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6

7 IN THE UNITED STATES BANKRUPTCY COURT  
8 FOR THE DISTRICT OF ARIZONA

9 In re: )  
10 MINERVA YAGER, ) No. 4:15-bk-05845-SHG  
11 ) (Chapter 11)  
Debtor. )  
12 ) NOTICE OF SUBMISSION OF  
13 ) DEBTOR'S SECOND AMENDED  
14 ) DISCLOSURE STATEMENT  
15 ) DATED November 7, 2016  
16 ) FOR ITS SECOND AMENDED PLAN OF  
REORGANIZATION  
17 ) DATED November 7, 2016  
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Minverva Yager, (hereinafter "Debtor"), submits this proposed Second Amended Disclosure Statement dated November 7, 2016 attached hereto and by reference incorporated herein (hereinafter "the Disclosure Statement") in connection with the "Debtor's Second Amended Plan of Reorganization" filed concurrently herewith dated November 7, 2016 (hereinafter "the Plan"). The Disclosure Statement is submitted in compliance with 11 U.S.C. Section 1125 and Bankruptcy Rule 3017. It has not been approved by the Bankruptcy Court and is filed solely to enable the Court and parties in interest to evaluate the adequacy of the information contained herein as required of the Bankruptcy Code. Moreover, the Disclosure Statement refers to information contained herein as required by the Bankruptcy Code. The Disclosure Statement refers to information and facts that the Debtor anticipates will be accurate or will occur on or prior to the date of the hearing to consider the Disclosure Statement. Therefore, certain information and facts contained in the Disclosure Statement may not be completely accurate as of the date hereof.

The Debtor believes that a form of Disclosure Statement in substantially the form as that which

1 is attached hereto contains information of a kind, and in sufficient detail, as far as is reasonably practical  
2 in light of the nature and history of the Debtor, that would enable a reasonable investor, typical of the  
3 holders of claims and interests in each class of claims and interest in the Plan, to make an informed  
4 judgment about the Plan. Nevertheless, all readers are cautioned that the Debtor may file further  
5 modifications of the Plan and of the Disclosure Statement prior to the hearing to consider the Disclosure  
6 Statement.

7  
8 *THE FILING AND ANY DISSEMINATION OF THE DISCLOSURE STATEMENT*  
9 *IS NOT A SOLICITATION OF VOTES ACCEPTING OR REJECTING*  
10 *THE PLAN DESCRIBED THEREIN.*

11 DATED: November 7, 2016.

12 LAW OFFICES OF  
13 *ERIC SLOCUM SPARKS, P.C.*

14 /s/ Sparks AZBAR #11726  
15 Eric Slocum Sparks  
16 Attorney for Debtor  
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 November 7, 2016

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14 ) DATED November 7, 2016  
15 ) FOR ITS SECOND AMENDED PLAN OF  
REORGANIZATION  
16 ) DATED November 7, 2016

17 **I. INTRODUCTION**

18 On May 12, 2015, Debtor, Minerva Yager, (hereinafter referred to as "Debtor"), filed a voluntary  
19 petition for Chapter 11 relief in the United States Bankruptcy Court for the District of Arizona.

20 This Disclosure Statement is filed pursuant to 11 U.S.C. §1125 and is intended to provide the  
21 holders of claims and interest with adequate information about the debtor and Plan so as to enable the  
22 creditors to make an informed judgment as to their acceptance or rejection of the Plan. In preparing this  
23 Disclosure Statement the debtor has been mindful of the factors which courts tend to apply to determine  
24 if a Disclosure Statement contains "adequate information", mainly those factors articulated in *In re A.C.*  
25 *Williams Company*, 25 B.R. 173 (Bankr. N.D. Ohio 1982).

1 **II. DEFINITIONS**

2 As utilized in this Disclosure Statement and in the Plan of Reorganization which accompanies  
3 this Disclosure Statement, the following definitions apply to the following terms:

4 1. "Adequate Information" means information that would enable a hypothetical reasonable  
5 investor typical of holders of claims or interest of the Debtor's estate, to make an informed judgment  
6 about the Debtor's Plan of Reorganization.

7 2. "Allowed and Approved Claim" shall mean a timely filed Proof of Claim pursuant to an Order  
8 of the Court setting a bar date to which that claim should be filed and no objection to the claims having  
9 been filed. If an objection to a claim is filed, said claim will be allowed to the extent ordered by the  
10 Court.

11 3. "Bankruptcy Code" shall mean the Bankruptcy Code as set forth in Title 11 of the United  
12 States Code.

13 4. "Bankruptcy Court" shall mean in the United States Bankruptcy Court for the District of  
14 Arizona.

15 5. "Confirmation of the Plan" shall mean the entry of an order by the Bankruptcy Court  
16 confirming the Plan of Reorganization in accordance with §1129 of the Bankruptcy Code.

17 6. "Consummation of the Plan" means the accomplishment of all things required or provided for  
18 under the terms of the Plan.

19 7. "Court" shall mean the United States Bankruptcy Court for the District of Arizona.

20 8. "Creditors" shall mean all persons holding claims for secured and unsecured obligations,  
21 liabilities, demands or claims of any nature whatsoever against the Debtor arising at any time prior to  
22 confirmation of the Plan and administrative creditors.

23 9. "Debtor" shall mean the petitioner in the above-captioned Bankruptcy case.

24 10. "Disclosure Statement" shall mean this Disclosure Statement (hereinafter "Disclosure  
25 Statement") filed in this case approved, after notice and a hearing by the Court as being in conformity  
26 with §1129 of the Code.

27 11. "Disposable Income" that amount of income to be contributed by debtor for a period of 60  
28

1 months and paid to creditors on allowed claims of creditor on a pro rata basis any and all claims as a full  
2 and final settlement. The amount of disposable income will be reduced by any allowed administrative  
3 fees allowed by this Court.

4 12. "Effect of Discharge" 11 U.S.C. 1141(d) (5), an individual Debtor will not be discharged  
5 from any debts unless and until: (i) Debtor completes all payments under the Plan and obtains an order  
6 of the Bankruptcy Court granting a discharge; (ii) the Bankruptcy Court grants a limited ("hardship")  
7 discharge as allowed under Bankruptcy Code § 1141(d)(5)(B); or (iii) the Bankruptcy Court orders  
8 otherwise for cause.

9 13. "Effective Date" shall mean the later of (a) the first business day following the **60th** day after  
10 entry of the Court of an order confirming this Plan, or (b) the first business day after such order has  
11 become final and unappealable; provided however, no appeal of said order is pending; provided further,  
12 the Debtors may waive the condition that no appeal of the order of confirmation be pending by a writing  
13 duly executed by the Debtors and filed with the Court on or before the date which but for the pendency  
14 of appeal would become the Effective Date of the Plan, and in the event that said condition is timely  
15 waived by the Debtors, the Plan shall become effective as provided herein notwithstanding the pendency  
16 on said date of an appeal or appeals; in the event that said condition is not timely waived, the Plan shall  
17 become effective on the first business day after an appeal is no longer pending.

18 14. "Petition" means the original Chapter 11 Petition filed by the Debtor.

19 15. "Plan" shall mean the Plan of Reorganization accompanying this Disclosure Statement as it  
20 may be amended, modified and/or supplemented pursuant to which the Debtor proposes payment in  
21 whole or in part of creditors' claims.

22 16. "Plan Distribution Date" shall be a date that ends with the first full calendar quarter after the  
23 date that the Chapter 11 Plan is confirmed by the Court, which the Debtor projects to be December 31,  
24 2016.

25 17. All other terms not specifically defined by this Disclosure Statement shall have the meaning  
26 as designated in §101 of the Bankruptcy Code or, if not contained therein, their ordinary meaning.

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**III. DISCLAIMER**

Any representations concerning the Debtor’s Plan other than as set forth herein are unauthorized. This Disclosure Statement is designed to provide information the Debtor deems material, important and necessary for the creditors to arrive at an informed decision in exercising their right to accept or reject the Plan. **YOU SHOULD THEREFORE NOT RELY ON ANY OTHER INFORMATION, REPRESENTATIONS OR INDUCEMENTS IN ASSESSING THE MERITS OF THE DEBTOR’S PLAN OTHER THAN THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.**

The Debtor expressly do not warrant nor represent that there are no inaccuracies in the following Disclosure Statement although the information provided is accurate to the best of Debtor’s knowledge, information and belief. Creditors should also be aware that the Court has not undertaken any individual determination to verify the accuracy of the information contained in this Disclosure Statement. Finally, the attorney for the debtor has not made any independent evaluation as to the accuracy of the information contained herein other than to ascertain that the information contained herein is generally consistent with information provided by the Debtor. Notwithstanding the foregoing, the debtor believes that the information contained herein is correct and accurate and complies with the requirements of the Bankruptcy Code.

**IV. DEBTOR’S BACKGROUND, EVENTS LEADING TO CHAPTER 11 BANKRUPTCY**  
**FILING AND OPERATIONS UNDER CHAPTER 11**

Background and History of Debtor: Minerva Yager was born and raised in a small mining town in Cananea, Sonora, Mexico. She attended bilingual elementary, middle, and high school with preparatory training and started working right after graduation. Miverva met her now deceased husband Marc Yager in 1991. Marc had a furniture shop in Tucson by the name of Morewood & Yager, Inc. when NAFTA started, Marc saw a great opportunity with the trade across the border program and opened a furniture manufacturing shop in Mexico to supply furniture to his store Morewood & Yager in Tucson. Minerva was a homemaker and Marc ran a furniture business during their marriage. Marc controlled all





1 following address: LAW OFFICES OF ERIC SLOCUM SPARKS, P.C. 3505 North Campbell Suite#  
2 501, Tucson, Arizona 85719. ***The enclosed Ballot states the Court established deadline in which all***  
3 ***ballots must be filed with the Court and copies provided to Debtor's counsel.***

4 B. Creditors Entitled to Vote.

5 Any creditor of the Debtor, whose claim is impaired under the Plan is entitled to vote if it has  
6 filed a Proof of Claim on or before the last date set by the Bankruptcy Court for such filings. Any claim  
7 to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless  
8 the Bankruptcy Court temporarily allows the claim in an amount which it deems proper for the purpose  
9 of accepting or rejecting the Plan upon Motion by the creditor whose claim is subject to any objection.  
10 Such motion must be heard and determined by the Bankruptcy Court prior to the date established by the  
11 Court to confirm the Plan. In addition, a creditor's vote may be disregarded if the Bankruptcy Court  
12 determines that the creditor's acceptance or rejection was not solicited or procured in good faith or in  
13 accordance with the provisions of the Bankruptcy Code.

14 C. Definition of Impairment.

15 Under §1124 of the Bankruptcy Code, a class of claims or equity interests is impaired under a  
16 Plan of Reorganization unless, with respect to each claim or equity interest of such class, the Plan:

17 Except as provided in Section 1123(a)(4) of this title, a class of claims or interests is impaired  
18 under a plan unless, with respect to each claim or interest of such class, the  
plan -

19 (1) leaves unaltered the legal, equitable, and contractual rights to which such claim or  
20 interest entitles the holder of such claim or interest;

21 (2) notwithstanding any contractual provision or applicable law that entitles the holder  
22 of such claim or interest to demand or receive accelerated payment of such claim or  
interest after the occurrence of a default –

23 (A) cures any such default that occurred before or after the commencement of the  
24 case under this title, other than a default of a kind specified in Section 365(b)(2) of this  
title;

25 (B) reinstates the maturity of such claim or interest for any damages incurred as  
26 a result of any reasonable reliance by such holder on such contractual provision of such  
applicable law; and

27 (C) compensates the holder of such claim or interest for any damages incurred as  
28 a result of any reasonable reliance by such holder or such contractual provision or such  
applicable law; and

1 (D) does not otherwise alter the legal, equitable, or contractual rights to which  
2 such claim or interest entitles the holder of such claim or interest.

3 11 U.S.C. §1124.

4 D. Classes Impaired Under the Plan.

5 Creditors holding claims or interests in Classes 2, 3, 4, 5, 6, 7, 8, 9, 10 and 12 are impaired under  
6 the Plan and are eligible, subject to the limitations set forth above, to vote to accept or reject the Plan.  
7 Creditors holding claims in Classes 1 and 11 are not impaired under the Plan and are not entitled to vote  
8 with respect to acceptance or rejection of the Plan. All creditors will be paid in accordance with the  
9 provisions of the Plan. *See 11 U.S.C. §1126(f).*

10 E. Votes Required for Class Acceptance.

11 The Bankruptcy Code defines acceptance of a Plan by a class of creditors as acceptance by  
12 holders of two-thirds in dollar amount and by a majority in number of the claims of that class which  
13 actually cast ballots for acceptance or rejection of the Plan, i.e., acceptance takes place only if two-thirds  
14 in amount and majority in numbers of the creditors actually voting cast their ballots in favor of  
15 acceptance.

16 SINCE MAIL DELAYS MAY OCCUR, IT IS IMPORTANT THAT THE BALLOT OR  
17 BALLOTS BE MAILED OR DELIVERED WELL IN ADVANCE OF THE DATE SPECIFIED. ANY  
18 BALLOTS RECEIVED AFTER THIS DATE MAY NOT BE INCLUDED IN ANY CALCULATION  
19 TO DETERMINE WHETHER THE DEBTOR'S CREDITORS HAVE VOTED TO ACCEPT OR  
20 REJECT THE PLAN.

21 THIS IS A SOLICITATION BY THE PROPONENT ONLY AND IS NOT A SOLICITATION  
22 BY THE PROPONENT'S ATTORNEY OR ACCOUNTANT, AND THE PRESENTATIONS MADE  
23 HEREIN ARE THOSE OF THE PROPONENT AND NOT OF THE PROPONENT'S ATTORNEY  
24 OR ACCOUNTANT, EXCEPT AS OTHERWISE INDICATED. THE RECORDS SUBSEQUENT  
25 TO THE FILING OF THE PETITION FOR REORGANIZATION HAVE BEEN KEPT BY THE  
26 DEBTOR-IN-POSSESSION AND MONTHLY FINANCIAL REPORTS HAVE BEEN SUBMITTED  
27 BY THE DEBTOR-IN-POSSESSION FROM TIME TO TIME SINCE THE FILING OF THE  
28 PETITION. WHILE EVERY REASONABLE EFFORT HAS BEEN MADE TO ENSURE THE

1 ACCURACY OF THE MONTHLY REPORTS, THEIR ACCURACY CANNOT BE GUARANTEED.

2  
3 **VI. GENERAL INFORMATION AND DISCLOSURE**

4 Sources of Information.

5 Information relating to financial matters has been taken from the records of the Debtor and  
6 interviews with the Debtor. Information of a legal nature has been provided by the counsel of record.  
7 Debtor has maintained and provided accounting and financial information.

8 Current Condition of Debtor.

9 Debtor is currently earning income from wages, social security and rental income from real  
10 property.

11 The Accounting Process.

12 The accounting process is conducted using generally accepted accounting principals. Accounting  
13 information is furnished by the Debtor and is presented on a cash basis.

14 Inventory and Asset Description.

15 The Debtor's post-petition income is an asset of the estate. The Debtor's assets are listed in  
16 Schedules A and B of the petition attached hereto as Exhibit E, Debtor's exempt property is listed in  
17 Schedule C of the petition.

18 Future Management.

19 Management of Debtor's affairs will remain with Debtor.

20 The Anticipated Future of Debtors' Affairs.

21 It is the Debtor's intention, with lowered monthly expenses to utilize the improved cash flow  
22 in a prudent way. The Debtor will continue to operate the business post confirmation and will  
23 continue to grow the business back to its original success with the improved cash flow.

24 Incidents which led to the filing of the Chapter 11.

25 *See* ARTICLE IV of this Disclosure Statement.

26 Disclaimer regarding the information given.

27 *See* ARTICLE III of this Disclosure Statement.

1           Amount of claims scheduled.

2           *See* ARTICLES VII AND VIII.

3           The estimated return to the creditors if liquidated.

4           *See* ARTICLE XIII.

5           A copy of the proposed plan.

6           *See Exhibit "A"* included herewith and filed as a separate document.

7           Existence, likelihood, and possible success of bankruptcy litigation, if any.

8           Debtor's do not anticipate bankruptcy litigation. Debtor is not aware of any pre-petition  
9 avoidance action or any non-bankruptcy litigation.

10          The collectability of any accounts receivable.

11          None.

12          Pre-petition transfers.

13          There were no pre-petition transfers.

14          Relationship of the Debtor with affiliates.

15          None.

16          Administrative Claims.

17          These claims consist of the expenses of administration of the estate including attorney fees  
18 for Debtor's counsel and any unpaid fees to the U.S. Trustee. The Debtor estimates these costs and  
19 expenses at \$20,000.00.

20          Tax Claims.

21          As reflected in the original schedules filed by the Debtor, Debtor estimated tax claims in the  
22 amount of \$0.00. This does not include any amounts that may be due for ad valorem claims which are  
23 secured against real property, if any. Required treatment of tax claims is addressed in §§507(a)(8) &  
24 1129(a)(9). The Debtors intend to treat all relevant tax claims as required by applicable bankruptcy and  
25 state law.

26          Secured Claims.

27          As reflected in the original schedules filed by the Debtors, Debtors estimated secured claims in  
28

1 the amount of \$1,420,982.52.

2 Unsecured Claims.

3 As reflected in the original schedules filed by the Debtors, Debtors estimated unsecured claims  
4 in the amount of \$94,034.09, which does not include any deficiency amounts for secured creditors.

5 Domestic Support Claims.

6 Debtor has no domestic support obligations.

7  
8 **VII. FINANCIAL INFORMATION**

9 Debtor receives income from wages, social security and rental income from real property. For  
10 additional information see Liquidation Analysis attached as **Exhibit “C”**. See Anticipated Income and  
11 Expense as **Exhibit “D”**.

12  
13 **VIII. SUMMARY OF THE PLAN OF REORGANIZATION**

14 *Classification and Treatment of Claims and Interests*

15 1. *Claim Amounts:* Because certain claims against the Debtors may be unknown or of  
16 undetermined amounts, the amounts of claims specified in this Disclosure Statement reflect only the  
17 Debtor’s best estimate at this time of the amount due. In addition, the amounts of the claims specified  
18 in this Disclosure Statement do not include, for example, claims arising from the rejection of certain  
19 executory contracts and other contingent or unliquidated claims arising against the debtor.

20 2. *Effective Date of the Plan:* The “Effective Date” of the Plan is important in determining  
21 when performance of many of the Debtor’s obligations under the Plan is due. The Effective Date is  
22 defined in the Plan as the first business day following the later of the following day;

23 (I) the date on which the Order confirming the Plan (the “Confirmation Order”) becomes  
24 final and non-appealable with no appeal then pending; or

25 (ii) 60 days after the date of the Confirmation Order for unsecured claims; and

26 (iii) 30 days after the date of the Confirmation Order for secured claims.

27 3. *Classification:* The Plan divides claims against the Debtors, into multiple separate classes  
28

1 that the Debtors assert are in accordance with the Bankruptcy Code. Unless otherwise expressly stated  
2 in the Plan, distributions to holders of allowed claims are in full satisfaction of their allowed claims. All  
3 claims against the Debtors arising prior to confirmation will be discharged by performance of the Plan  
4 on the Effective Date to the extent that such claims are dischargeable under the Bankruptcy Code Section  
5 1141(d).

6 The Plan provides for 12 classes of claims to be paid or administered in the following manner:

7 8.1 Class 1 - Administrative Claims

8 These claims are for the expenses of administration of the estate, including attorney fees for  
9 Debtors' counsel in the approximate sum of \$20,000.00 and unpaid fees to the U.S. Trustee, if any.  
10 Debtors believe, at the time that the Debtors' Chapter 11 Plan is confirmed, that there will be an  
11 administrative expense claim in the approximate amount of \$20,000.00. The Plan provides for the  
12 payment in cash, in full, of all allowed Administrative Claims on the later of the Effective Date or the  
13 date upon which such Claims become Allowed Claims, or as otherwise ordered by the Bankruptcy Court  
14 or agreed to by Claimant and Debtor. **(This class is not impaired.)**

15 8.2 Class 2 - Priority Claims of Governmental Units

16 A. Classification: Class 2 claims consists of all allowed claims of the United States  
17 Internal Revenue Service ("IRS") and/or State of Arizona, Department of Revenue ("ADOR") and/or the  
18 Arizona Department of Economic Security ("ADES"), City of Tucson or other government agency which  
19 are entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code except ad valorem taxes.  
20 The I.R.S. has filed a claim in this class in the amount of \$300.00.

21 B. Impairment: Class 2 is impaired.

22 C. Treatment: In the event there are determined to be allowed Class 2 claims, each  
23 holder of a Class 2 allowed claim shall retain its claim, in accordance with Section 1129 of the  
24 Bankruptcy Code. The claim shall bear simple interest at a fixed rate equal to that rate which would be  
25 required to be paid as of the Effective Date under Section 6621 and/or 6622 of the Internal Revenue Code,  
26 or such other interest rate as the Bankruptcy Court determines is sufficient to confer upon the tax note  
27 a value as of the Effective Date equal to the principal amount of such claim. The allowed claim shall be  
28 payable in equal monthly installments of principal, along with accrued interest, in deferred cash payments

1 over a period not to exceed five years from the date of petition. The first payment shall commence on the  
2 first day of the month immediately following the month of the Effective Date. The claim is subject to  
3 prepayment at any time without penalty or premium and shall have such other terms as are required by  
4 law. In the event the Debtor defaults on any payment due as required under the confirmed plan, and in  
5 the event the Debtor fails to cure said default within thirty days after written notice of the default is  
6 mailed to the Debtor and the Debtor's attorney, the entire imposed liability together with any unpaid  
7 current liabilities, shall become due and payable immediately unless amended by the Court. The  
8 governmental unit may collect unpaid liabilities that become due as a result of the default through the  
9 administrative collection provisions or the judicial remedies. The governmental unit shall not be required  
10 to seek a modification from the automatic stay to collect any tax liabilities that were not discharged by  
11 the confirmation of the plan and from property that has reverted with the Debtor.

12 8.3 Class 3 - Secured Ad Valorem Real Property Tax Claims

13 A. Classification: Class 3 shall consist of pre-petition allowed Ad Valorem Real  
14 Property Tax Claims which are secured by liens on real property. Pima County in the amount of  
15 \$3,197.06 and estimated amounts of \$1,554.00.

16 B. Impairment: Class 3 is impaired

17 C. Treatment: In the event there are determined to be allowed Class 3 claims, each  
18 holder of a Class 3 allowed claim shall retain its lien having an aggregate principal amount sufficient to  
19 satisfy, in accordance with Section 1129 of the Bankruptcy Code, the allowed claim. Such claim shall  
20 bear simple interest at a statutory rate of 16% per annum required to be paid as of the Effective Date, or  
21 such other interest rate as the Bankruptcy Court determines is sufficient to confer upon the tax claim a  
22 value as of the Effective Date equal to the principal amount of such claim charged by the taxing authority,  
23 or the statutory rate of interest. Payments shall be made in equal monthly installments of principal, along  
24 with accrued interest, in deferred cash payments over a period not to exceed five years from date of  
25 petition. The claim is subject to prepayment at any time without penalty or premium and shall have such  
26 other terms as are required by law.

27 8.4 Class 4 - Secured Claim of Internal Revenue Service ("I.R.S.")

28 A. Classification: Class 4 consists of the secured claim of I.R.S to the extent of the



1 value of the secured creditor's interest in the Debtor's interest in the real property with a lien on 6608 E.  
2 Paseo Dorado, Tucson AZ. This claim is evidenced by a tax lien which was recorded on October 26,  
3 2007, October 31, 2007, December 6, 2007, and August 21, 2008. Debtor is aware of a proof of claim  
4 filed by the I.R.S. in the amount of \$149,834.41.

5 B. Impairment: Class 4 is impaired.

6 C. Treatment: Debtor has not had the property appraised, but believes the current  
7 value of 6608 E. Paseo Dorado, Tucson AZ is \$75,000.00.

8 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH I.R.S. AS TO  
9 ITS TREATMENT, THE TERMS AND CONDITIONS THEREIN WILL SUPERCEDE THE  
10 TREATMENT SET FORTH HEREIN.

11 Under § 506 of the Bankruptcy Code, a secured creditor has a secured claim to the extent of the  
12 creditor's interest in the Debtor's interest in the collateral and an unsecured claim for the balance, if any,  
13 unless the creditor makes a 1111(b) election, and, if eligible, elects to have its claim treated as fully  
14 secured. The allowed amount of the creditor's secured claim will be the lesser of value of the creditor's  
15 interest in the Debtor's interest in the property as determined under § 506, or the allowed amount of the  
16 creditor's claim. Debtor has not had the properties appraised, but believes the current value is \$75,000.00.  
17 The Debtor proposes to limit the Class 4 creditor's secured claim to \$75,000.00 and to treat the balance  
18 of its claim, if any, as an unsecured deficiency claim and treat and pay it as a Class 9 unsecured creditor.  
19 If the Debtor and the Class 4 creditor cannot agree as to the amount of the Class 4 creditor's allowed  
20 secured claim, the Court may be called upon to make that determination.

21 The allowed claim of the Class 4 creditor shall be paid, assuming no 1111(b) election is made by  
22 creditor, and secured by the lien, as follows:

23 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan at  
24 the rate of 4.00 % per annum.

25 2. The note shall be payable in equal monthly installments of principal and interest  
26 amortized over ten (10) years. The first monthly installment shall be due thirty (30) days after the  
27 Effective Date of the Plan and subsequent monthly installments shall be due on the same day of each  
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1 subsequent month. On the tenth anniversary of the Effective Date of the Plan the outstanding principal  
2 balance of the note and all accrued and unpaid interest thereon shall be due and payable in full. The final  
3 payment shall be made either from proceeds of the sale or refinancing of the property or contributions of  
4 the owners of the property at the time the final payment is due.

5           3. The lien of the Class 4 creditor shall continue to be secured by its lien on the property  
6 but the lien and any obligation due the Class 4 creditor, which is secured by the recorded lien, shall be  
7 non-recourse to the Debtor. Any security for payment of the allowed claim which I.R.S. had at the petition  
8 date other than the recorded lien above described which encumbers the properties I.R.S. shall retain post-  
9 confirmation.

10           4. Any difference between current market value and obligation due I.R.S. shall be treated  
11 as a Class 9 unsecured claim.

12           8.5 Class 5 - Secured Claim of PP Two Inc. ("PP Two.")

13           A.     Classification: Class 5 consists of the secured claim of PP Two to the extent of the  
14 value of the secured creditor's interest in the Debtor's interest in the real property with a second lien on  
15 6608 E. Paseo Dorado, Tucson AZ. This claim is evidenced by a judgment lien which was recorded on  
16 February 23, 2009. Debtor estimates this claim in the amount of \$800,000.00. The Debtor believes the  
17 claim is not secured.

18           B.     Impairment: Class 5 is impaired.

19           C.     Treatment: The Class 5 claim of PP Two shall be treated as a Class 10 unsecured  
20 claim for payment purposes. Any liens held by the Class 5 creditor shall be null and void and removed  
21 as of the Effective Date.

22           8.6 Class 6 - Secured Claim of Blue Sky Mortgage Inc. 401(k) Plan ("Blue Sky.")

23           A.     Classification: Class 6 consists of the secured claim of Blue Sky to the extent of  
24 the value of the secured creditor's interest in the Debtors' interest in the real property with a first lien on  
25 1621 W Jagged Rock Rd, Tucson AZ. This claim is evidenced by a promissory note and deed of trust.  
26 Debtors are aware of a proof of claim filed by Blue Sky in the amount of \$290,751.03.

27           B.     Impairment: Class 6 is impaired.

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1 C. Treatment: The Debtor has surrendered the property to the Class 6 secured creditor  
2 pursuant to the order terminating stay signed on February 8, 2016 [DE. 76]. Any deficiency claim of the  
3 Class 6 creditor shall become a Class 9 unsecured creditor and be paid its pro-rata share on distributions  
4 of its claim. As a Class 9 unsecured creditor the Class 6 creditor shall have no other claim against debtor.

5 8.7 Class 7 - Secured Claim of Tierra Vista Properties, LLC (“Tierra Vista”)

6 A. Classification: Class 7 consists of the secured claim of Tierra Vista to the extent  
7 of the value of the secured creditor’s interest in the Debtor’s interest in the real property with a third lien  
8 on 6608 E. Paseo Dorado, Tucson AZ. This claim is evidenced by a judgment lien which was recorded  
9 on July 12, 2012. Debtor is aware of a proof of claim filed by Tierra Vista in the amount of \$26,507.92.  
10 The Debtor believes the claim is not secured.

11 B. Impairment: Class 7 is impaired.

12 C. Treatment: The Class 7 claim of Tierra Vista shall be treated as a Class 9 unsecured  
13 claim for payment purposes. Any liens held by the Class 7 creditor shall be null and void and removed  
14 as of the Effective Date.

15 8.8 Class 8 - Secured Claim of Western States Financial Management (“WSFM.”)

16 A. Classification: Class 8 consists of the secured claim of WSFM to the extent of the  
17 value of the secured creditor’s interest in the Debtor’s interest in the real property with a fourth lien on  
18 6608 E. Paseo Dorado, Tucson AZ. This claim is evidenced by a judgment lien which was recorded on  
19 January 28, 2013. Debtor estimates this claim in the amount of \$15,571.68.

20 B. Impairment: Class 8 is impaired.

21 C. Treatment: The Class 8 claim of WSFM shall be treated as a Class 9 unsecured  
22 claim for payment purposes. Any liens held by the Class 8 creditor shall be null and void and removed  
23 as of the Effective Date.

24 8.9 Class 9 - Unsecured Deficiency Claims and Unsecured Claims.

25 A. Classification: Class 9 consists of all unsecured deficiency claims and unsecured  
26 claims against the debtor. Debtor estimated unsecured claims in the amount of \$94,034.09, which does  
27 not include any deficiency amounts for secured creditors.

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1 B. Impairment: Class 9 is impaired.

2 C. Treatment: All allowed and approved claims under this Class shall be paid the sum  
3 of \$450.00 on a quarterly basis, *pro rata*, from Debtors' disposable income, to be paid on the last day of  
4 each quarter, beginning with the quarter ending after the Effective Date and anticipated to be December  
5 31, 2016, and continuing each quarter thereafter for five years. Any liens held by the Class 9 creditors  
6 shall be null and void and removed as of the Effective Date.

7 8.10 Class 10 - Contingent, Unliquidated and Disputed Claims.

8 A. Classification: Class 10 consists of all contingent, unliquidated and disputed  
9 claims.

10 B. Impairment: Class 10 is impaired.

11 C. Treatment: Class 10 creditors shall receive no distribution under the Plan.

12 8.11 Class 11 - Equity Interest.

13 A. Classification: Class 11 consists of the interests of the Debtors.

14 B. Impairment: Class 11 is not impaired.

15 C. Treatment: Debtors shall retain all of their legal and equitable interest in exempt  
16 and non-exempt assets of this estate, as provided in the plan.

17 8.12 Class 12 - Secured Claim of Dorado Country Club Estates Number Two ("Dorado")

18 A. Classification: Class 12 consists of the secured claim of Dorado on the real  
19 property known as 6608 E. Paseo Dorado, Tucson AZ, for homeowner assessments. Dorado has filed a  
20 proof of claim in the amount of \$4,192.00.

21 B. Impairment: Class 12 is impaired.

22 C. Treatment: The allowed secured claim of the Class 12 claimant shall be paid in  
23 full, in equal monthly installments over a period of thirty-six months at 4.25% interest per annum.

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**IX. DISPUTED CLAIMS**

The Debtor reserves the right to verify and object to any proof of claim unless debtor and creditor have entered into a stipulation for treatment of creditors claim. Payment of disputed claims shall be made only after agreement has been reached between the Debtor and the Creditor or upon the order of the Court.

**X. EXECUTORY CONTRACTS**

All executory contracts and leases unless specifically rejected by Order of the Bankruptcy Court are deemed assumed.

**XI. MEANS OF EXECUTION/PROJECTION**

The Debtors will provide for payment of all timely filed and allowed claims over 60 months. The Debtors shall make payments in the sum of \$450.00 per quarter to the Class 9 unsecured creditors, which shall be disbursed as set forth in the Plan. The source of the funds shall come from the Debtor's earned post-petition income. *See 11 U.S.C. §1123(a)(8).*

The 2005 BAPCPA amendments to the Bankruptcy Code added, among other things, section 1129(a)(15). This section requires that upon the objection of an unsecured creditor to the Debtor's plan, the Debtors must either (A) pay the claim in full, or, (B) commit their disposable income to the plan payments for a minimum of 5 years, as determined by §1325(b)(2). The Debtors believe that projected disposable income is committed to the plan under the current projections.

The Debtors reserve the right to accelerate payment under the Plan from financing obtained from third party financing, although currently Debtors have no plans or ability to do so. Debtors believe that by virtue of Confirmation of the Plan, they will have the ability to pay all allowed and approved claims pursuant to the Plan of Reorganization. The unsecured creditors will be paid a total of \$9,000.00 under the Plan of Reorganization.

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**XII. CHAPTER 7 LIQUIDATION ANALYSIS**

Pursuant to the provisions of the Bankruptcy Code providing for Court approval of a Plan or Reorganization, Debtors are required to pay creditors at least as much as creditors would receive in a Chapter 7 liquidation case, after costs of administration and the liquidation of the Debtor’s assets. 11 U.S.C §1129(a)(7)(ii). A Liquidation Analysis is attached hereto as **Exhibit “C”**. The Liquidation Analysis represents an estimate of recovery based upon hypothetical liquidation assumptions whereby a Trustee would liquidate the Debtors’ assets to convert assets to cash and settle claims. The determination of the hypothetical proceeds from the liquidation of assets is an uncertain process involving the use of estimates and assumptions that, although considered reasonable, are inherently subject to business, economic and competitive contingencies beyond the control of the Debtors.

**XIII. CRAM-DOWN**

If all impaired classes do not accept the Plan, the Debtor, Debtor-in-Possession will use the “cram-down” provisions of section 1129(b) of the Bankruptcy Code. Cram-down is a colloquial term for confirmation of a Plan over the dissent of a class of holders of claims.

**XIV. TAX CONSEQUENCES**

Neither the Debtor nor Debtor’s lawyer can make any statements with regard to the tax consequences of the Plan on any of the creditors. Each creditor in this case, when analyzing the Plan, should consult with its own professional advisors to determine whether or not acceptance of the Plan by the creditor will result in any adverse tax consequences to the creditor.

**XV. IMPLEMENTATION AND CONSUMMATION OF PLAN**

The terms of the Plan subsequent to confirmation shall bind the Debtor, any entity acquiring property under the Plan, and any creditor or claimant, whether or not such creditor or claimant has accepted the Plan. All property of the estate shall vest in the Debtor and shall be free from attachment, levy, or garnishment of execution by creditors bound by the Plan.

1 ALL SECURED CREDITORS SHALL PROVIDE THE DEBTOR WITHIN 60 DAYS OF THE  
2 EFFECTIVE DATE, A NEW PAYMENT BOOK REFLECTING AMOUNT OF MODIFIED  
3 PAYMENTS, IF ANY AND/OR MONTHLY STATEMENTS REFLECTING THE NEW MONTHLY  
4 PAYMENTS AMOUNTS DUE AS SET FORTH UNDER THE TERMS OF THE CONFIRMED PLAN  
5 OF REORGANIZATION.

6 It shall be the obligation of each creditor participating under the Plan to keep the Debtors advised  
7 of its current mailing address. In the event any payment tendered to creditors is mailed, postage prepaid,  
8 (1) to the address specified in the Debtor's schedules and statement, (2) to the address specified in any  
9 proof of claim filed by creditor or claimant here or (3) to the address provided by any such creditor or  
10 claimant for purposes of distribution, and if subsequently the Post Office returns such distribution due  
11 to a lack or insufficiency of address or forwarding address, the Debtors shall retain such distribution for  
12 a period of six months. Thereafter, the distribution shall revert to the Debtors without further Order from  
13 the Court and free and clear of any distributions to any creditor for whom a distribution has been returned  
14 by the Post Office. The Debtors reserve the right to modify the Plan in accordance with §1127 of the  
15 Bankruptcy Code. The Plan may be modified prior to confirmation provided that the plan still complies  
16 with §1122 and §1123 of the Bankruptcy Code. The Plan may be modified subsequent to confirmation  
17 and before substantial consummation of the Plan under such circumstances as may warrant such under  
18 §1127 of the Bankruptcy Code. Any holder of a claim or interest that has previously accepted or rejected  
19 a confirmed Plan, shall be deemed to have accepted or rejected any subsequently modified Plan unless  
20 the holder of such claim or interest changes its acceptance or rejection of the Plan within the time fixed  
21 by the Court.

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**XVI. QUARTERLY FEES AND REPORTS**

24 Debtor shall continue to pay quarterly fees to the U.S. Trustee System until such time as a  
25 Final Decree has been entered in this matter by the Court, closing this Chapter 11 proceeding. Debtor  
26 shall continue to file monthly operating reports until such time as the Court enters an Order  
27 confirming this Chapter 11 Plan of Reorganization. At such time, Debtor shall cease filing monthly  
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1 operating reports and shall begin filing quarterly post confirmation reports. These quarterly reports  
2 shall be filed until such time as a Final Decree has been entered in this matter by the Court, closing  
3 this Chapter 11 proceeding.

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**XVII. RETENTION OF JURISDICTION**

The Bankruptcy Court will retain jurisdiction over this case for purposes of determining the allowance of claims or objections to claims. The Court will also retain jurisdiction for purposes of fixing allowances for compensation and/or for purposes of establishing bar dates and making a determination with respect to all disputed claims. Finally, the Court shall retain jurisdiction for purposes of determining any dispute arising from the interpretation, implementation or consummation of the Plan and to implement and enforce the provisions of estoppel, the principles of *res judicata* or collateral estoppel with respect to any term or provision contained herein in the event the Plan is not confirmed.

The Court may enter a Final Decree and retain jurisdiction over this case to reopen the case to provide relief including the entering of a Discharge Order.

**XVIII. REPRESENTATION**

No representations concerning the Debtor are authorized by the Debtor other than as set forth in this statement. Any representation or inducement made to secure your acceptance other than as contained in this statement should not be relied upon by you in arriving at your decision, and such additional representations and inducements should be reported to counsel for the Debtor, who, in turn, shall deliver such information to the Bankruptcy Court for such action as may be deemed appropriate.



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**XIX. CONCLUSION**

It is respectfully submitted that Debtor have given every thought to the complex problems confronting Debtor, and, with the assistance of counsel, have devised and formulated this Plan with the hope that the equitableness of the Plan will be considered favorable by creditors.

RESPECTFULLY SUBMITTED: November 7, 2016.

LAW OFFICES OF  
ERIC SLOCUM SPARKS, P.C.

/s/ Sparks AZBAR #11726  
Eric Slocum Sparks  
Attorney for Debtor

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