

**UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
JACKSONVILLE DIVISION**

In re)	
TIJUANA FLATS RESTAURANTS, LLC, <i>et al</i> , ¹)	Case Nos. 3:24-bk-1122-BAJ and 3:24-bk-1128-BAJ
Debtors.)	Chapter 11
_____)	Jointly Administered Under Case No. 3:24-bk-1128-BAJ

JOINT DISCLOSURE STATEMENT

(November 14, 2024)

Richard R. Thames, Esq.
THAMES | MARKEY
50 North Laura Street, Suite 1600
Jacksonville, Florida 32202
(904) 358-4000
(904) 358-4001 (Facsimile)

Attorneys for the Debtors

¹ The Federal Employer Identification Number of the Debtor is 47-4472442. The principal address of the Debtor is 2300 Maitland Center Parkway, Suite 306, Maitland, Florida 32751.

Introduction

This Disclosure Statement (“Disclosure Statement”) is submitted jointly by the Debtors, Tijuana Flats Restaurants, LLC and Tijuana Flats #176, LLC (“Tijuana Flats” or “Debtors”), pursuant to § 1125 of the Bankruptcy Code. The purpose of this Disclosure Statement is to provide holders of Claims against Debtors with sufficient information to make an informed judgment of whether to accept or reject the Joint Plan of Reorganization (the “Plan”) which the Debtors have filed with this Court. The Disclosure Statement should be read in conjunction with the Plan.

To the extent this Disclosure Statement contains financial information, it was prepared from information provided by the Debtors. The Debtors have made every attempt to provide reliable and accurate financial information; however, such information has not been subject to an independent certified audit to ensure absolute accuracy.

The description of the Plan contained in this Disclosure Statement is intended as a summary only and is qualified in its entirety by reference to the Plan itself. Except as otherwise expressly provided herein, capitalized terms used herein and defined in the Plan shall have the same meaning attributed to them in the Plan.

The statements contained in this Disclosure Statement are made as of the date hereof, unless another time is specified herein, and delivery of this Disclosure Statement shall not create an implication that there has been no change in the facts set forth herein since the date of this Disclosure Statement and the date the materials relied upon in preparation of this Disclosure Statement were compiled.

This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan, and nothing contained herein shall constitute an admission of fact or liability by any party, or be admissible in any proceeding involving Debtors or any other party, or be deemed conclusive advice on the tax or other legal effects of the reorganization on holders of Claims or interests.

THE UNITED STATES BANKRUPTCY COURT FOR THE MIDDLE DISTRICT OF FLORIDA, JACKSONVILLE DIVISION, HAS BEEN ASKED TO APPROVE THIS DISCLOSURE STATEMENT, WHICH APPROVAL DOES NOT CONSTITUTE A DETERMINATION ON THE MERITS OF THE PLAN. THE APPROVAL OF THE DISCLOSURE STATEMENT SIMPLY MEANS THAT THE BANKRUPTCY COURT HAS FOUND THAT THE DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION TO PERMIT CREDITORS OF THE DEBTORS TO MAKE A REASONABLY INFORMED DECISION IN EXERCISING THEIR RIGHT TO VOTE UPON THE PLAN. THE COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A GUARANTY OF THE ACCURACY OR THE COMPLETENESS OF THE INFORMATION CONTAINED HEREIN, NOR AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT, TOGETHER WITH THE PLAN, SHOULD BE READ IN ITS ENTIRETY. ADDITIONALLY, IT MAY BE ADVISABLE FOR CREDITORS TO CONSULT THEIR OWN COUNSEL OR OTHER ADVISORS WITH RESPECT TO THE MATTERS CONTAINED HEREIN.

NO REPRESENTATIONS CONCERNING THE PLAN, OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT, HAVE BEEN AUTHORIZED BY THE BANKRUPTCY COURT.

Overview of Chapter 11

Once a petition for reorganization is filed, actions to collect pre-petition debts are stayed, and other contractual obligations may not be enforced. These protections give debtors the opportunity to restructure their operations under court supervision and guarantee that all creditors will receive fair and equitable treatment. After the commencement date, debtors are given the opportunity to restructure their operations and may obtain credit, sell assets, and reject executory contracts and lease obligations, subject to court approval. The debtor may then propose a plan of reorganization to restructure its obligations or a plan of liquidation to wind-down its operations in an orderly fashion. Substantially all liabilities of a debtor as of a commencement date are subject to settlement under a plan of reorganization and are to be voted upon by all impaired Classes of creditors and interest holders and approved by a Bankruptcy Court. The approval of a plan of reorganization allows a debtor to emerge from bankruptcy with its debts reduced or restructured, and to continue operating its business without continued court supervision.

Voting and Acceptance

Following approval of this Disclosure Statement, the Bankruptcy Court will schedule a hearing to consider confirmation and approval of the Plan. Notice of that hearing will be provided to you, along with a copy of the Plan, this Disclosure Statement and a ballot for you to either accept or reject the Plan.

Under the Bankruptcy Code, not all creditors of Debtors are entitled to cast a vote to accept or reject the Plan. Only holders of Claims that are “impaired” may vote. However, any creditor or party in interest may appear at the confirmation hearing on the Plan and be heard by the Bankruptcy Court in support of or in opposition to the Plan, provided that parties opposing confirmation shall have timely filed an objection in writing with the Bankruptcy Court.

Under the Bankruptcy Code, a Class of Claims or interests is considered to have accepted the Plan if both a majority in number and two-thirds (2/3) of the dollar amount of those actually voting from that Class vote to accept the Plan. The Claims of those who do

not vote are not counted in determining whether the requisite statutory majority in number and dollar amount have voted for acceptance. Acceptance by the statutory majority, however, will bind the minority who vote to reject the Plan. Pursuant to § 1129(b) of the Bankruptcy Code, the Plan may also be confirmed and become binding on creditors and parties in interest notwithstanding the rejection of the Plan by a Class of creditors if the Bankruptcy Court finds that the Plan does not “discriminate unfairly” and is “fair and equitable” to such Class in accordance with the provisions of § 1129(b).

IF YOU DO NOT VOTE, and no impaired Class accepts the Plan, the Bankruptcy Court may permit the secured creditors of Debtors to enforce their rights in their collateral, which may in turn result in the non-payment of Unsecured Claims.

The information set forth herein is intended to help you arrive at a decision to either accept or reject the Plan.

About the Debtors

Tijuana Flats Restaurants, LLC (“Restaurants”) owns and operates 65 “Tijuana Flats” restaurants located across Florida. Its restaurants provide fast, casual dining featuring a “Tex-Mex” cuisine.

The concept was founded in 1995, when the first “Tijuana Flats” restaurant opened in Winter Park, Florida. At its peak, Tijuana Flats had over 120 corporate restaurants and 26 franchised locations.

Previously, each of the company owned restaurants operated as a separate limited liability company, all owned by Restaurants, with Restaurants utilizing a consolidated Cash Management System for each of its subsidiaries. Between February and April of 2024, 24 of the operating subsidiaries were closed. On April 15, 2024, all but one of the remaining subsidiaries were “rolled up” and merged into Restaurants. Another 11 restaurants deemed to be unprofitable were not merged into Restaurants and were instead closed during the week of April 15, 2024. A separate subsidiary entity, TJJ Franchise Group, LLC, continues to administer another 23 restaurants independently through franchise agreements with third-party operators, and another 3 restaurants surrendered by the franchisee(s) to TJJ Franchise Group, LLC in July of 2024 in lieu of closure. Two additional subsidiaries, TJJ Advertising, Inc. and TJJ Brand Marketing, Inc., were established in December of 2023 to provide marketing support for the Debtors. Those entities are largely inactive.

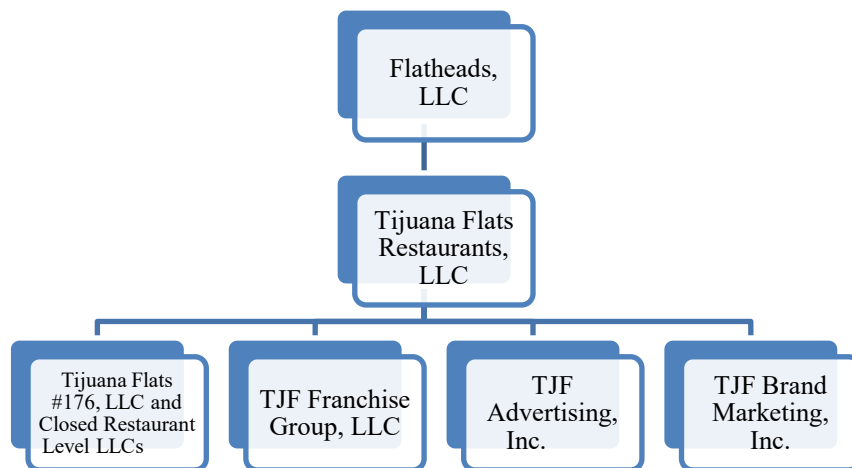
Set forth below is a listing of all remaining company-owned restaurants, with a statement of gross sales for each location during the twelve months preceding the Petition Date:

Unit #	Locations	LTM Sales
114	Tyrone	\$1,780,058
239	Riverview	\$1,769,386
129	Sanford	\$1,590,397
237	Saint Cloud	\$1,744,473
128	Pineloch/Orange	\$1,756,009
232	Bloomingtondale	\$1,696,398
249	Lutz	\$1,627,208
102	Hunt Club	\$1,348,446
104	Aloma	\$1,516,215
222	Eustis (Mt. Dora)	\$1,401,818
198	Largo	\$1,559,085
152	Beaches & Hodges	\$1,650,132
135	Brandon	\$1,546,026
165	Collier Parkway	\$1,428,594
133	Fowler	\$1,418,341
247	Champions Gate	\$1,362,386
127	Lake Nona	\$1,295,961
163	Wesley Chapel	\$1,331,139
184	Fleming Island	\$1,264,867
260	Hamlin	\$1,447,622
153	College Park	\$1,366,927
181	Roosevelt	\$1,268,066
167	Colonial	\$1,465,931
103	Lake Mary	\$1,408,616
180	Fort Meyers	\$1,253,204
190	Clearwater	\$1,410,114
164	Trinity - New Port Richey	\$1,376,430
122	Longwood	\$1,313,678
112	St. Petersburg	\$1,372,997
154	Hollywood	\$1,331,237
224	Viera	\$1,303,739
147	Sarasota	\$1,085,800
139	Ocala	\$1,370,205
169	Archer Road	\$1,214,009
223	St Lucie West	\$1,215,777
179	Weston	\$1,344,795
157	Leesburg	\$948,898
177	Lantana	\$1,241,110
187	Jupiter	\$1,017,167
242	Palm Bay Road	\$1,226,413
117	Hunter's Creek	\$1,278,896
238	Port Orange	\$1,254,642
183	Sarasota UPC	\$1,234,790
111	Deerfield Beach	\$1,197,045

130	Altamonte Springs	\$1,344,497
140	Commercial Blvd	\$1,241,144
257	Ocoee	\$1,310,430
170	Coral Springs	\$1,218,755
186	UCF	\$1,223,980
241	Apopka	\$1,218,722
120	Largo	\$1,273,852
243	Brooksville	\$1,127,645
156	Cooper City	\$1,205,996
234	Melbourne	\$1,047,833
159	Bradenton	\$1,112,038
121	Oldsmar	\$1,040,109
230	Royal Palm Beach	\$1,074,728
175	Stuart	\$1,030,793
176	Riverside	\$1,140,721
134	Dale Mabry	\$1,248,783
246	Nocatee	\$1,087,906
227	Platt Street	\$1,264,904
171	Pembroke Pines	\$845,506
258	O-Town	\$856,818
172	River City	\$1,255,538
		\$85,205,747

Over its nearly thirty-year existence, Tijuana Flats has undergone two major changes in ownership, the first occurring in 2015 when AUA Private Equity Partners purchased the company from the founding investor group, and the second occurring when AUA Private Equity Partners transferred its membership interest in Restaurants to Flatheads, LLC.

The current organizational structure for the Debtor is as follows:



Historical Operating Results

Set forth below is an unaudited summary of the Debtors' consolidated operations for calendar years 2021 to 2023, inclusive of now closed locations.

TJ Flats Restaurants, LLC						
Consolidated Statements of Operations						
Years Ended December 31, 2023, 2022 & 2021						
	2023		2022		2021	
	Unaudited					
Revenue:						
Restaurant revenue, net	\$ 118,761,329	100.00%	\$ 131,103,230	100.00%	\$ 132,884,217	100.00%
Franchising revenue		0.00%		0.00%		0.00%
Total revenue	118,761,329	100.00%	131,103,230	100.00%	132,884,217	100.00%
Expenses:						
Cost of food and beverages	30,702,483	25.85%	33,383,688	25.46%	33,211,182	24.99%
Labor and benefits	41,752,203	35.16%	44,099,213	33.64%	44,208,083	33.27%
Operating expenses	23,416,941	19.72%	24,817,417	18.93%	24,280,369	18.27%
Restaurant occupancy costs	11,677,984	9.83%	11,740,007	8.95%	11,225,657	8.45%
Advertising and marketing expenses	2,237,281	1.88%	3,002,867	2.29%	2,527,497	1.90%
General and administrative costs	10,952,260	9.22%	13,926,380	10.62%	12,555,786	9.45%
Depreciation and amortization	3,362,814	2.83%	3,459,254	2.64%	3,864,370	2.91%
Pre-opening expenses	1,435	0.00%	357,218	0.27%	197,890	0.15%
Loss on disposal of leasehold improvements, property and equipment	50,584	0.04%	10,845	0.01%	14,753	0.01%
Total operating expenses	124,153,985	104.54%	134,796,889	102.82%	132,085,587	99.40%
Operating income (loss)	(5,392,656)	-4.54%	(3,693,659)	-2.82%	798,630	0.60%
Loss on impairment of long-lived assets	3,954	0.00%	2,206,735	1.68%	197,022	0.15%
Forgiveness of Indebtedness income	-	0.00%	-		(10,000,000)	-7.53%
Interest expense	1,215,476	1.02%	3,501,525	2.67%	3,888,646	2.93%
Net income (loss)	\$ (6,612,086)	-5.57%	\$ (9,401,919)	-7.17%	\$ 6,712,962	5.05%
Net income without PPP Forgiveness					(3,287,038)	-2.47%

Events Leading to the Filing of the Chapter 11 Cases

Tijuana Flats finds itself before the Bankruptcy Court following a confluence of adverse events. In May of 2023, Tijuana Flats' then lender, Truist Bank, required the Debtors to post \$1.2 million in an interest reserve. That payment, coupled with the monthly interest payments and quarterly principal reduction payments of \$250,000 each, stripped the company of much-needed working capital during a challenging operational period.

Preceding those events, in 2021 and 2022, prior management sought to increase revenues and profits by expanding menu options. The menu changes had the opposite effect, however, as the menu additions required more equipment, staffing and time to prepare. The latter point led to slower delivery of food to the customers and higher costs.

At the same time, prior management failed to remain current with improvements in food preparation methods and equipment technology being employed by competitors. All of this led to growing dissatisfaction among the company's customer base, with a resulting drop in sales over time.

In addition, profit margins have been extremely compressed due to the rapid increases in food and labor costs and changes in consumer spending habits in the post-COVID inflationary environment, as evidenced by the high number of restaurant failures across the country in 2024. Attempts to raise prices to meet these economic challenges have met with limited success, eventually requiring the closure of 35 corporate-owned restaurants between January and April of 2024. Competition in this market segment is also fierce, as many competitors have copied Tijuana Flats formulas for success.

The Debtors chose to file these Chapter 11 proceedings to deal with the accounts payable and tax obligations which have accrued over the last two years through a reorganization plan.

Prepetition Debt Structure

As of the Petition Date, the Debtors were indebted to various creditors in the following amounts (unaudited; approximate):

Secured (LCS2022)	\$18,803,950
Priority Tax Claims	\$851,105
Employees	\$682,816
Trade Debt	\$5,647,636
Unpaid Lease Obligations	<u>\$920,909</u>
TOTAL	<u>\$26,906,416</u>

The foregoing does not include future liabilities under executory contracts or unexpired leases.

Events During the Chapter 11 Case

1. Management.

Pursuant to 11 U.S.C. § 1107, the Debtors have continued to manage their property and business affairs as debtors-in-possession. No trustee has been appointed. The following persons constitute the management team for the Debtors:

- a. James J. Greco: Mr. Greco is the company's Chief Executive Officer. He took this position in June of 2024, following the departure of Joseph D. Christina. Mr. Greco is the President of Pilgrim Holdings, a restaurant consulting company, and brings with him a wealth of restaurant turn-around experience, including successful reorganizations for Sbarro and Bruegger's. Mr. Greco is currently compensated at the rate of \$250,000 per year.
- b. Casey Rees: Mr. Reese serves as the Senior Vice-President of Finance for the Debtors. Before joining Tijuana Flats' management team in 2020, Mr. Rees held numerous key positions with Checkers & Rally's Restaurants from 2012 to 2018. Mr. Rees has also served as the Manager in Charge of Operations, Product Planning and Analysis for Darden Restaurants, the owner/operator of the Olive Garden restaurant chain. Mr. Rees is currently compensated at the rate of \$265,226 per year.
- c. David Pearl: Mr. Pearl is the company's Chief Financial Officer, working on a part-time basis as a "fractional" CFO. Mr. Pearl is a Certified Public Accountant by trade, and the principal of Pearl Business Group, a financial consulting and fractional CFO firm. Mr. Pearl joined the company in March of 2023, after lengthy stints with RJD Management, LLC (owner of 16 "Sticky Fingers" restaurants), E-Brand Restaurants, LLC (CFO) and Sonny's Franchise Company (CFO). Mr. Pearl is currently compensated at the rate of \$195,000 per year.

2. Professionals.

The following professionals have been employed by Debtors during the pendency of this reorganization:

- a. Thames | Markey, a Jacksonville, Florida based firm, has been employed as Debtors' bankruptcy counsel. The primary lawyer involved in the reorganization is Richard R. Thames, a Board-Certified Bankruptcy Specialist with over 36 years of experience. He has been assisted in this reorganization by Bradley R. Markey, a practitioner with over 30 years of bankruptcy and reorganization experience.
- b. Ford Harrison, LLP, a nationally recognized employment law firm, was employed as special counsel for the Debtors to assist with employment law matters.
- c. Advanced Real Estate Services, Inc. ("ARES"), was employed as the Debtors' lease restructuring advisor and negotiator. ARES has handled the majority of the lease assumptions for the Debtors through the date of this Disclosure Statement, and is compensated solely on a commission basis.

- d. Stretto, Inc., a nationally recognized claims processing and noticing agent, serves as the Debtors' claim and noticing agent.

No other professionals have been engaged by Debtors.

All compensation payable to professionals employed pursuant to § 327 of the Bankruptcy Code is subject to Bankruptcy Court approval following proper application and notice of hearing.

3. Use of Cash Collateral.

On March 4, 2022, Tijuana Flats Restaurants, LLC, its subsidiaries and its then parent company, TJ Flats Holdings, LLC, entered into a Credit Agreement with Truist Bank ("Truist") pursuant to which Truist provided \$21,000,000 in financing to Debtor and its affiliates to refinance a \$19,810,868 obligation owing to ABC Funding, LLC (Summit Partners Credit Advisors, L.P.), incurred in connection with AUA Private Equity Partners' purchase of the company in 2015.² The Truist loans were evidenced by Promissory Notes dated March 4, 2022, one in the original principal amount of \$20,000,000 (the "Term Loan") and the other in the original principal amount of \$1,000,000 (the "Revolver"). The loans were secured by blanket liens on the assets of all obligors and perfected by UCC-1 filings in Delaware and Florida.

On March 26, 2024, Truist assigned the loans and associated loan documents to LSC2022, LLC ("LSC2022") pursuant to an Allonge and Bill of Sale and Assignment of Loan Documents dated as of March 26, 2024.

On the Petition Date, Debtor was indebted to LSC2022 in the approximate amount of \$18,803,950. As set forth above, the indebtedness is secured by a blanket lien on all assets owned by the Debtors, including cash collateral. The estimated credit card and third-party receivables owed to the Debtor as of the Petition Date were \$739,824 (\$693,808 for the 65 current restaurants and \$46,016 for 11 restaurants closed in April 2024). "Cash in bank" as of the Petition Date totaled approximately \$425,786 (Truist Bank \$405,066 and Regions Bank \$20,720). Debtors' inventory, consisting mainly of perishable foods and paper products, had an estimated book value of \$742,625.

As a secured lender, LSC2022 was entitled to adequate protection against any diminution in value of its cash collateral pursuant to Bankruptcy Code §§ 361 and 363(e). The Debtors and LSC2022 therefore negotiated a consensual use of cash collateral embodied in the Bankruptcy Court's order of April 24, 2024 [Docket No. 41], authorizing the Debtors to utilize LSC2022's cash collateral on an interim basis. That order contains the following provisions:

² AUA Private Equity Partners acquired its membership interest in Debtor through TJ Flats Holdings, LLC.

- a. Rollover Lien. As adequate protection for any diminution in the value of cash collateral and other prepetition collateral resulting from the Debtors' use thereof after the Petition Date ("Diminution"), LSC2022 shall be entitled to a continuing replacement lien and security interest (the "Rollover Lien") in all assets of Debtors existing on or after the Petition Date of the same type as the prepetition collateral, together with the proceeds, rents, products and profits thereof, whether acquired or arising before or after the Petition Date, to the same extent, validity, perfection, enforceability and priority of the lien and security interest of LSC2022 as of the Petition Date. The Rollover Lien shall be limited to the amount of any Diminution, and does not extend to any avoidance claims held by the estate;
- b. The Rollover Lien. The Rollover Lien shall be subordinate to an administrative carve-out of \$200,000 for Debtors' professionals (the "Carve-Out"), but otherwise shall not be subject or subordinate to (i) any liens arising after the Petition Date except for any liens or security interests in favor of any federal, state, municipal or other government unit, commission, board or court for any tax liability of the Debtor, whether secured or unsecured, including property taxes for which liability is in rem, in personam, or both and a tax of a kind specified in 11 U.S.C. § 507(a)(8), or (ii) any other lien or security interest under 11 U.S.C. §§ 363 or 364, or otherwise.
- c. Superpriority Claim. As additional adequate protection for any Diminution, LCS2022 shall have a superpriority administrative expense claim pursuant to § 507(b) of the Bankruptcy Code, with recourse to and payable from any and all assets of the Debtors' estate, including but not limited to rights of the Debtor, choses in action, or claims of any kind whatsoever, choate or inchoate, present or residual which for any reason cannot be made the subject of the Rollover Lien (the "Secured Party Superpriority Claims"). The Secured Party Superpriority Claims shall be subject to only the Carve-Out and shall have priority over any and all administrative expenses, diminution claims and all other claims against the Debtors, now existing or hereafter arising, of any kind whatsoever, including, without limitation, all other administrative expenses of the kind specified in §§ 503(b) and 507(b) of the Bankruptcy Code, and over any and all administrative expenses or other claims arising under §§ 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546, 726, 1113 or 1114 of the Bankruptcy Code.
- d. Section 363(m) Protection. LSC2022 shall be entitled to the full protections of § 363(m) of the Bankruptcy Code with respect to the Rollover Lien and all other adequate protection created or authorized by the cash collateral order in the event that the order or any authorization contained therein is stayed, vacated, reversed or modified on appeal. Any stay, modification, reversal, or vacation of the cash collateral order shall not affect the validity

of any obligation of the Debtors to LSC2022, incurred pursuant to the cash collateral order.

The Debtors' authority to continue utilizing LSC2022's cash collateral on a final basis and on the foregoing terms was approved by order dated August 15, 2024 [Docket No. 350].

4. Employees.

On the Petition Date, the Debtors employed approximately 1,200 persons. Those employees were owed approximately \$851,105 on the Petition Date. Without the workforce's continued, uninterrupted services, the Debtors could not continue to operate. The Debtors therefore sought permission from the Bankruptcy Court to pay the prepetition priority wage claims of their employees as ordinary course expenditures. The Bankruptcy Court granted the requested relief by order dated April 24, 2024 [Docket No. 39]. As a result, the indebtedness owed for prepetition wages was extinguished.

5. The Rent Suspension Motion.

As indicated above, the filing of a bankruptcy petition stays efforts by creditors to collect prepetition debts. That stay does not mean however that the Debtors' coffers were suddenly filled with cash. To the contrary, the filing of the Chapter 11 cases created a whole new set of challenges for the company, including a short-term drop in sales due to adverse publicity, the loss of credit privileges with select vendors, and a requirement to post new security deposits with the utility providers.

The Debtors therefore sought a brief reprieve from having to pay their postpetition rent obligations by utilizing a seldom used provision of § 365 of the Bankruptcy Code which allows the Bankruptcy Court to suspend rent payment accruing in the first sixty (60) days of a bankruptcy case for cause. The suspension of rents did not excuse their payment; rather, the suspension simply postponed the Debtors' payment obligations to a later date.

The Debtors' Motion for Authority to Suspend Non-Residential Real Property Lease Payments was filed April 30, 2024 [Docket No. 55], and was granted on an interim basis by order dated May 7, 2024 [Docket No. 95]. The Debtors' motion was later withdrawn as the Debtors determined that they did not need further relief after suspension of the May rents.

As a result of the May 2024 rent suspension, the Debtors were able to post the postpetition security deposits due their utility providers described below and survive the short-term postpetition dip in sales which typically accompanies a retail-oriented Chapter 11 filing. The suspended May rents, to the extent not already paid, will be paid in conjunction with the assumption of the ground leases for the Debtors' remaining locations.

6. Settlement with US Foods, Inc.

On the Petition Date, the Debtors were parties to a Master Distribution Agreement (the “Distribution Agreement”) dated April 3, 2020, as amended, with US Foods, Inc. Under the terms of the Distribution Agreement, US Foods manages, among other things, the Debtors’ upstream supply chain by entering into third-party agreements with suppliers of discrete goods, obtaining the goods from such suppliers, and warehousing the goods until needed. Most importantly, US Foods arranges for delivery of the purchased goods to each of the Debtors’ owned and franchised locations on a weekly or as-needed basis.

Besides the operational efficiencies derived from the foregoing arrangement, utilizing a single source provider like US Foods allows the Debtors to obtain bulk pricing discounts which would not otherwise be available to the Debtors if they were dependent on local food and beverage suppliers.

As of the Petition Date, US Foods was owed \$2,816,853.37, \$1,503,691.54 of which was attributable to products purchased within the 20 days preceding the Petition Date. Those purchases enjoy priority claim status pursuant to § 503(b)(9) of the Bankruptcy Code. Another \$235,588.04 of the total represented sums owing for purchases of perishable agricultural commodities. These claims enjoy priority payment status over all creditors pursuant to the Perishable Agricultural Commodities Act of 1930, as amended (“PACA”), 7 U.S.C. §§ 499a, *et. seq.* US Foods for its part, owed the Debtors \$282,569.69 in administrative fees, commonly known as rebates, measured as of the Petition Date.

US Foods typically paid on 30-day terms via ACH drafts. Those drafts continued for a brief period postpetition, resulting in US Foods accumulating \$895,914.28 in postpetition payments on prepetition debts.

The Debtors determined that the continuation of the relationship with US Foods was absolutely essential to their reorganization efforts. The Debtors therefore entered into a compromise reflected in a Motion for Approval of Postpetition Credit Agreement with US Foods filed June 20, 2024 [Docket No. 248]. Under the terms of the agreement, US Foods agreed to continue providing credit to the Debtors on 30-day terms postpetition, which helped immensely with cash flow during the critical first few months of the case. The parties further agreed that the \$895,914.28 in postpetition payments would be applied against US Foods’ PACA claims first, with the balance applied to US Foods’ § 503(b)(9) claims in date sequence. The Debtors were also owed a “recall credit” of \$15,155.18 for prepetition product recalls. Those sums too were applied to the US Foods’ § 503(b)(9) administrative expense claim, resulting in a reduced administrative expense claim of \$828,210.12, which will be paid in monthly installments of \$69,017.51 each, commencing September 15, 2024, and continuing each month thereafter.

The Order Granting Debtors’ Motion for Approval of Postpetition Credit Agreement with US Foods, Inc. was entered on July 17, 2024 [Docket No. 291]. The Debtors are presently negotiating a restructuring of that obligation.

7. Assumption of Marketing Agreement with the Coca-Cola Company.

On the Petition Date, the Debtors were beneficiaries and obligors under a Beverage Marketing Agreement dated January, 2015 with Coca-Cola (“the Beverage Marketing Agreement”). Under the terms of the Beverage Marketing Agreement, Coca-Cola agreed to provide Coca-Cola® products and dispensing equipment to all of the Debtors’ locations at volume-based prices lower than that which the Debtors’ restaurants could obtain on a store-by-store basis. In exchange, Coca-Cola agreed to provide Marketing Support Payments to the Debtors and their affiliates based on the volume of syrup purchased. Those Marketing Support Payments, commonly known as “rebates,” totaled approximately \$319,374.98 as of September 11, 2024.

Under the terms of the Beverage Marketing Agreement, Coca-Cola is entitled to equipment removal and unbundling fee for each location closed during the term of the agreement. As a result of the restaurant closings which occurred earlier this year, Coca-Cola asserts that it is owed \$65,322.57 on account of such fees. Though the Debtors are arguably not directly obligated for those fees, the Beverage Marketing Agreement does provide for their offset against rebates owed to any of the contract beneficiaries. The Debtors have therefore consented to the required offset as a “cure” payment required as a condition to assumption of the Beverage Marketing Agreement.

An order granting the Debtors’ Motion to Assume Executory Contract with the Coca-Cola Company was entered September 13, 2024 [Docket No. 402].

8. Utilities.

In the ordinary course of business, the Debtors incur certain expenses related to essential utility services that enable the Debtors to operate each of their restaurants. Pursuant to § 366 of the Bankruptcy Code, the Debtors were required to provide each utility company providing such services with a bond or similar security providing “adequate assurance of future performance.” Though the Debtors were able to pay prepetition sums in lieu of cash deposits or utilize existing bonds to provide such protection in some instances, the Debtors were ultimately required to post approximately \$189,000 in post-petition bonds and security deposits with their utility providers. These out-of-the-ordinary expenditures had a negative impact on the Debtors’ operating reserves which will take a significant period of time to replenish.

9. Lease Assumptions.

As previously stated, the Debtors do not own the locations from which they currently conduct business. The restaurants instead operate from leased premises. During the pendency of this case, the Debtors, with ARES’ assistance, have renegotiated and formally “assumed” a number of ground leases, including:

Store #	Location	Contract Counterparty
100 (corporate)	Maitland, Florida	SCRE II Tower Maitland, Limited Partnership
103	Lake Mary, Florida	Oaks at Lake Mary, Ltd.
122	Longwood, Florida	Springs Plaza Longwood, LLC
130	Altamonte Springs, Florida	QPCACC, LLC
139	Ocala, Florida	Berkshire Oaks Ocala, LLC
153	Orlando, Florida	Princeton Center, LLC
156	Cooper City, Florida	Stirling Property Investment, LLC
159	Bradenton, Florida	Louis Geraci, LLP
163	Wesley Chapel, Florida	Sam's State Road 56, LLC
164	New Port Richey, Florida	419 E. 57 th , LLC
169	Gainesville, Florida	F&L Fiduciary Services, LLC, Successor Trustee of Jupiter Pass Land Trust
171	Pembroke Pines, Florida	JBL Flamingo Pines, LLC
175	Stuart, Florida	NP I, Inc.
180	Fort Myers, Florida	College Venture I, LLC
186	Orlando, Florida	Chugin (U.S.A.), Inc.
224	Melbourne, Florida	Reinhold Viera Properties, LLC
234	Melbourne, Florida	Babcock New Haven, LLC
237	St. Cloud, Florida	Hill/Gray Seven, L.L.C.
242	West Melbourne, Florida	Benchmark PBH LLC
247	Champions Gate, Florida	CG Downtown Shopping Center, LLC

By virtue of an Order Granting Debtors' Motion for Extension of Time to Assume or Reject Unexpired Leases of Nonresidential Real Property [Docket No. 290], the have until November 15, 2024, within which to file their motions to assume the remaining leasehold locations.

10. Hurricanes Helene and Milton. On October 5, 2024, in response to Hurricane Milton, Governor Ron DeSantis declared a state of emergency for thirty-five counties located across Central Florida (Executive Order 24-214), with mandatory evacuations in a number of communities on Florida's West Coast. The state of emergency was enlarged to fifty-one counties on October 6, 2024 (Executive Order 24-215). Hurricane Milton made landfall on October 9, 2024, causing wide-spread loss of power throughout Central Florida. The Debtors were therefore forced to close the vast majority of their locations for 48 to 72 hours, with several being closed for nearly a week. As a result, the Debtors have suffered an unexpected loss of revenue in excess of \$665,000.³ A substantial amount of perishable products were also lost due to power outages. These losses came on the heels of an unexpected loss of over \$250,000 in revenues only two weeks earlier due to Hurricane Helene. The Debtors did not therefore have sufficient funds to pay November rents in a timely manner and therefore sought leave of court to suspend payment of the November rents at all locations [Docket No. 439].

On November 5, 2024, the Bankruptcy Court entered its Order Granting, in Part, and Denying, in Part, Debtors' Emergency Motion to Suspend November Rent Payments Due to Hurricane Interruption [Docket No. 469]. As a result, rent for approximately one-half the Debtors' restaurants were suspended for November, to be repaid in connection with the assumption of the underlying leases.

Debtors' equity holder, Flatheads, LLC, had been reserving funds to facilitate an exit from these Chapter 11 proceedings. Given the exigent circumstances attendant the hurricane interruptions, Flatheads advanced \$1,200,000 to the Debtors as an emergency loan. Approval of the emergency funding was granted by Order dated November 4, 2024 [Docket No. 468].

11. Strategic Improvements. In addition to the foregoing, the Debtors have undertaken a number of strategic initiatives to improve sales and operational results. Upon Mr. Greco's appointment, each restaurant underwent a "freshening" to improve their appearance and the dining experience for customers. Preparation procedures have been updated and new technology implemented to improve product flavor. Portion sizes have also been increased, reversing prior management's efforts to stem losses by delivering less product. New menu items have also been added on a limited time only basis to showcase the brand's ability to execute authentic, flavorful and fresh Mexican street food. The new and improved menu items appear to be gaining wide acceptance.

The Debtors have also eliminated a layer of duplicative management at the store level, and efforts are currently underway to rectify broad discrepancies in labor costs amongst similar sales volume restaurants.

The Debtors have also revamped their marketing programs, bringing most of their social media advertising "in-house." The Debtors have also tailored their brand promotions

³ Estimated. A number of stores remain closed. Damages are thus continuing to accrue.

to apprise lapsed and new customers of the new and improved products that have been introduced.

These initiatives will take time to produce tangible results, but recent sales trends indicate that the measures are beginning to take hold in a positive fashion.

12. Contested Matters

The Chapter 11 proceedings have been relatively free of contested proceedings.

Push, Incorporated has, however, filed an application for allowance of an administrative expense of \$53,295.89 for contractual fees accruing under a prepetition marketing and promotional agreement between the parties and for “intellectual property assets” allegedly delivered within twenty (20) days of the Petition Date. The Debtors have opposed the application, arguing, among other things, (i) that Push is not entitled to a contractual proration of the monthly service fee absent a showing of actual benefit to the estate, and (ii) that the “intellectual property assets” do not qualify as “goods” within the meaning of the Uniform Commercial Code and § 503(b)(9) of the Bankruptcy Code.

In response to Push’s administrative expense application, the Debtors have also initiated an adversary proceeding against Push to recover the approximate \$85,898.06 in payments made to Push in the ninety (90) days preceding the Petition Date as preferential transfers. Inasmuch as the preference claim exceeds Push’s already disputed administrative expense claim, the Debtors do not believe that Push will be entitled to net payment of any portion of its administrative expense claim.

A trial of the administrative expense claim and the adversary proceeding is currently scheduled for February 7, 2025.

AaronVan Creative, LLC (“AaronVan Creative”), a marketing firm employed by the Debtors prepetition, asserted a copyright infringement claim against the Debtors contending that the Debtors had no right to utilize images created by it absent payment of the \$15,000 due under the terms of the parties’ pre-petition contract. The Debtors contend that use of the images was not conditioned upon payment, and that the perpetual license granted to them constitutes an executory contract subject to assumption or rejection under 11 U.S.C. § 365.

On or about September 18, 2024, the Debtors reached a settlement with AaronVan Creative wherein the license to utilize the photograph copyrighted materials was assumed and all further claims released for \$10,000. An order approving the compromise was entered October 28, 2024 [Docket No. 462].

Summary of the Plan

As is their duty, the Debtors have proposed the Plan as a means for dealing with their debt burden and, which Plan is intended to ensure that all creditors receive as much or more than they would receive in a liquidation of Debtors' assets. In broadest terms, the Plan contemplates an equity contribution of \$205,000 from Flatheads, LLC which will be used to cover Administrative Claims and make a one-time, lump-sum distribution to General Unsecured Creditors. The secured indebtedness owed to LCS2022 will be reduced and paid in accordance with the payment schedule described below. A more detailed Summary of the Plan is set forth below:

Classification of Claims

The table below summarizes the classification of Claims against and Interests in Debtors for all purposes under the Plan, including voting, confirmation and distributions. In accordance with § 1123(a)(1) of the Bankruptcy Code, the Debtors have not classified Administrative Claims, Professional Fee Claims and Priority Claims, and such Claims shall be paid in the manner described in Article VI of the Plan.

<u>Class</u>	<u>Creditor</u>	<u>Status</u>	<u>Voting Rights</u>
N/A	Administrative	N/A	No
N/A	Priority	N/A	No
1	LSC2022, LLC	Impaired	Yes
2.	General Unsecured Claims of Restaurants, LLC	Impaired	Yes
3.	General Unsecured Creditors of Tijuana Flats #176, LLC	Impaired	Yes
4.	Equity Interests	Impaired	Yes

The Plan deems a Claim or Interest to be classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. A Claim or Interest is in a particular Class, other than for voting purposes, only to the extent that any such Claim or

Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

Treatment of Administrative, Professional Fee and Priority Claims

Unless otherwise agreed by the Holder of an Administrative, Professional Fee or Priority Claim, such Claims shall be paid as follows:

1.0 Administrative Claims. Subject to the provisions of §§ 328, 330(a) and 331 of the Bankruptcy Code, and except as provided below in Section 5.3 of this Plan, Debtors shall pay each Holder of an Allowed Administrative Claim the full unpaid amount of such Allowed Administrative Claim in Cash: (i) on the Effective Date or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as practicable thereafter); (ii) if such Claim is Allowed after the Effective Date, on the date such Claim is Allowed or as soon as practicable thereafter; (iii) at such later time as may be agreed upon by such Holder and Debtors; or (iv) at such time and upon such terms as are set forth in a Final Order. Any party asserting an Administrative Claim not otherwise agreed to by the Debtors or previously allowed by order of the Bankruptcy Court must file such Claim on or before the Administrative Claim Bar Date.

Unless modified by agreement of the parties, US Foods' Administrative Expense Claim shall be paid in the manner specified in the Order Granting Debtors' Motion for Approval of Postpetition Credit Agreement with US Foods, Inc. entered July 17, 2024 [Docket No. 291].

2.0 Professional Fee Claims. Professionals or other Persons asserting a Professional Fee Claim for services rendered before the Effective Date must file and serve on Debtors, and such other Persons who are designated by the Bankruptcy Rules, the Confirmation Order or other order of the Bankruptcy Court an application for final allowance of such Professional Fee Claim no later than thirty (30) days after the Effective Date (the "Professional Fee Bar Date"). Professional Fee Claims shall be paid (i) on the date such Professional Fee Claim is Allowed or as soon as practicable thereafter; (ii) at such later time as may be agreed upon by such Holder and Debtors; or (iii) at such time and upon such terms as are set forth in a Final Order.

3.0 Ordinary Course Liabilities. Administrative Claims based on liabilities incurred by Debtors in the ordinary course of their business and reflected on their books and records, including Administrative Claims of governmental units for taxes, will, to the extent not paid during the pendency of the Chapter 11 Case, be paid by the Debtors or Reorganized Debtors pursuant to the terms and conditions of the particular transaction giving rise to such Administrative Claims, without any further action by the Holders of such Administrative Claims. Holders of Administrative Claims based on liabilities incurred by Debtors in the ordinary course of their business, excluding Administrative Claims of governmental units for taxes, will not therefore be required to file or serve any

request for payment of such Administrative Claims. The Holder of a postpetition Claim arising under an Executory Contract or Unexpired Lease rejected or proposed to be rejected during the pendency of the Chapter 11 Cases will be required to file formal applications for the allowance of its Administrative Expense Claims by the Administrative Claims Bar Date.

4.0 Payment of Statutory Fees. All fees payable pursuant to Article 1930 of Title 28 of the United States Code assessed against Debtors' estate shall be paid in full by Debtors as they become due and owing through the entry of a Final Decree.

5.0 Priority Claims. Unless otherwise agreed by Debtors and the Priority Claim Holder, Allowed Priority Claims, including Priority Tax Claims, shall be paid by the Debtors or Reorganized Debtors in full in equal monthly installments payable within sixty (60) months of the Petition Date as provided in § 1129(a)(9)(C) of the Bankruptcy Code. Payments shall be made on or before the 15th of each month (or the next business day if the 15th of the applicable month is a weekend or holiday), with the initial installment being paid on the latter of the first month following the Effective Date or the date such Priority Tax Claim is determined. Interest shall accrue on Priority Claims at the statutory rate, where applicable. Any penalties thereon shall be treated as General Unsecured Claims. Priority Claims subject to dispute or objection shall receive no distribution until such objection or dispute is resolved by Final Order. Penalties associated with any Priority Tax Claim before the Effective Date shall be treated and paid as General Unsecured Claims.

Treatment of Impaired Classes

Class 1 – LSC2022, LLC

(a) **Classification:** Class 1 consists of the Allowed Secured Claim of LSC2022, LLC ("LSC2022"), which holds a blanket lien on all assets owed by the Debtors to secure an indebtedness of approximately \$18,815,190. The going-concern value of the collateral securing LSC2022's Claim has an agreed value of \$16,000,000, which shall constitute LSC2022's Allowed Secured Claim. The balance of LSC2022's Allowed Claim shall be treated as a General Unsecured Claim.

(b) **Impairment and Voting:** Class 1 is impaired and entitled to vote to accept or reject this Plan.

(c) **Treatment:** LSC2022's Allowed Secured Claim shall accrue interest following entry of the Confirmation Order at the Wall Street Journal Prime Rate determined and fixed as of the Confirmation Date, and be paid as follows:

- i. Commencing on July 1, 2025, and continuing on the first day of each month thereafter for a period of one (1) year, LSC2022 shall receive

monthly interest only payments of on account of its Allowed Secured Claim;

ii. Commencing on July 1, 2026, and continuing on the first day of each month thereafter, LCS2022 shall receive principal and interest payments on account of its Allowed Secured Claim based on a twenty (20) year amortization; and

iii. On June 30, 2028, the remaining principal balance of LCS2022's Allowed Secured Claim and all accrued and outstanding interest shall be due and payable in full.

Debtors may obtain a six (6) month deferral of the foregoing payments by making an election to do so on or before June 1, 2025. In the event of such election, the principal balance of LCS2022's Allowed Secured Claim shall be increased by one percent (1%).

LCS2022 shall retain its Liens and security interests in the Debtors' assets until its Allowed Secured Claim is paid in full. LCS2022 shall be entitled to vote its deficiency claim as a Class 2 and Class 3 General Unsecured Claim.

In the event the Plan is rejected by all junior classes, or this Plan cannot be confirmed in substantially its present form, the Debtors will be sold as a going-concern with LCS2022 retaining the right to credit bid the entirety of its Claim towards acquisition of the Debtors to permit LCS2022 to realize the indubitable equivalent of its Claim, subject only to an obligation to satisfy all Administrative Claims in full as required by § 1129(a)(9)(A) of the Bankruptcy Code. Any surplus sale proceeds above LCS2022's Secured Claim and Administrative Expenses will be distributed to creditors and parties in interest in accordance with the priorities established by § 507(a) of the Bankruptcy Code.

Class 2 – General Unsecured Claims of Restaurants, LLC

(a) Classification: Class 2 consists of General Unsecured Claims against Restaurants, LLC.

(b) Impairment and Voting: Class 2 is impaired and entitled to vote to accept or reject this Plan.

(c) Treatment: Except to the extent an Allowed General Unsecured Claim against Restaurants, LLC agrees to a less favorable treatment, Class 2 General Unsecured Creditors shall share pro-rata in a lump sum distribution of \$200,000, payable on the Initial Distribution Date.

Class 3 – General Unsecured Claims of Tijuana Flats #176, LLC

(a) Classification: Class 3 consists of General Unsecured Claims against Tijuana Flats #176, LLC.

(b) Impairment and Voting: Class 3 is impaired and entitled to vote to accept or reject this Plan.

(c) Treatment: Except to the extent an Allowed General Unsecured Claim against Tijuana Flats #176, LLC agrees to a less favorable treatment, Class 3 General Unsecured Creditors shall share pro-rata a lump sum distribution of \$5,000 from Tijuana Flats #176, LLC on the Initial Distribution Date.

Class 4 – Equity Interests

(a) Classification: Class 4 consists of Equity Interests in the Debtors.

(b) Impairment and Voting: Class 4 is deemed to be unimpaired.

(c) Treatment: Flatheads, LLC shall retain its equity interest in Restaurants, LLC in exchange for (i) a capital contribution of \$205,000 to fund the distributions to Classes 2 and 3, and (ii) a reclassification of its \$1,200,000 administrative expense claim as a capital contribution. Class 4 is unimpaired under this Plan and is therefore conclusively presumed to have accepted this Plan pursuant to § 1126(f) of the Bankruptcy Code.

Assumption and Rejection of Executory Contracts and Unexpired Leases

The Debtors intend to assume all of their non-residential real property leases by separate motions. With respect to the remaining Executory Contracts and Unexpired Leases, Debtors will move to assume the following Executory Contracts and Unexpired Leases prior to the confirmation hearing (assuming they waive cure payments or agree to a novation):

<u>Lessor/Counterparty</u>	<u>Description</u>
Amick Farms	Sales Agreement for Chicken
Branding Iron – Rochester Meat Co.	Marinated Steak Strips Supplier Agreement
Certify, Inc.	Subscription Agreement
Canon Financial Services, Inc.	Copier Lease
Coca-Cola North America	Beverage Marketing Agreement dated January 1, 2015

Crunchtime! Information Systems	Master License Agreement for Zenput Store Software
DailyPay, Inc.	Master Support Agreement for Payroll
Dex Imaging, LLC d/b/a Dex MPS	Managed Print Services Agreement dated September 30, 2020
Donation Scout, LLC	Software as a Services Agreement
DoorDash, Inc.	DoorDash Fulfillment Drive Addendum dated November 18, 2020 (excluding Voice addendum)
Fuze, Inc.	Master Services Agreement for Telephone System
Garden Road Capital Advisors, LLC	Contract for Retention of Services relating to possible Visa/Mastercard Interchange Fee Claims
Gratuity Solutions, Inc.	Joint User Agreement and Employee Platform Agreement
Great Lakes Cheese Co., Inc.	Contract Agreement for Cheese
Grub Hub	Restaurant Marketing and Delivery Commission Agreement
InComm Payments	Contract for Distribution of Gift Cards to Retailers
Kappa Computer Systems, LLC	Sonicwall Appliance and Subscription License Agreement and Colocation Agreement
Land O' Lakes, Inc.	Stable Pricing Program for Cheese
Lease Administration Solutions, LLC	Lease Auditing and Services Agreement dated July 7, 2020
MenuTrinfo, LLC	Client Nutritional Agreement
Mirus Information Technology Services, Inc.	Application Services Agreement for Business Intelligence System dated March 4, 2020
Motus Operations, LLC	Master Services Agreement for Motor Vehicle Reporting
Natural Beef Packing, LLC	Natural Beef Supplier Agreement
PlanSource Financial Services, Inc.	Payroll and 401(k) Plan Provider Agreement

Portier, LLC (d/b/a UberEATS)	Master Framework Letter Agreement dated January 31, 2018
Punchh, LLC	Master Services Agreement for On-line Ordering
Quench USA, Inc.	Service Agreement
Radiant Systems, Inc.	Service Agreement for Aloha Insight Hosted Radiant Software dated February 21, 2012
Rarefield Atmosphere, Inc.	Agreement for App-based Streaming Platform
Red Book Connect, LLC	HotSchedules Team Mobile App Service Agreement dated May 24, 2019
Restaurant Partners Procurement, LLC	Supply Chain Procurement and Management Contract dated May 17, 2019
Spadea Lignana	Attorney Fee Agreement for Franchise Company
Tipalti, Inc.	Service Agreement for AP System
Valutec Card Solutions, LLC	Merchant Agreement dated September 29, 2020
Valutec Card Solutions, LLC	Additional Location Setup Agreement dated January 6, 2021
Vector Security, Inc.	Customer Service Agreement for ISP for Restaurants
Visual Lease, LLC	Subscription License Agreement for Lease Management System dated June 26, 2019
Zenput, Inc.	Support and Implementation Agreement for Zenput Platform

The following Executory Contracts and Unexpired Leases have been rejected, or will be rejected, prior to the Effective Date:

<u>Lessor/Counterparty</u>	<u>Description</u>
Datasite, LLC	Statement of Work ("SOW"): Datasite Diligence dated October 23, 2023
DeliverSense LLC	Master Services Agreement dated March 3, 2022
Door Dash, Inc.	Voice Addendum dated June 28, 2023

Endai Corporation	Master Services Agreement dated January 1, 2022
FedEx Office and Print Services, Inc.	Corporate Account Agreement dated September 13, 2013, as amended
Granite Telecommunications, LLC	Service Agreement for ISP dated November 16, 2017
IMG College, LLC	Marketing and Sponsorship Agreement dated July 1, 2020
Inktel Contact Center Solutions, LLC	Master Services Agreement and Statement of Work dated March 7, 2023
Jupiter Stadium, Ltd. d/b/a Roger Dean Chevrolet Stadium	Sponsorship Agreement dated February 23, 2023
Knox Sports Marketing, Inc.	Sports Sponsorship Agency Agreement dated February 27, 2020
Loews Portofino Bay Hotel at Universal Orlando	Booking and Meeting Space Contract dated August 4, 2023
Push, Inc.	Marketing and Content Development Agreement dated March 1, 2023
Seminole Sports Properties, LLC	Marketing and Sponsorship Agreement dated July 1, 2020
Sprout Social, Inc.	Service Order dated September 29, 2021

The Debtors have not yet made the decision whether to assume or reject the following contracts and leases:

<u>Lessor/Counterparty</u>	<u>Description</u>
Mobo Systems, Inc.	Master Services Agreement dated May 16, 2019
NCR Corporation	Master Agreement for Point of Sale System dated June 21, 2021
US Foods, Inc.	Master Distribution Agreement dated April 3, 2020, as amended
Vaco Orlando, LLC	Client Service Agreement

A decision on whether to assume or reject the foregoing contracts will be made prior to the Confirmation Hearing.

Any Executory Contract or Unexpired Lease which is not expressly assumed shall be deemed rejected upon entry of the Confirmation Order. Notwithstanding such rejection, the Debtors may, at their option, continue to receive the benefits of such rejected Executory Contract or Unexpired Lease by continuing to make regular monthly or periodic payments required thereunder without the obligation to cure any prepetition default. Any party to an Executory Contract or Unexpired Lease that claims damages from the rejection of such lease or contract must file a Claim for such damages within thirty (30) days of the rejection of such contract or lease or be forever barred from asserting such Claim. All Allowed Claims arising from the rejection of any Executory Contract or Unexpired Lease shall be classified as General Unsecured Claims.

Rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of pre-existing obligations owed to the applicable Debtor(s) thereunder. The Reorganized Debtors expressly reserve and do not waive any right to receive, any continuing obligation of a counterparty to provide outstanding cash payments, warranties or continued maintenance obligations on any goods previously purchased or leased by the Debtors.

Unless otherwise provided in the Plan or the Confirmation Order, each assumed Executory Contract or assumed Unexpired Lease shall include all modifications, supplements, restatements or other agreements that in any manner affect such Executory Contracts or Unexpired Leases. The renewal of any Executory Contract or Unexpired Lease following its postpetition expiration shall constitute a novation and extinguishment of the prepetition contract, with the renewal contract replacing the prepetition contract in its entirety without the necessity of curing any pre or postpetition arrearage or default.

In the event any license granted to the Debtors or any of the subsidiaries merged into the Debtors prior to the Petition Date by a government unit, is considered to be an executory contract, such license shall be deemed to have been assumed pursuant to § 365 of the Bankruptcy Code upon confirmation of the Plan.

Debtors may change the designation of the Executory Contracts and Unexpired Leases identified above from being assumed or rejected, as applicable, and may redesignate such Executory Contracts and Unexpired Leases accordingly and may designate additional Executory Contracts and Unexpired Leases to be assumed or rejected, as applicable. The failure to identify an Executory Contract or Unexpired Lease in the Plan or this Disclosure Statement shall not operate as a waiver of the Debtors' rights to assume or reject such omitted contract.

Means of Implementation

The Plan will be implemented and funded from the Equity Contribution, funds accumulated during the pendency of this Chapter 11 case, continued operations, the exit loan facility described below, and from recoveries on Avoidance Actions.

LCS2022 shall also provide an exit loan facility in the amount of \$1,000,000 to Debtors. Advances under the post-confirmation credit facility shall bear interest at the Wall Street Journal Prime Rate determined as of the Confirmation Date, be secured by a blanket lien on all assets owned by the Debtors on a pari-passu basis with LCS2022's Allowed Secured Claim, and shall be evidenced by such with promissory notes, security agreements and other statutory instruments as LCS2022 may reasonably require. The amount of the exit loan facility may be increased at LCS2022's option without the necessity of further approval of the Bankruptcy Court.

Effective Date of the Plan

The Effective Date of the Plan shall be the first day following the date upon which (a) the Confirmation Order is no longer subject to rehearing, appeal or certiorari proceedings, and (b) all conditions precedent to the occurrence of the Effective Date set forth in Article XIII of the Plan have been satisfied or waived in accordance with Section 13.2 of the Plan. Any action to be taken on the Effective Date may be taken on or as soon as reasonably practicable thereafter.

Authority to Conduct Business Post-Confirmation

After confirmation, the Reorganized Debtors shall be authorized and permitted to conduct business, incur debt and engage in any business or investment activity which they deem appropriate without the necessity of seeking Bankruptcy Court approval or having to modify the Plan.

Post-Confirmation Management

The Debtors' current management team will be retained post-confirmation at the following compensation rates:

James Greco	\$360,000
Casey Rees	\$265,000
David Pearl	\$260,000

Following confirmation, the Debtors may enter into such bonus or incentive plans as are necessary or appropriate.

Retirement Benefits

The Debtors offer 401(k) benefits to employees over the age of 21 who have been employed with the company for at least ninety (90) days. The 401(k) is completely funded by employee contributions: there is no company match. The 401(k) plan will be continued post-confirmation.

Plan Injunctions/Releases

The Plan contains the following injunctions:

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR IN THIS PLAN OR IN OBLIGATIONS ISSUED PURSUANT TO THIS PLAN (INCLUDING ANY DOCUMENTS EVIDENCING SUCH OBLIGATIONS) FROM AND AFTER THE EFFECTIVE DATE, ALL ENTITIES ARE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER AGAINST THE DEBTORS, THE REORGANIZED DEBTORS AND THEIR ASSETS AND PROPERTIES, AS THE CASE MAY BE, ANY SUIT, ACTION OR OTHER PROCEEDING, ON ACCOUNT OF OR RESPECTING ANY CLAIM, DEMAND, LIABILITY, OBLIGATION, DEBT, RIGHT, CAUSE OF ACTION, INTEREST OR REMEDY RELEASED OR TO BE RELEASED, EXCULPATED, OR TO BE EXCULPATED, PURSUANT TO THIS PLAN OR THE CONFIRMATION ORDER.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR IN THIS PLAN OR IN OBLIGATIONS ISSUED PURSUANT TO THIS PLAN (INCLUDING ANY DOCUMENTS EVIDENCING SUCH OBLIGATIONS), FROM AND AFTER THE EFFECTIVE DATE, ALL ENTITIES SHALL BE PRECLUDED FROM ASSERTING AGAINST THE DEBTORS, THE REORGANIZED DEBTORS OR THEIR SUCCESSORS AND ASSIGNS AND THEIR ASSETS AND PROPERTIES ANY OTHER CLAIMS BASED UPON ANY DOCUMENTS, INSTRUMENTS, OR ANY ACT OR OMISSION, TRANSACTION OR OTHER ACTIVITY OF ANY KIND OR NATURE THAT OCCURRED PRIOR TO THE EFFECTIVE DATE.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR IN THIS PLAN OR IN OBLIGATIONS ISSUED PURSUANT TO THIS PLAN (INCLUDING ANY DOCUMENTS EVIDENCING SUCH OBLIGATIONS), THE RIGHTS AFFORDED IN THIS PLAN AND THE TREATMENT OF ALL CLAIMS IN THIS PLAN SHALL BE IN EXCHANGE FOR AND IN COMPLETE SATISFACTION OF CLAIMS OF ANY NATURE WHATSOEVER, INCLUDING ANY INTEREST ACCRUED ON CLAIMS FROM AND AFTER THE PETITION DATE, AGAINST THE DEBTORS, THE REORGANIZED DEBTORS OR ANY OF THEIR ASSETS OR PROPERTIES.

UNLESS OTHERWISE PROVIDED IN THIS PLAN OR CONFIRMATION ORDER, ALL INJUNCTIONS OR STAYS IN EFFECT IN THE CHAPTER 11 CASE

PURSUANT TO §§ 105 OR 362 OF THE BANKRUPTCY CODE OR ANY ORDER OF THE BANKRUPTCY COURT, AND EXTANT ON THE CONFIRMATION DATE (EXCLUDING ANY INJUNCTIONS OR STAYS CONTAINED IN THIS PLAN OR THE CONFIRMATION ORDER) SHALL REMAIN IN FULL FORCE AND EFFECT UNTIL THE EFFECTIVE DATE. ALL INJUNCTIONS OR STAYS CONTAINED IN THIS PLAN OR THE CONFIRMATION ORDER SHALL REMAIN IN FULL FORCE AND EFFECT IN ACCORDANCE WITH THEIR TERMS.

NO PERSON OR ENTITY MAY COMMENCE OR PURSUE A CLAIM, INTEREST OR CAUSE OF ACTION OF ANY KIND AGAINST THE DEBTORS OR THE REORGANIZED DEBTORS THAT RELATES TO OR IS REASONABLY LIKELY TO RELATE TO ANY ACT OR OMISSION IN CONNECTION WITH, RELATING TO, OR ARISING OUT OF A CLAIM, INTEREST OR CAUSE OF ACTION RELATED TO THE CHAPTER 11 CASES PRIOR TO THE EFFECTIVE DATE, THE FORMULATION, PREPARATION, DISSEMINATION, NEGOTIATION, OR FILING OF THE DISCLOSURE STATEMENT, THIS PLAN, ANY PLAN SUPPLEMENT OR ANY TRANSACTION RELATED TO THE RESTRUCTURING CONTEMPLATED BY THIS PLAN, ANY CONTRACT, INSTRUMENT, RELEASE, OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO BEFORE OR DURING THE CHAPTER 11 CASES IN CONNECTION WITH THIS RESTRUCTURING, ANY PREFERENCE, FRAUDULENT TRANSFER, OR OTHER AVOIDANCE CLAIM ARISING PURSUANT TO CHAPTER 5 OF THE BANKRUPTCY CODE OR OTHER APPLICABLE LAW, THE FILING OF THE CHAPTER 11 CASES, THE PURSUIT OF CONFIRMATION, THE PURSUIT OF CONSUMMATION, THE ADMINISTRATION AND IMPLEMENTATION OF THIS PLAN, INCLUDING THE ISSUANCE OF ANY SECURITIES PURSUANT TO THIS PLAN, OR THE DISTRIBUTION OF PROPERTY UNDER THIS PLAN OR ANY OTHER RELATED AGREEMENT, OR UPON ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE EFFECTIVE DATE RELATED OR RELATING TO ANY OF THE FOREGOING WITHOUT THE BANKRUPTCY COURT (1) FIRST DETERMINING, AFTER NOTICE AND A HEARING, THAT SUCH CLAIM, INTEREST OR CAUSE OF ACTION REPRESENTS A COLORABLE CLAIM OF ANY KIND AND (2) SPECIFICALLY AUTHORIZING SUCH PERSON OR ENTITY TO BRING SUCH CLAIM, INTEREST OR CAUSE OF ACTION AGAINST ANY SUCH DEBTORS, AND/OR REORGANIZED DEBTORS.

THE BANKRUPTCY COURT WILL HAVE SOLE AND EXCLUSIVE JURISDICTION TO ADJUDICATE THE UNDERLYING COLORABLE CLAIM OR CAUSES OF ACTION. THE INJUNCTION IN THIS PLAN SHALL EXTEND TO ANY SUCCESSORS AND ASSIGNS OF THE DEBTORS AND THE REORGANIZED DEBTORS AND THEIR RESPECTIVE PROPERTY AND INTERESTS IN PROPERTY.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE INJUNCTION DOES NOT ENJOIN ANY PARTY UNDER THIS

PLAN, THE CONFIRMATION ORDER, OR OTHER DOCUMENT, INSTRUMENT, OR AGREEMENT (INCLUDING THOSE ATTACHED TO THE DISCLOSURE STATEMENT OR INCLUDED IN ANY PLAN SUPPLEMENT) EXECUTED TO IMPLEMENT THIS PLAN AND THE CONFIRMATION ORDER FROM BRINGING AN ACTION TO ENFORCE THE TERMS OF THIS PLAN, THE CONFIRMATION ORDER OR SUCH DOCUMENT, INSTRUMENT, OR AGREEMENT (INCLUDING THOSE ATTACHED TO THE DISCLOSURE STATEMENT OR INCLUDED ANY PLAN SUPPLEMENT) EXECUTED TO IMPLEMENT THIS PLAN AND THE CONFIRMATION ORDER.

Voting and Confirmation of the Plan

1. Confirmation Requirements

To confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of findings concerning the Plan and Debtors, including that:

- the Plan has classified Claims and Interests in a permissible manner;
- the Plan complies with the applicable provisions of the Bankruptcy Code;
- Debtors have complied with the applicable provisions of the Bankruptcy Code;
- The Debtors, as proponents of the Plan within the meaning of § 1129 of the Bankruptcy Code, have proposed the Plan in good faith and not by any means forbidden by law;
- the disclosures required by § 1125 of the Bankruptcy Code have been made;
- the Plan has been accepted by the requisite votes of creditors and equity interest holders, except to the extent that cramdown is available under § 1129(b) of the Bankruptcy Code;
- the Plan is in the “best interests” of all holders of Claims or Interests in an impaired Class that have not accepted the Plan (that is, that such creditors will receive at least as much pursuant to the Plan as they would receive or retain in a Chapter 7 liquidation);
- the Plan is feasible (that is, there is a reasonable prospect that Debtors will be able to perform their obligations under the Plan); and
- all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid, or the Plan provides for the payment of such fees on the Effective Date.

2. Voting Procedures and Requirements

Pursuant to the Bankruptcy Code, only Classes of Claims against, or equity interests in, Debtors that are “impaired” under the terms of the plan are entitled to vote to accept or reject the plan. A Class is “impaired” if the legal, equitable or contractual rights attaching to the Claims or equity interests of that Class are modified, other than by curing defaults and reinstating maturity. Classes of Claims that are not impaired are not entitled to vote on a plan and are conclusively presumed to have accepted that plan. Classes of Claims or equity interests that receive no distributions under a plan are not entitled to vote on that plan and are deemed to have rejected that plan unless such Class otherwise indicates acceptance.

Under the Plan, Classes 1 through 3 are impaired by virtue of § 1124 of the Bankruptcy Code.

If any portion of your Claim is unliquidated, contingent or disputed, your Claim will not be counted for voting purposes. Pursuant to § 502 of the Bankruptcy Code and Bankruptcy Rule 3018, the Bankruptcy Court may estimate and temporarily allow a Claim for voting or other purposes.

VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. PLEASE CAREFULLY FOLLOW ALL OF THE INSTRUCTIONS CONTAINED ON THE BALLOT OR BALLOTS PROVIDED TO YOU. ALL BALLOTS MUST BE COMPLETED AND RETURNED IN ACCORDANCE WITH THE INSTRUCTIONS PROVIDED.

3. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on whether the Debtors have fulfilled the requirements of § 1129 of the Bankruptcy Code relating to the Confirmation of the Plan.

The hearing to consider confirmation of the Plan may be continued or adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the continued or adjourned date made at the Confirmation Hearing. Any objection to Confirmation of the Plan must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or Interest held by the objector. Any such objection must be filed and served upon the persons designated in the notice of the Confirmation Hearing, in the manner and by the deadline described in such notice.

4. Confirmation

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the applicable requirements of § 1129 of the Bankruptcy Code are satisfied. These requirements include that the Plan:

- is accepted by the requisite holders of Claims and equity interests in each impaired Class of Debtors or, if not so accepted, has been accepted by the requisite holders of at least one impaired Class and is “fair and equitable” and “does not discriminate unfairly” as to each non-accepting Class;
- is either accepted by, or is in the “best interests” of, each holder of a Claim or equity interest in each impaired Class of Debtors;
- is feasible; and
- complies with the other applicable provisions of the Bankruptcy Code.

5. Feasibility of the Plan

Under § 1129(a)(11) of the Bankruptcy Code, a debtor must establish that “[c]onfirmation of the plan is not likely to be followed by the liquidation, or the need for further reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation is proposed in the plan.”

Here, the distributions to Administrative, Priority and General Unsecured Creditors will be funded and paid from the Equity Contribution. The Equity Contribution should be sufficient to fund the obligations owing to such creditors.

The Plan does not require the Debtors to begin making payments to LCS2022 until July 1, 2025, which payment date may be extended as provided in the Plan. The Debtors’ projections, attached hereto as **Exhibit A**, reflect that the Debtors will be able to make the cure payments required on its leases, plus the payments required to LCS2022, without jeopardizing the liquidity and working capital necessary to continue operating their businesses. The Debtors thus believe the Plan is feasible.

These forward-looking projections are based on the current expectations of the Debtors and market trends affecting their business. The assumptions inherent in these projections are subject to a number of risks, uncertainties and assumptions. As a result, the actual operating results of the Debtors may vary, and the result may materially differ from the stated projections.

6. Acceptance or Cramdown

A plan is accepted by an impaired Class of Claims if holders of at least two-thirds (2/3) in dollar amount and half (1/2) in number of Claims in such Class that are allowed or have been temporarily allowed for voting purposes, as the case may be, and that are held by holders of such Claims who actually vote to accept or reject such plan vote to accept it. Section 1129(b) of the Bankruptcy Code contains so-called “cramdown” provisions pursuant to which a plan may be confirmed even if it is not accepted by all impaired Classes, as long as at least one impaired Class of Claims has accepted it and the Bankruptcy Court finds that it is “fair and equitable” and “does not discriminate unfairly” as to each impaired Class that does not accept the Plan or is deemed to have rejected it. The “fair and

equitable” standard, also known as the “absolute priority rule,” requires, among other things, that unless a dissenting Class of Claims receives full compensation for the aggregate allowed amount of such Claims, no holder of an allowed Claim in any Class junior to such Class may receive or retain any property on account of such Claim. With respect to a dissenting Class of Secured Claims, the “fair and equitable” standard requires, among other things, that holders of such Claims either retain their liens and receive deferred Cash payments with a value as of the date on which such plan is effective, equal to the value of their interest in property of the applicable estate, or receive the “indubitable equivalent” of their Secured Claims. The “fair and equitable” standard has also been interpreted to prohibit any Class of Claims senior to a dissenting Class from receiving under a plan more than 100% of the aggregate allowed amount of such Claims. The requirement that a plan not “discriminate unfairly” means, among other things, that a dissenting Class of Claims must be treated substantially equally with respect to other Classes of Claims of equal rank.

The Debtors do not believe that the Plan unfairly discriminates against any Class that may not accept or otherwise consent to the Plan. The Debtors also believe that the Plan is “fair and equitable” and “does not discriminate unfairly” as to each impaired Class entitled to vote upon the Plan. If impaired Classes vote to reject the Plan, Debtors will seek Confirmation of the Plan under the “cramdown” provisions of the Bankruptcy Code. The Debtors may also seek Confirmation of the Plan with respect to any other impaired Class that does not accept the Plan and has reserved the right to modify the Plan to the extent that Confirmation of the Plan requires modification.

7. Section 1129(a)(7) of the Bankruptcy Code; Chapter 7 Liquidation Analysis

Pursuant to § 1129(a) (7) of the Bankruptcy Code (often called the “Best Interests Test”), each holder of an impaired Claim or Equity Interest must either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Plan’s Effective Date, that is not less than the value such non-accepting holder would receive or retain if Debtors were to be liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date. In determining whether the Best Interests Test has been met, the first step is to determine the dollar amount that would be generated from a hypothetical liquidation of Debtors’ assets in Chapter 7 as of the Effective Date. Such amount would then be reduced by the costs and expenses of the liquidation. Reductions would thereafter be required to eliminate cash and asset liquidation proceeds that would be applied to Secured Claims and amounts necessary to satisfy Administrative, Tax, and other Priority Claims that are senior to General Unsecured Claims, including any incremental Claims that may result from the termination of Debtors’ business and the liquidation of its assets. Any remaining cash would be available for distribution to general unsecured creditors and shareholders in accordance with the distribution hierarchy established by § 726 of the Bankruptcy Code.

To this end, Debtors, with assistance of their professionals, have prepared the Liquidation Analysis attached hereto as **Exhibit B** which attests to the fact that Creditors will in fact receive a higher distribution through confirmation and implementation of the Plan than they would in a Chapter 7 liquidation. The belief is based on a number of considerations, including:

- it could take a significant amount of time to liquidate the Debtors' assets;
- all of the Debtors' real estate is leased rather than owned;
- the Debtors' realized less than \$5,000 in liquidation value for each of the restaurants closed earlier this year;
- the Debtors' enterprise value greatly exceeds its liquidation value;
- the value of many of the Debtors' assets is dependent upon the Debtors continuing to operate their businesses as going concerns (e.g. intellectual property);
- most or all of the proceeds from a Chapter 7 liquidation would be paid to LCS2022 on account of its superpriority liens;
- there would be additional Administrative Expense Claims that would be incurred if the cases were converted to Chapter 7; and
- conversion of the cases would result in substantial lease termination claims on unexpired real property leases assumed during the Chapter 11 case, thereby diluting the potential distributions to other similarly situated creditors.

The liquidation analysis set forth was based on the estimated values of Debtors' assets as of November 1, 2024, or another date as specified by footnotes within the analysis. These values have not been subject to review or audit by an independent accounting firm. Although developed and considered reasonable by Debtors' management and their professionals, assumptions are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Debtors and their management. The liquidation analysis does not purport to be a valuation of Debtors' assets and does not necessarily indicate the values that may actually be realized in an actual liquidation. If anything, history tells us that the liquidation values will be less than projected.

BASED ON THE ASSUMPTIONS SET FORTH IN THE LIQUIDATION ANALYSIS, THE DEBTORS FIRMLY BELIEVE THAT THE PLAN, AS PROPOSED, PROVIDES THE GREATEST AND EARLIEST POSSIBLE DISTRIBUTIONS TO CREDITORS. THE DEBTORS THEREFORE BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF EACH CLASS OF CREDITORS AND RECOMMEND THAT THEY VOTE TO ACCEPT THE PLAN.

Alternatives to the Plan

Prior to the Petition Date, AUA engaged the investment banking firm, Kroll, Inc., to market the Debtors for sale as a going-concern. Those efforts led to a proposed sale of the entity for roughly \$12 million. The parties could not, however, reach an agreement or final terms, and the proposed sale was obviously never consummated.

The Debtors' operations have deteriorated significantly since the \$12 million offer was received, with the Debtors realizing a loss of over \$6 million for fiscal year 2023. The Debtors have also reduced their "footprint" significantly, closing over 35 stores in the last twelve months. The Debtors are also in need of a significant investment of capital into their stores to refresh the store premises to recover their once loyal customer base. The entities are not therefore the same entities which attracted the prior offer to purchase the business. Recent inflationary pressures have also had a dramatic impact on Chapter 11 reorganizations being filed by industry participants. The value of restaurant chains like Tijuana Flats has thus changed significantly.

Though the Debtors have not obtained a going-concern valuation of their businesses, it is apparent that the going-concern value of the Debtors is less than the \$18,803,950 owed to LCS2022, LLC. The Debtors do not believe therefore that unsecured creditors would receive any distribution through a sales process.

Preference and Fraudulent Transfer Claims

Pursuant to § 547 of the Bankruptcy Code, a debtor in possession may avoid as a preference a transfer of property made by the debtor to or for the benefit of a creditor on account of an antecedent debt while the debtor was insolvent, if that creditor received more than it would have received in a liquidation of the debtor under Chapter 7 of the Bankruptcy Code had the payment not been made and if the payment was made (i) within 90 days before the date that the Bankruptcy Case commenced, or (ii) if the creditor is an "insider" as defined in the Bankruptcy Code, within one year before the commencement of the Bankruptcy Case. A debtor is presumed to have been insolvent during the ninety (90) days preceding the commencement of its Bankruptcy Case. The power to avoid preferences is subject to a number of exceptions set forth in § 547 of the Bankruptcy Code, including one exception applicable to the payment of obligations in the ordinary course of business on ordinary business terms. Furthermore, if the transferee extended credit subsequent to the transfer (and prior to the commencement of the Bankruptcy Case) for which the transferee was not repaid, such extension constitutes an offset against any otherwise recoverable transfer of property. If a transfer is recovered by the debtor, the transferee obtains a general Unsecured Claim against the debtor to the extent of the recovery.

The Debtors have identified the following parties as being recipients of potentially avoidable transfers:

Push, Incorporated	\$85,898
Mobo Systems	\$34,000
Premier Mechanical Service	\$35,000
Staples	\$11,000
Radius Networks	\$15,000

The foregoing list does not include transfers made on account of executory contracts or unexpired leases on assumed contracts.

The Debtors have not performed a full analysis of its avoidance rights. The failure to identify a potential avoidance claim shall not therefore be deemed a waiver of such claims.

By the same token, the listing of a transfer as a potentially avoidable transfer does not mean that the Debtors will pursue the recovery or avoidance of the subject transfer; all potential Avoidance Actions are subject to further evaluation.

Risk Factors

The following is intended as a summary of certain risks associated with the Plan, but it is not exhaustive and must be supplemented by the analysis and evaluation made by each holder of a Claim under the Plan and this Disclosure Statement as a whole with such holder's own advisors.

1. Bankruptcy Risks

a. Insufficient Acceptances. For the Plan to be confirmed, each impaired Class of Claims is given the opportunity to vote to accept or reject the Plan, except, however, for those Classes which will not receive any distribution under the Plan and which are, therefore, considered to have rejected the Plan. With regard to the impaired Classes which vote on the Plan, the Plan will be deemed accepted by a Class of impaired Claims if the Plan is accepted by holders of Claims of such Class actually voting on the Plan who hold at least two-thirds (2/3) in an amount and more than one-half (1/2) in number of the total Allowed Claims of such Class. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes.

If one or more of the impaired Classes of Claims votes to reject the Plan, the Debtors may request that the Bankruptcy Court confirm the Plan by application of the "cramdown" procedures available under § 1129(b) of the Bankruptcy Code. However, there can be no assurance that Debtors will be able to use the cramdown provisions of the Bankruptcy Code for Confirmation of the Plan. Any modification of the Plan necessary to effect a cramdown may result in a different treatment of Claims than those currently afforded in the Plan, which, as to any Claim, may be less favorable, and distributions to holders of Claims may be delayed.

b. Confirmation Risks. Any objection to the Plan by a member of a Class of Claims of the United States Trustee could either prevent Confirmation of the Plan or delay Confirmation for a significant period of time.

c. Funding Risks. Until such time as the Conditions Precedent to the Effective Date outlined in Article XIII of the Plan are met, there is a risk that Flatheads, LLC will fail to fund its contributions. In that event, Debtors will likely convert the case to Chapter 7 upon reasonable notice to creditors.

d. Non-Occurrence of Effective Date. Although the Debtors believe that the Effective Date of the Plan will occur expeditiously, there can be no such assurance as to such timing or as to whether the Effective Date will occur. If the Effective Date does not occur, the Plan will not be consummated.

e. The Bankruptcy Court Might Not Confirm the Plan. The Debtors cannot assure creditors that the Plan will be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code, which sets forth the requirements for confirmation of a plan of reorganization, requires a finding by the Bankruptcy Court that the Plan is “feasible,” that all Claims and Interests have been properly classified, and that each holder of an impaired class that does not accept the Plan receives as much as such creditor would receive in a liquidation. If the Plan is not confirmed, the Chapter 11 cases may be converted into 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 § 507 of the Bankruptcy Code.

f. Failure to Assume Ground Leases. The Debtors operate exclusively from leased premises. In order to retain these premises, the Debtors must “assume” the leases and provide adequate assurance of future performance. 11 U.S.C. § 365. To assume a lease, the Debtors must “cure” all lease defaults. This means paying all arrearages due under the lease and, potentially, the attorney fees and costs incurred by the landlords in connection with the assumption. The Debtors have determined that the reasonable “cure” period for their remaining leasehold interests will be at least six months. The Bankruptcy Court may, however, disagree with the Debtors’ assessment of the appropriate cure period or find that the cure amounts are greater than the amounts believed to be owed by the Debtors. The Bankruptcy Court may also require a cure of the lease arrearages on a shorter time frame. Any change to the requested cure period will have a dramatic impact on cash flow, and may render the Plan not infeasible. Absent a finding that the Plan is feasible, the Plan cannot be confirmed.

2. Business Risks

a. Prolonged Chapter 11 Proceedings May Harm the Debtors’ Business. The Debtors’ future results will be dependent upon the successful confirmation and implementation of the Plan. A long period of operations under the Bankruptcy Code could have a material adverse effect on the Debtors’ businesses, financial condition, results of operations, and liquidity. Among other things, the quarterly fees payable to the United

States Trustee are approximately \$125,000 per quarter. The Debtors do not have the ability to pay those fees for any extended period.

In addition, the longer the Debtors remain in Chapter 11, the more they will incur professional fees and other expenses associated with the administration of the Chapter 11 cases. If the Debtors are unable to fund those expenses, the chances of successfully reorganizing the Debtors' businesses may be seriously jeopardized.

b. Inflationary Pressures. The Debtors are currently operating in a high inflationary environment. Inflation impacts the Debtors in two ways. First, inflation drives labor costs and product purchasing costs higher without the ability to pass those expenses on to the customers in a timely fashion. Second, inflation impacts the Debtors' customer counts, as lower income customers will have less disposable income to spend on casual dining. Prolonged inflation will therefore have a significant impact on continued operations.

c. Competition. The Debtors operate in a highly competitive market. Increased competition may hamper the Debtors' ability to successfully reorganize.

Federal Tax Consequences to Creditors

Generally, a holder of a Claim that receives a distribution under a plan of reorganization with respect to its Claim for interest will recognize ordinary income to the extent it receives cash or property in respect of interest that has not already been included by the holder in income for federal income tax purposes under its method of accounting. If the cash and other property allocable to interest is less than the amount previously included as interest in the holder's federal income tax return, the discharged portion may be deducted in the taxable year in which the Effective Date occurs.

A holder who, under the Plan, receives cash and property in respect of a Claim (other than a Claim constituting a "security") in an amount (other than interest) less than the holder's tax basis in that Claim may be entitled in the year of receipt (or in an earlier year) to a "bad debt" deduction in some amount under § 166(a) of the Tax Code. The rules governing the timing, amount and character (i.e. ordinary or short-term capital loss) of "bad debt" deductions, depend in large part on the facts and circumstances of the holder, the obligor, and the instrument with respect to which a deduction is claimed. Holders of Claims are therefore urged to consult their own tax advisors regarding the "bad debt" deduction.

No ruling has been requested of the Internal Revenue Service as to any issues referred to or discussed in this section. The Debtors do not intend to request any such ruling. In the absence of such a ruling, no assurance can be given that any of the anticipated tax results will be achieved. Nothing stated in the discussion which follows is or should be construed as tax advice to any creditor of Debtors. CREDITORS SHOULD CONSULT WITH THEIR OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF THE PLAN.

Federal Tax Consequences to Debtors

Under Internal Revenue Code § 108, a taxpayer's gross income does not include amounts realized from the discharge of indebtedness when:

- (i) The discharge occurs in a title 11 case; or
- (ii) The debtor is insolvent immediately before the discharge.

The Debtors should not therefore incur any adverse tax consequences as a result of the confirmation of the Plan. However, §§ 107 and 108 of the Internal Revenue Code require Debtors to apply the amount of their "cancellation of debt" income against certain prepetition tax attributes, such as net operating losses and carryovers, or to apply any portion of their cancellation of debt income against their basis in depreciable property. Internal Revenue Code § 108(b)(2).

Effect of Confirmation

Following confirmation of the Plan and upon completion of all payments to General Unsecured Creditors under the Plan, Debtors will receive a discharge of all pre-confirmation debts, whether or not the creditor files a Proof of Claim, accepts the Plan, or has an Allowed Claim, except as provided in § 1141 of the Bankruptcy Code.

Upon entry of the Confirmation Order, all property of the bankruptcy estate will vest in Reorganized Debtors pursuant to § 1141(b) of the Bankruptcy Code, subject only to the liens and security interests held by the lender(s) identified in Class 1, but free and clear of any and all other liens and encumbrances to secure the payment or repayment of any sum of money or the performance of any obligation. Payments of, distributions to, and other treatment of the Claims of all creditors provided for in the Plan shall be deemed to be in complete satisfaction, discharge, and release of such Claims and any attendant guaranty.

Except as otherwise provided herein, all creditors shall be permanently enjoined and precluded from asserting against Debtors, or any of Debtors' assets, any other or further Claim against Debtors or any of Debtors' assets based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Confirmation Date. Nothing herein shall be construed as a release of any rights or obligations under the Plan or as an injunction against any action to enforce any rights or obligations under the Plan.

Following confirmation, Debtors shall be entitled to purchase property, incur debt or engage in any investment or business activity which they deem appropriate without the necessity of obtaining Bankruptcy Court approval or modification of the Plan.

Disclaimers

The statements contained in this Disclosure Statement are made as of the date hereof, unless otherwise stated. Debt figures reflected herein represent Debtors' good-faith estimate of the amounts owed; actual liabilities may differ. Neither delivery of the Disclosure Statement nor any exchange of rights made in connection with Plan shall create an implication that there has been no change of facts since the date hereof.

DATED this 14th day of November, 2024.

**TIJUANA FLATS RESTAURANTS,
LLC**

/s/ James J. Greco

By _____
James J. Greco
Its Chief Executive Officer

-and-

THAMES | MARKEY

/s/ Richard R. Thames

By _____
Richard R. Thames

Florida Bar Number 0718459
50 North Laura Street, Suite 1600
Jacksonville, Florida 32202
(904) 358-4000
(904) 358-4001 (Facsimile)
rrt@thamesmarkey.law

Attorneys for Tijuana Flats #176, LLC and
Tijuana Flats Restaurants, LLC

Exhibit A

Cash Flow Projections

Tijuana Flats Restaurants, LLC
Consolidated Financial Summary
2025 Calendar Year

	January Budget	February Budget	March Budget	April Budget	May Budget	June Budget	July Budget	August Budget	September Budget	October Budget	November Budget	December Budget	FY 2025 Budget
Revenue													
Net Restaurant Sales	\$6,877,158	\$6,663,777	\$7,361,255	\$7,686,305	\$7,657,176	\$6,753,613	\$6,615,265	\$6,790,716	\$6,262,013	\$7,001,740	\$6,452,034	\$6,591,850	\$82,712,902
Royalties & Franchise Fees	\$78,407	\$97,418	\$100,623	\$86,541	\$107,730	\$98,019	\$81,555	\$82,902	\$76,547	\$87,011	\$79,986	\$81,596	\$1,058,335
Total Revenue	\$6,955,565	\$6,761,195	\$7,461,878	\$7,772,846	\$7,764,907	\$6,851,632	\$6,696,820	\$6,873,618	\$6,338,560	\$7,088,752	\$6,532,020	\$6,673,446	\$83,771,238
Gross Profit													
Gross Sales	\$7,170,892	\$6,948,686	\$7,675,265	\$8,014,986	\$7,985,298	\$7,041,965	\$6,897,947	\$7,081,414	\$6,530,285	\$7,301,143	\$6,728,293	\$6,874,230	\$86,250,403
Discounts	(\$293,733)	(\$284,909)	(\$314,011)	(\$328,681)	(\$328,122)	(\$288,351)	(\$282,682)	(\$290,698)	(\$268,272)	(\$299,403)	(\$276,259)	(\$282,380)	(\$3,537,501)
Net Sales	\$6,877,158	\$6,663,777	\$7,361,255	\$7,686,305	\$7,657,176	\$6,753,613	\$6,615,265	\$6,790,716	\$6,262,013	\$7,001,740	\$6,452,034	\$6,591,850	\$82,712,902
COGS	(\$2,105,287)	(\$2,040,040)	(\$2,252,975)	(\$2,352,542)	(\$2,344,553)	(\$2,067,665)	(\$2,025,454)	(\$2,079,036)	(\$1,917,133)	(\$2,143,578)	(\$1,975,187)	(\$2,018,439)	(\$25,321,890)
Labor	(\$2,316,108)	(\$2,274,484)	(\$2,412,273)	(\$2,477,017)	(\$2,719,835)	(\$2,347,677)	(\$2,319,766)	(\$2,355,670)	(\$2,248,120)	(\$2,397,941)	(\$2,285,993)	(\$2,314,584)	(\$28,469,467)
Gross Profit	\$2,455,763	\$2,349,253	\$2,696,007	\$2,856,746	\$2,592,789	\$2,338,271	\$2,270,045	\$2,356,010	\$2,096,760	\$2,460,222	\$2,190,854	\$2,258,827	\$28,921,545
Other Expenses	(\$1,172,921)	(\$1,160,107)	(\$1,212,854)	(\$1,251,906)	(\$1,274,772)	(\$1,215,630)	(\$1,192,812)	(\$1,205,778)	(\$1,170,959)	(\$1,201,174)	(\$1,167,991)	(\$1,153,135)	(\$14,380,040)
Occupancy	(\$607,884)	(\$607,884)	(\$622,766)	(\$618,440)	(\$623,960)	(\$627,808)	(\$610,778)	(\$612,927)	(\$593,481)	(\$589,464)	(\$588,058)	(\$588,058)	(\$7,291,511)
Restaurant Level Earnings	\$674,958	\$581,261	\$860,387	\$986,400	\$694,057	\$494,832	\$466,455	\$537,304	\$332,319	\$669,583	\$434,804	\$517,633	\$7,249,994
<i>% of Net restaurant sales</i>	9.8%	8.7%	11.7%	12.8%	9.1%	7.3%	7.1%	7.9%	5.3%	9.6%	6.7%	7.9%	8.8%
Marketing Allocation	(\$171,929)	(\$166,594)	(\$184,031)	(\$192,158)	(\$191,429)	(\$168,840)	(\$165,382)	(\$169,768)	(\$156,550)	(\$175,044)	(\$161,301)	(\$164,796)	(\$2,067,823)
<i>% of Net restaurant sales</i>	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
SG&A Allocation	(\$343,858)	(\$333,189)	(\$368,063)	(\$384,315)	(\$382,859)	(\$337,681)	(\$330,763)	(\$339,536)	(\$313,101)	(\$350,087)	(\$322,602)	(\$329,592)	(4,135,645)
<i>% of Net restaurant sales</i>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Net Income Earnings	\$159,171	\$81,478	\$308,293	\$409,927	\$119,769	(\$11,689)	(\$29,690)	\$28,000	(\$137,332)	\$144,453	(\$49,098)	\$23,244	1,046,526
Rebate Income	\$105,470	\$105,470	\$105,470	\$105,470	\$105,470	\$105,470	\$105,470	\$105,470	\$105,470	\$105,470	\$105,470	\$105,470	\$1,265,643
<i>% of Net restaurant sales</i>	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Income from Operations	\$264,642	\$186,948	\$413,763	\$515,397	\$225,239	\$93,782	\$75,781	\$133,471	(\$31,862)	\$249,923	\$56,372	\$128,714	\$2,312,169
TJF Restaurant Franchise Royalties	\$343,858	\$333,189	\$368,063	\$384,315	\$382,859	\$337,681	\$330,763	\$339,536	\$313,101	\$350,087	\$322,602	\$329,592	\$4,135,645
Franchisee Royalties & Franchise Fees	\$78,407	\$97,418	\$100,623	\$86,541	\$107,730	\$98,019	\$81,555	\$82,902	\$76,547	\$87,011	\$79,986	\$81,596	\$1,058,335
SG&A Costs	(\$403,639)	(\$403,639)	(\$403,639)	(\$403,639)	(\$403,639)	(\$403,639)	(\$403,639)	(\$403,639)	(\$403,639)	(\$403,639)	(\$403,639)	(\$403,639)	(\$4,843,668)
Total SG&A Expense	\$18,626	\$26,968	\$65,047	\$67,217	\$86,950	\$32,060	\$8,679	\$18,799	(\$13,991)	\$33,459	(\$1,051)	\$7,550	\$350,312
<i>% of Total Revenue</i>	(5.8%)	(6.0%)	(5.4%)	(5.2%)	(5.2%)	(5.9%)	(6.0%)	(5.9%)	(6.4%)	(5.7%)	(6.2%)	(6.0%)	(5.8%)
EBITDA	\$283,267	\$213,916	\$478,810	\$582,615	\$312,189	\$125,842	\$84,460	\$152,269	(\$45,853)	\$283,382	\$55,321	\$136,264	\$2,662,482
<i>% of Total Revenue</i>	4.1%	3.2%	6.4%	7.5%	4.0%	1.8%	1.3%	2.2%	(0.7%)	4.0%	0.8%	2.0%	3.2%

Tijuana Flats Restaurants, LLC
Consolidated Financial Summary
2025 Calendar Year

	January Budget	February Budget	March Budget	April Budget	May Budget	June Budget	July Budget	August Budget	September Budget	October Budget	November Budget	December Budget	FY 2025 Budget
Bankruptcy Legal Fees	\$35,000	\$30,000	\$30,000	\$25,000	\$25,000	\$25,000							\$170,000
US Trustee Fees	\$150,000				\$125,000								\$275,000
US Foods	\$17,289	\$17,289	\$17,289	\$17,289	\$17,289	\$17,289	\$17,289	\$17,289					\$138,312
Misc Bankruptcy Fees	\$25,000	\$25,000	\$25,000										\$75,000
CURE PAYMENTS -RENT - Jan - Apr	\$69,192	\$69,192	\$69,192	\$69,192	\$69,192	\$69,192	\$69,192	\$69,192	\$69,192	\$69,192	\$69,192	\$69,192	\$830,302
CURE PAYMENTS - A/P (Feb March 24 Sales Tax)	\$29,375	\$455,242	\$29,375	\$29,375	\$29,375	\$29,375	\$29,375	\$29,375	\$29,375	\$29,375	\$29,375	\$29,375	\$778,373
TOTAL BANKRUPTCY & CURE PAYMENTS	\$325,856	\$596,723	\$170,856	\$140,856	\$265,856	\$140,856	\$115,856	\$115,856	\$98,567	\$98,567	\$98,567	\$98,567	\$2,266,987
CASH FLOW	(\$42,589)	(\$382,807)	\$307,953	\$441,758	\$46,333	(\$15,014)	(\$31,397)	\$36,413	(\$144,420)	\$184,815	(\$43,246)	\$37,697	\$395,495
Interest 4.5%	\$0	\$0	\$0	\$0	\$0	\$0	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$360,000
NET CASH FLOW	(\$42,589)	(\$382,807)	\$307,953	\$441,758	\$46,333	(\$15,014)	(\$91,397)	(\$23,587)	(\$204,420)	\$124,815	(\$103,246)	(\$22,303)	\$35,495
Projected Cash on January 1, 2025	\$575,711												
Cumulative Cash	\$533,122	\$150,315	\$458,268	\$900,026	\$946,359	\$931,345	\$839,948	\$816,361	\$611,941	\$736,756	\$633,509	\$611,206	

Exhibit B

Liquidation Analysis

LIQUIDATION ANALYSIS

A. Introduction

The Debtors, together with their legal counsel, have prepared a hypothetical liquidation analysis (the “Liquidation Analysis”) in connection with the Plan and Disclosure Statement for purposes of evaluating whether the Plan meets the requirements under section 1129(a)(7) of the Bankruptcy Code, frequently referred to as the "best interests of creditors" test.

B. Basis of Presentation

The Liquidation Analysis represents an estimated recovery for all creditors of the Debtors based upon a hypothetical liquidation of the Debtors, assuming that the Debtors' Chapter 11 cases are converted to cases under Chapter 7 of the Bankruptcy Code and a Chapter 7 trustee (the “Trustee”) is appointed to convert assets into cash for distribution. The analysis assumes the orderly liquidation of substantially all of the Debtors' assets (including the non-debtor affiliates) over six months. The analysis further assumes a conversion date of November 1, 2024 (the “Conversion Date”). The Debtors have therefore utilized cash balances and estimated liabilities existing as of that date.

The cessation of business in a liquidation is likely to trigger claims that otherwise would not exist under a Plan. Included in the Liquidation Analysis are unpaid Chapter 11 administration expenses (which enjoy a higher priority in payment than prepetition unsecured claims), claims otherwise satisfied or assumed as part of the Reorganized Debtors' go-forward operations, and unexpired lease rejection claims. Excluded from the Liquidation Analysis are estimates for the tax consequences, both federal and state, that may be triggered upon the liquidation or sale of assets in the manner described. Such tax consequences may be material. Also excluded are other executory contract rejection claims. Lease and contract rejection claims would create additional significant general unsecured claims, and some of these claims could be entitled to priority in payment over other general unsecured claims.

In addition, the Liquidation Analysis does not include recoveries resulting from any potential preference, fraudulent transfer, or other litigation or avoidance actions, which are assumed to have zero value for purposes of the Liquidation Analysis. Such litigation may have substantial value.

The Liquidation Analysis further assumes that the Debtors would be liquidated in a jointly administered, but not substantively consolidated, proceeding. The results of the individual entity-by-entity analysis have been consolidated for a combined total liquidation value as presented herein. The amounts received and distributed are presented.

In reviewing this analysis, please keep in mind that the determination of the hypothetical proceeds from the liquidation of assets is a highly uncertain process involving the extensive use of estimates and assumptions that, although considered reasonable by the Debtors' management team and their advisors, are inherently subject to significant contingencies beyond the control of the Debtors and their management. The Liquidation Analysis should be read in conjunction with the assumptions, qualifications, and explanations set forth in the Disclosure Statement and the Plan in their entirety, as well as the notes and assumptions set forth below.

In preparing the Liquidation Analysis, the Debtors reviewed their books and records, conferred with their restructuring counsel, and relied on their professional judgments to estimate an amount of Claims that will ultimately become Allowed Claims. Such Claims have not been evaluated by the Debtors or Allowed by the Bankruptcy Court and, accordingly, the final amount of Allowed Claims against the Debtors may differ from the Claim amounts used to complete this Liquidation Analysis.

When considering the generation of cash proceeds and the distribution thereof, the Debtors believe that the present value of distributions, to the extent available, may be further reduced because such distributions in a Chapter 7 may not occur until after the liquidation period assumed in the analysis. Moreover, in the event that litigation becomes necessary to resolve claims asserted in a Chapter 7, distributions to creditors may be further delayed, which both decreases the present value of those distributions and increases administrative expenses that could diminish the liquidation proceeds available to creditors. The effects of this potential delay on the value of distributions under the Liquidation Analysis have not been considered in this analysis.

THIS ANALYSIS HAS NOT BEEN EXAMINED OR REVIEWED BY INDEPENDENT ACCOUNTANTS AND HAS NOT BEEN PRODUCED IN ACCORDANCE WITH STANDARDS PROMULGATED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS.

NOTHING CONTAINED IN THIS LIQUIDATION ANALYSIS IS INTENDED TO BE, OR CONSTITUTES, A CONCESSION, ADMISSION, OR ALLOWANCE OF ANY CLAIM BY THE DEBTORS. THE ACTUAL AMOUNT OR PRIORITY OF ALLOWED CLAIMS IN THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS SET FORTH AND USED IN THIS LIQUIDATION ANALYSIS.

THE DEBTORS RESERVE ALL RIGHTS TO SUPPLEMENT, MODIFY, OR AMEND THE LIQUIDATION ANALYSIS SET FORTH HEREIN.

Chapter 7 Liquidation

Description	High	Low	Mid-Range
Cash (Note A)	802,275.00	802,275.00	802,275.00
Receivables (Note B)	585,322.00	585,322.00	585,322.00
Inventory (Note C)	40,369.25	8,073.85	24,221.55
Tangible Assets (Note D)	276,660.96	138,330.48	207,495.72
Prepaid Items (Note E)	0.00	0.00	0.00
Beer / Wine Licenses (Note F)	0.00	0.00	0.00
Stock Subsidiaries (Note G)	5,000,000.00	2,500,000.00	3,750,000.00
Intellectual Properties (Note H)	700,000.00	500,000.00	600,000.00
Subtotals	7,404,627.21	4,534,001.33	5,969,314.27
Less:			
PACA Claims (Est. Post-petition)	(150,000.00)	(100,000.00)	(125,000.00)
LSC2022 Secured and Superpriority Claim	(18,961,120.37)	(18,961,120.37)	(18,961,120.37)
Chapter 7 Trustee Fees (Note I)	(245,388.82)	(159,270.04)	(202,329.43)
Chapter 7 Professional Fees (Note J)	(100,000.00)	(50,000.00)	(75,000.00)
Chapter 11 Administrative Expenses			
Professional Fees	(75,000.00)	(75,000.00)	(75,000.00)
Flatheads Administrative Claim	(1,200,000.00)	(1,200,000.00)	(1,200,000.00)
Trade Vendors (Estimated)	(2,625,000.00)	(2,625,000.00)	(2,625,000.00)
Lease Termination Claims	(8,009,133.21)	(8,009,133.21)	(8,009,133.21)
Available for Distribution to Priority Creditors	(23,961,015.19)	(18,636,389.08)	(17,294,135.53)
Less: Prepetition Priority Claims (Note K)	(2,897,516.15)	(297,572.26)	(1,597,544.21)
Available for Distribution to Unsecured Creditors	(26,858,531.34)	(18,933,961.34)	(18,891,679.73)

Notes to the Liquidation Analysis

The following notes describe the significant assumptions that were made with respect to assets and wind-down expenses.

Note A - Cash

The unrestricted cash balance as of the Conversion Date has been estimated at approximately \$802,275. It is assumed that unrestricted cash of the Debtors would be 100% recoverable.

Note B – Receivables, Net

The accounts receivable balance has been estimated at \$585,322 based on the October 31, 2024 balance sheet value, excluding accrued rebates as US Foods and Coca-Cola would likely offset the rebates they are holding or administering against post-petition credit balances in the event of a liquidation. The analysis does not include cost of collection.

Note C - Inventory

The inventory balance has been estimated at \$807,385 based on the November 1, 2024 balance sheet value and includes raw food, miscellaneous restaurant supplies, and related items in the restaurants on the Conversion Date. Given the perishable nature of most store inventory, this analysis assumes smallware and supplies are the only items with recovery value, and are estimated to generate a total recovery in a range of 1% to 5%.

Note D – Fixed Assets

The fixed assets balance has been estimated at \$13,833,048 based on the November 1, 2024 balance sheet. This balance represents leasehold improvements, kitchen and restaurant equipment and furniture and fixtures. Based on prepetition restaurant closure experience, the Debtors realized \$2,500 to \$5,000 of value from equipment sales per closed restaurants. Fixed asset recoveries are therefore estimated to be between \$2,128 and \$4,256 for each of the 65 remaining operating locations, resulting in a recovery in a range from 1% to 2%.

Note E - Prepaids

The balance has been estimated at \$360,938 based on the November 1, 2024 balance sheet. This balance represents primarily prepaid insurance, prepaid software licenses rent deposits and utility deposits. The prepaid items are likely to be applied against post-petition claims. Debtors do not therefore believe there will be any recovery on prepaid items.

Note F – Beer / Wine Licenses

The Debtors hold site specific 2 CPO beverage licenses which are generally non-transferable. The Debtors do not therefore believe there will be any realizable valuable attributable to their alcoholic beverage licenses.

Note G – Stock in Subsidiaries

Tijuana Flats Restaurants, LLC holds all the membership interests in TJF Franchise Group, LLC which administers 26 franchised restaurants. The membership interests could be sold, though the small scale of the operations and the reputational taint associated the Debtors' liquidation will adversely impact realizable value. A number of the franchisees may also attempt to exit the system if the Debtors were to liquidate. The Debtors therefore estimated the Membership interests in TJF Franchise Group to be between \$2,500,000 and \$5,000,000.

Note H – Intellectual Property

Debtors own a number of trademarks associated with their hot sauce portfolio (e.g. "Smack My Ass Sally"). The trademarks theoretically have value independent of the restaurant system. The Debtor does not, however, own the underlying recipes for the sauces. The lack of an established distribution network for the Debtors' signature hot sauces also impacts their value however. Debtors therefore value their intellectual property between \$500,000 and \$700,000.

Note I – Chapter 7 Trustee Fees

The Debtors assume they would pay commissions around 5% of gross liquidation sale proceeds and cash from operations for Chapter 7 Trustee fees.

Note J – Chapter 7 Professional Fees

Chapter 7 professional fees include legal fees to be incurred during the liquidation period that are not already deducted from liquidation values. These costs are projected to be \$50,000 to \$100,000. The analysis assumes a mid-point of \$75,000.

Note K – Priority Claims

“High” value includes disputed claims filed by the Internal Revenue Service and the Florida Department of Revenue for taxes which are not owed or were previously paid. “High” value also includes \$1,525,724.69 in obligations owing to U.S. Foods which have been afforded administrative expense priority pursuant to 11 U.S.C. § 503(b).