

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re:

Case No. 14-55442

ALTERNATIVES DIRECT GROUP, LLC,

Chapter 11

Debtor.

Judge Thomas J. Tucker

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ORDER REQUIRING DEBTOR TO AMEND DISCLOSURE STATEMENT

On February 3, 2015, the Debtor filed a plan and disclosure statement, in a document entitled “Debtor’s Combined Disclosure Statement and Plan of Reorganization” (Docket # 51). The Court cannot yet grant preliminary approval of the disclosure statement contained within this document (“Disclosure Statement”). The Court notes the following problems, which Debtor must correct.

First, for the amended combined plan and disclosure statement that is being required by this Order, and for all other documents filed in this Court, Debtor must leave a bottom margin of at least one inch for every page (so that the document text is not obscured by the docket-stamp information that is automatically placed at the bottom of every page when the document is filed with the Court).

Second, Debtor must delete Paragraph 2.3 of the Plan on page 7. If in fact there are any “other Priority Creditors” of the type described in Group III on page 8 of the Plan, those claims must be classified under Article III.¹ 11 U.S.C. § 1123(a)(1) requires classification of all priority claims except those of a kind specified in 11 U.S.C. §§ 507(a)(2), (a)(3), or (a)(8).

¹ To the extent any change made in the Plan requires a corresponding change in the Disclosure Statement — *e.g.*, in the Disclosure Statement’s Section VI that begins on page 26 (“Summary of Plan Treatment”) — Debtor of course must change the Disclosure Statement so that it conforms to the changes made in the Plan.

Third, Debtor must use the complete name of the secured creditors on page 8 of the Plan (*i.e.*, Alternatives Direct, LLC and PC Miracles, LLC), and must use these entities' complete names elsewhere in the Plan or Disclosure Statement, unless Debtor first defines these entities using an abbreviated name.

Fourth, regarding the secured claim of Alternatives Direct, LLC, treated in Class 1 on page 8 of the Plan, Debtor must describe the property securing the claim, and state whether or not Alternatives Direct, LLC will have an unsecured deficiency claim, to be included and treated in the class of general unsecured claims; and if so, the amount of such unsecured claim. And if more than one secured creditor has a lien on property, Debtor must state which creditor has a first priority lien and which creditor has a second priority lien.

Fifth, regarding the secured claim of PC Miracles, LLC treated in Class 2 on page 8 of the Plan, Debtor must state the amount of the claim without regard to the value of the collateral; the property securing the claim; the fair market value of the property securing the claim; whether any portion of the claim is unsecured; and if so, whether this creditor will have an unsecured deficiency claim, to be included and treated in the class of general unsecured claims; and if so, the amount of such unsecured claim.

Sixth, regarding the class of Equity Security holders treated in Class 4 of the Plan on page 9, Debtor must list every member of the Debtor and the percentage membership interest of each member. Although this may be calculated from the information provided in Paragraph II. B of the Disclosure Statement on page 20, the membership percentages must be stated in the Plan.

Seventh, in Paragraph II.A of the Disclosure Statement on page 20, Debtor must state that Debtor is a limited liability company, and Debtor must also state under which state law the

Debtor is organized and the date on which it was organized.

Eighth, in Paragraph II.B of the Disclosure Statement on page 21 under the heading “Compensation,” Debtor must state what the weekly compensation of Murray Wikol was prepetition, and whether Mr. Wikol received any fringe benefits prepetition.

Ninth, in Paragraph II.B of the Disclosure Statement on page 21, under the heading “Legal Relationships,” Debtor must describe the principals’ relationships with the Debtor (*e.g.*, creditor, lessee).

Tenth, Paragraph II.C of the Disclosure Statement on page 21 is vague and incomplete. The nature of Debtor’s business cannot be ascertained from the information provided. Debtor must explain what it means by “crowdfunding.” Debtor must describe the intellectual property it owns and how it pertains to the operation of its business. Debtor also must explain how the intellectual property it purchased failed or is otherwise defective for the purposes it was meant to serve in operating Debtor’s business. And Debtor must explain in more detail how this alleged failure or the alleged defects led to its filing for bankruptcy.

Eleventh, in Paragraph II.B of the Disclosure Statement on page 22, under the heading “Cash Collateral and Adequate Protection,” Debtor must state whether any adequate protection or financing orders have been entered postpetition.

Twelfth, in Debtor’s use of numbers throughout the Plan and Disclosure Statement, Debtor often omits commas. For example, Debtor states “\$171158.94 instead of \$171,158.94 on page 25 of the Disclosure Statement. Debtor must correct all instances of this.

Thirteenth, Debtor states in Paragraph IV.B of the Disclosure Statement on page 25 that “[t]he risks, conditions and assumptions are outlined in the Liquidation Analysis.” Debtor’s

liquidation analysis is on page 59 of the Disclosure Statement but it does not include the risks, conditions, and assumptions it used in its liquidation analysis. Debtor must correct this.

Fourteenth, on page 50 of the Disclosure Statement, the full text under the heading “Prepetition Employees and Monthly Salary” goes beyond the right margin of the viewable screen and cannot be viewed or printed. Debtor must correct this.

Fifteenth, Debtor must state who will manage the Debtor post-confirmation and what the compensation will be for such person(s). Debtor also must state whether the manager(s) will receive any fringe benefits, and if so, what those benefits will be and what they will cost.

Sixteenth, Debtor must modify Paragraph VII.E of the Disclosure Statement on page 53 so that it states, in its entirety:

If the plan is confirmed by the Court:

1. *Its terms are binding on the debtor, all creditors, shareholders and other parties in interest, regardless of whether they have accepted the plan.*
2. *Except as provided in the plan and in 11 U.S.C. § 1141(d):*
 - (a) *In the case of a corporation that is reorganizing and continuing business as in this case:*
 - (1) *All claims and interests will be discharged.*
 - (2) *Creditors and shareholders will be prohibited from asserting their claims against or interests in the debtor or its assets.*

Seventeenth, Debtor must include the exhibits that it filed under Docket # 52 with the combined Plan and Disclosure Statement, rather than filing them under a separate docket entry.

Accordingly,

IT IS ORDERED that no later than **February 11, 2015**, Debtor must file an amended

combined plan and disclosure statement that is consistent with this Order.

IT IS FURTHER ORDERED that no later than **February 11, 2015**, Debtor also must file a redlined version of the amended combined plan and disclosure statement, showing the changes Debtor has made to “Debtor’s Combined Disclosure Statement and Plan of Reorganization” filed February 3, 2015.

Signed on February 4, 2015

/s/ Thomas J. Tucker

Thomas J. Tucker
United States Bankruptcy Judge