debtors' assets or alternative form of chapter 11 plan is a much less attractive alternative to creditors than the Plan because of the far greater returns and certainty provided by the Plan. Other alternatives could involve diminished recoveries, significant delay, uncertainty, and substantial additional administrative costs. The Debtors believe that their Plan provides the best recovery to their creditors.

B. Liquidation Under Chapter 7

If no plan is confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate the Debtors' assets for distribution in accordance with the priorities established by chapter 7 of the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recoveries of holders of Claims and Equity Interests is set forth in the Liquidation Analysis attached as Exhibit D to this Disclosure Statement. For the reasons articulated in Article X above, the Debtors believe that a liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for in the Plan.

XII.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

A summary description of certain material U.S. federal income tax consequences of the Plan is provided below. This description is for informational purposes only and, due to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. Only the principal consequences of the Plan for the Debtors and those holders of Claims that are entitled to vote to accept or reject the Plan are described below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the U.S. Internal Revenue Service (the "IRS") or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding on the IRS or such other authorities. As a result, there can be no assurance that the IRS will not

disagree with or challenge any of the conclusions we have reached and describe herein. In addition, a significant amount of time may elapse between the date of this Disclosure Statement and the receipt of a final distribution under the Plan. Events occurring after the date of this Disclosure Statement, including changes in law and changes in administrative positions, could affect the U.S. federal income tax consequences of the Plan. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtors or any holder of a Claim. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

This summary does not address any estate or gift tax consequences of the Plan or tax consequences of the Plan under any state, local or foreign laws. Furthermore, this discussion does not address all tax considerations that might be relevant to particular holders of Claims in light of their personal circumstances or to persons that are subject to special tax rules. In addition, this description of the material U.S. federal income tax consequences does not address the tax treatment of special classes of holders of Claims, such as: financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies, persons holding Claims as part of a hedging, integrated or conversion transaction, constructive sale or "straddle," U.S. expatriates, persons subject to the alternative minimum tax, and dealers or traders in securities or currencies.

If a partnership or other pass-through entity is a holder of a Claim, the tax treatment of a partner or other owner will generally depend upon the status of the partner (or other owner) and the activities of the entity. If you are a partner (or other owner) of a pass-through entity that is a holder of a Claim, you should consult your tax advisor regarding the tax consequences of the Plan to your particular situation.

The following discussion is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), U.S. judicial decisions, administrative pronouncements and existing and proposed Treasury Regulations, all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder of Claim and no opinion or representation with respect to the U.S. federal income tax consequences to any such holder of a Claim is made. You are urged to consult your own tax advisor regarding the application of U.S. federal, state and local tax laws, as well as any applicable foreign tax laws, to your particular situation.

IRS Circular 230 disclosure: To ensure compliance with requirements imposed by the IRS, each holder of a Claim hereby notified that: (a) any discussion of U.S. federal tax issues in this document is not intended or written by us to be relied upon, and cannot be relied upon by you, for the purpose of avoiding penalties that may be imposed on you under the Internal Revenue Code; (b) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) you should seek advice based on your particular circumstances from an independent tax advisor.

A. U.S. Federal Income Tax Consequences to the Debtors

1. Cancellation of Indebtedness Income

It is anticipated that the implementation of the Plan will result in the cancellation of a substantial portion of the Debtors' outstanding indebtedness. In general, the discharge of a debt obligation in exchange for an amount of cash and other property having a fair market value less than the "adjusted issue price" of the debt that is discharged gives rise to cancellation of indebtedness ("COD") income to the debtor. However, COD income is not taxable to the debtor if the debt discharge occurs pursuant to a Title 11 bankruptcy proceeding. The Tax Code provides that a debtor in bankruptcy will exclude its COD income from gross income, and requires the debtor to reduce its tax attributes – such as net operating loss ("NOL") carryforwards, current year operating losses, tax credits, and tax basis in assets – by the amount of the excluded COD income. Where the debtor joins in the filing of a consolidated U.S. federal income tax return, applicable Treasury regulations require, in certain circumstances, that the tax attributes of the consolidated subsidiaries of the debtor and other members of the group also be reduced. The reduction in tax attributes occurs at the beginning of the taxable year following the taxable year in which the discharge occurs. Any excess COD income over the amount of available tax attributes is not subject to U.S. federal income tax.

The Debtors will not be required to include any COD income in gross income because the discharge of their indebtedness will occur pursuant to a Title 11 bankruptcy proceeding. Because the Debtors' outstanding indebtedness will be satisfied in exchange for property other than cash under the Plan, the amount of COD income, and accordingly, the amount of tax attributes required to be reduced, will depend in part on the fair market value of that property. These values cannot be known with certainty until after the Effective Date. Thus, although it is expected that the Debtors will be required to reduce their tax attributes, the exact amount of such reductions will not be known until after the Effective Date.

2. Net Operating Losses – Section 382

Following the Effective Date, any remaining NOL carryforwards and certain other tax attributes allocable to periods prior to the Effective Date (collectively, "pre-change losses") will not be subject to limitations from section 382 of the Tax Code since no ownership changes are expected under the Plan but may be subject to limitations as a result of prior ownership changes. Any section 382 limitations apply in addition to, and not in lieu of, the use of attributes or the attribute reduction that results from the COD arising in connection with the Plan. The Debtors expect that there will be no material tax attributes remaining after the Effective Date to which section 382 of the Tax Code would apply due to the expected reduction of tax attributes on account of COD as discussed above.

Under section 382 of the Tax Code, if a corporation (or consolidated group) undergoes an "ownership change," the amount of its pre-change losses that may be utilized to offset future taxable income is subject to an annual limitation. The consummation of the transactions contemplated by the Plan is not expected to constitute an "ownership change" of the Debtors for these purposes since all the Debtors' shareholders will retain their continuing ownership.

3. **Section 108(i)**

The Debtors' do not plan to make a special election to defer COD income under section 108(i) of the Tax Code. Under section 108(i), the Debtors can elect to first reduce the basis of depreciable property (but not below zero) for the COD income instead of reducing the basic tax attributes previously mentioned above. The Debtors do not expect any significant tax consequences under the Plan as a result of this decision.

4. **Debtors' Name and EIN Reorganization**

Following the Effective Date, the Debtors' and all of the Debtors' shareholders expect to enter into a tax-free non-recognition transaction whereby the Debtors' shareholders relinquish their stock in exchange for an equal carryover basis in one or more newly formed corporate entities. Under the Plan, the Debtors will not exchange any Claims for new common stock pursuant to a tax-deferred transaction under section 351 of the Tax Code.

B. Tax Considerations for Claim Holders

If you are a holder of a Claim, you should consult your own tax advisor for information that may be relevant to your particular situation and circumstances and the particular tax consequences to you of the transactions contemplated by the Plan.

The U.S. federal income tax consequences to a holder of a Claim (including the character, timing and amount of income, gain or loss recognized) will depend upon, among other things, (a) the manner in which you acquired a Claim; (b) the length of time that you have held the Claim; (c) whether you acquired the Claim at a discount; (d) whether you have taken a bad debt deduction with respect to the Claim (or any portion thereof) in current or prior years; (e) whether you have previously included in taxable income accrued but unpaid interest with respect to the Claim; and (f) your method of accounting.

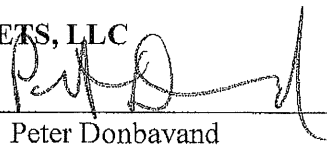
XIII.

CONCLUSION


The Debtors believe that confirmation of the Plan is in the best interests of all Creditors and urge all creditors who receive ballots to vote in favor of the Plan.

Dated: September 30, 2016


BUFFETS, LLC

By: 
Name: Peter Donbavand
Title: Vice President for Real Estate and
Business Development

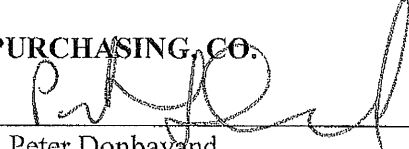
HOMETOWN BUFFET, INC.

By: 
Name: Peter Donbavand
Title: Vice President for Real Estate and
Business Development

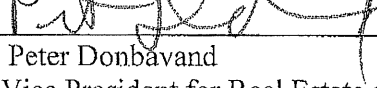
OCB RESTAURANT COMPANY, LLC

By: 
Name: Peter Donbavand
Title: Vice President for Real Estate and
Business Development

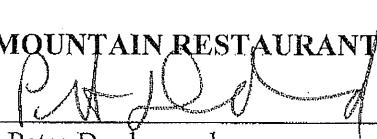
OCB PURCHASING, CO.

By: 
Name: Peter Donbavand
Title: Vice President for Real Estate and
Business Development

RYAN'S RESTAURANT GROUP, LLC

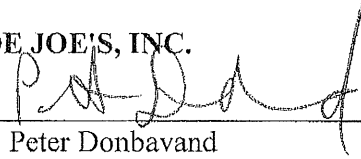
By: 
Name: Peter Donbavand
Title: Vice President for Real Estate and
Business Development

FIRE MOUNTAIN RESTAURANTS, LLC

By: 
Name: Peter Donbavand
Title: Vice President for Real Estate and
Business Development

TAHOE JOE'S, INC.

By: _____

A handwritten signature in black ink, appearing to read "Peter Donbavand", is written over a horizontal line.

Name: Peter Donbavand

Title: Vice President for Real Estate and
Business Development