

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION**

<b>In re:</b>	)	<b>CASE NUMBER: 11-68463</b>
	)	
<b>LEE'S FAMOUS RECIPES, INC.,</b>	)	<b>JUDGE ELLIS-MONRO</b>
	)	
<b>Debtor.</b>	)	<b>CHAPTER 11</b>
_____	)	

**LIQUIDATING TRUSTEE'S FIRST QUARTERLY  
REPORT TO THE COURT**

**COMES NOW**, S. Gregory Hays, the duly authorized and acting Trustee for the LFR Liquidating Trust (the "Trust") and in accordance with Section 8.12 of the Second Amended Joint Plan of Reorganization Proposed by Debtor and Official Committee of Unsecured Creditors (Docket No. 336) (the "Plan") which was confirmed by this Court on April 8, 2013 (Docket No. 398) and hereby makes and files his first Quarterly Report and shows as follows:

**Introduction**

1. The duties and obligations of the Trustee are set forth in the Plan and the agreements entered in connection therewith including the Liquidating Trust Agreement. Copies of the Plan and the plan documents have been previously circulated to creditors and are available at [haysconsulting.net/lees-famous-recipes/](http://haysconsulting.net/lees-famous-recipes/).

The Effective Date of the Plan was April 22, 2013 and this is the date which will be used to calculate quarterly payments, obligations and filings required under the Plan.

**Assets of the Trust**

2. Since the Effective Date, the Trust has received cash distributions totaling \$269,721.02 from Famous Recipe Group LLC ("FRG"), the entity which acquired the Debtor's assets and liabilities, which consist of the following:

a. The **Liquidating Trust Contribution**, as defined in the Plan, in the amount of \$25,000.00 paid by FRG on the Effective Date.

b. The first quarterly payment of \$108,721.02 due pursuant to the **New Lee's Note**, as defined in the Plan, paid on July 22, 2013. The remaining principal balance due on the Promissory Note is \$1,191,279.00.

c. A payment of \$136,000.00 paid on July 22, 2013 on account of the **New Lee's Contingent Obligation**, as defined in the Plan. Pursuant to the terms of the Plan, the amount of the New Lee's Contingent Obligation, to be paid each quarter, is to be determined based upon the cash flow of FRG. The Trustee has reviewed FRG's calculation of the amount paid by FRG for the quarter ending July 22, 2013 and agrees that the amount paid is the correct amount due.

3. Through the quarter ending July 22, 2013, FRG timely paid all amounts due and payable to the Trust as required under the Plan.

4. The Trust continues to hold all of the other assets of the Trust delivered to the Trust pursuant to the terms of the Plan including the New Lee's Note and the Trust's equity interests in FRG.

### **QUARTERLY DISTRIBUTIONS TO CREDITORS**

5. Pursuant to the terms of the Plan, holders of allowed claims in Classes 1 through 7 of the Plan must be paid pursuant to the terms of the Plan before any distributions can be made on a pro-rata basis to holders of Class 8 Claims (general unsecured creditors). All allowed claims of creditors holding Class 1 through Class 4 Claims were satisfied and/or paid on the Effective Date and the Trust has no further liability for such claims.

6. Class 5 consists of the allowed secured claim of LFR Nevada in the amount of \$400,000. No distributions were made on account of this claim on or before the Effective Date. Accordingly, the Trustee made a distribution in the amount of \$225,000 to LFR Nevada on August 23, 2013 on account of its secured claim, leaving a remaining balance due of \$175,000 on this claim.

7. Class 6 consists of the allowed secured claim of Sysco in the amount of \$40,000. No distributions will be made on this claim until the Class 5 Claim of LFR Nevada is paid in full.

8. Class 7 consists of other Secured Claims not otherwise classified under the Plan. The Trustee is informed and advised that there are no allowed claims in Class 7.

9. Class 8 consists of the general unsecured claims. Distributions will be commence to Class 8 Claims when both the Class 5 and 6 Claims are paid in full and there are sufficient funds to make distributions to Class 8 Creditors. Further information about expected distributions to Class 8 creditors will be provided in the next quarterly report to be filed in October, 2013.

#### **FEES AND EXPENSES OF THE TRUST**

10. There have been no fees or expenses paid by the Trust.

#### **CURRENT CASH POSITION**

11. As of the filing of this Report, the Trust currently holds the sum of \$44,691.02.

#### **GENERAL REPORT**

12. The Trustee engaged Henry Sewell of McKenna Long & Aldridge LLP, former counsel to the Unsecured Creditors' Committee to serve as Counsel to

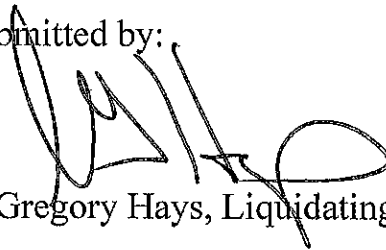
the Trustee to file objections to several claims. The Trustee, through Mr. Sewell's offices, filed objections to six claims. Four of the objections were to priority/secured claims filed by various local taxing authorities related to the real estate formerly owned by the Debtor. These taxes had all been paid and the purpose of the objection was to get these claims off the record. Three of the four taxing authorities have already withdrawn their claims. Objections were also filed to the claims of Spirit Master Funding (to reduce the claim to the landlord cap agreed to by other landlords in the case) and to Brauvin Capital (to reclassify its claim from secured to unsecured). The Trustee does not plan on objecting to any other claims in the case.

13. The Trustee anticipates that by the end of the next quarter on October 22, 2013, all outstanding claim issues will be resolved and that the amount of allowed Class 8 Claims will be finally determined. A further report will be made on this in October, 2013 Report.

14. The Trustee held a call with the Beneficiaries Committee and with Chuck Cooper, CEO of New Lee's regarding the setup of the Trust, claims objections and financial reporting requirements from New Lee's. On July 24, 2013 the Trustee had an in person meeting with Chuck Cooper in New Lee's offices to discuss the on-going business operations and quarterly results and to

establish procedures for communications in the future. As of the filing of this Report, LFR is current in all of its obligations to the Trust and a good working relationship has been established.

Submitted by:

A handwritten signature in black ink, appearing to read 'S. Gregory Hays', is written over the printed name below it.

S. Gregory Hays, Liquidating Trustee

ATLANTA 5503844.1

**CERTIFICATE OF SERVICE**

This is to certify that on September 5, 2013, I caused to be served a copy of the within and foregoing *Liquidating Trustee's First Quarterly Report to the Court*, upon the United States Trustee and Debtor's counsel through the United States Mail with sufficient First Class postage prepaid affixed thereon to assure delivery, addressed as follows:

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/s/Henry F. Sewell, Jr.  
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