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

9 In re: )  
10 GILBERTO P. REYES ) No. 4:15-bk-12013-BMW  
ERIKA REYES, )  
11 Debtors. ) (Chapter 11)  
12 )  
13 ) NOTICE OF SUBMISSION OF  
14 ) DEBTOR’S FIRST AMENDED DISCLOSURE  
15 ) STATEMENT DATED September 21, 2016  
FOR ITS FIRST AMENDED PLAN OF  
REORGANIZATION  
DATED September 21, 2016

16 Gilberto P. Reyes and Erika Reyes, (hereinafter “Debtors”), submits this proposed First Amended  
17 Disclosure Statement dated September 21, 2016 attached hereto and by reference incorporated herein  
18 (hereinafter “the Disclosure Statement”) in connection with the “Debtor’s First Amended Plan of  
19 Reorganization” filed concurrently herewith dated September 21, 2016 (hereinafter “the Plan”). The  
20 Disclosure Statement is submitted in compliance with 11 U.S.C. Section 1125 and Bankruptcy Rule  
21 3017. It has not been approved by the Bankruptcy Court and is filed solely to enable the Court and  
22 parties in interest to evaluate the adequacy of the information contained herein as required of the  
23 Bankruptcy Code. Moreover, the Disclosure Statement refers to information contained herein as  
24 required by the Bankruptcy Code. The Disclosure Statement refers to information and facts that the  
25 Debtors anticipate will be accurate or will occur on or prior to the date of the hearing to consider the  
26 Disclosure Statement. Therefore, certain information and facts contained in the Disclosure Statement  
27 may not be completely accurate as of the date hereof.

28 The Debtors believe 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 Debtors, 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 Debtors 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: September 21, 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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 September 21, 2016

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

9 In re: )  
10 GILBERTO P. REYES ) No. 4:15-bk-12013-BMW  
11 ERIKA REYES, ) (Chapter 11)  
12 Debtors. )  
13 ) DEBTOR'S FIRST AMENDED DISCLOSURE  
14 ) STATEMENT DATED September 21, 2016  
15 ) FOR ITS FIRST AMENDED PLAN OF  
REORGANIZATION DATED  
September 21, 2016

16 **I. INTRODUCTION**

17 On September 18, 2015, Debtors, Gilberto P. Reyes and Erika Reyes, (hereinafter referred to as  
18 "Debtors"), filed a voluntary petition for Chapter 11 relief in the United States Bankruptcy Court for the  
19 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).  
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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 Debtors arising at any time prior to  
22 confirmation of the Plan and administrative creditors.

23 9. "Debtor" shall mean the petitioners 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 debtors for a period of 60  
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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)(b) At any time after the confirmation of the  
5 plan, and after notice and a hearing, the court may grant a discharge to the debtor who has not completed  
6 payments under the plan if (I) the value, as of the effective date of the plan, of property actually  
7 distributed under the plan on account of each allowed unsecured claim is not less than the amount that  
8 would have been paid on such claim if the estate of the debtor had been liquidated under chapter 7 on  
9 such date; (ii) modification of the plan under section 1127 in not practicable; and (iii) subparagraph (c)  
10 permits the court to grant a discharge.

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

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

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

24 16. "Plan Distribution Date" shall be a date that ends with the first full calendar quarter after the  
25 date that the Chapter 11 Plan is confirmed by the Court, which the Debtor projects to be September 30,  
26 2016.

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

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3  
4 **III. DISCLAIMER**

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

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

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

23 Background and History of Debtor: Gilberto attended school in Mexico and moved to Tucson  
24 after High School in 1997. Gilberto attended Pima Community College for one year in 1998. After one  
25 year of college Gilberto and Erika were married in 1999 and they moved to San Diego, California.  
26 Gilberto started working in the furniture business. After a few years Gilberto became the manager in  
27 2008. In the same year Gilberto's brother was out of work and Gilberto made a decision to buy a freight  
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1 truck in order to have supplemental income. The freight truck business started going well and Gilberto  
2 decided to purchase another truck and expand his venture.

3 Events Leading to the Chapter 11: In 2012 one of Gilberto’s customers offered Gilberto a job in  
4 Tucson to manage and run a new furniture store. Gilberto accepted the position and moved his family  
5 back to Tucson. After the move to Tucson, Gilberto became unexpectedly out of work for several  
6 months. At the same time the freight truck business started to slow down. These factors all contributed  
7 to the events that led to the necessity of the bankruptcy filing in order to reorganize.

## 8 9 V. VOTING

### 10 A. Ballots and Voting Deadline.

11 A ballot to be used for voting to accept or reject the Plan is enclosed with this Disclosure  
12 Statement as Exhibit “B” and mailed to creditors entitled to vote. A creditor must (1) carefully review  
13 the ballot and instructions thereon; (2) execute the ballot; and, return it to the address indicated thereon  
14 by the deadline in order to be considered for voting purposes. The Bankruptcy Court has directed that,  
15 in order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be  
16 received no later than the date established by the Bankruptcy Court, with a copy being provided to the  
17 following address: LAW OFFICES OF ERIC SLOCUM SPARKS, P.C., 110 South Church Avenue,  
18 #2270, Tucson, Arizona 85701. ***The enclosed Ballot states the Court established deadline in which all***  
19 ***ballots must be filed with the Court and copies provided to Debtor’s counsel.***

### 20 B. Creditors Entitled to Vote.

21 Any creditor of the Debtors, whose claim is impaired under the Plan is entitled to vote if it has  
22 filed a Proof of Claim on or before the last date set by the Bankruptcy Court for such filings. Any claim  
23 to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless  
24 the Bankruptcy Court temporarily allows the claim in an amount which it deems proper for the purpose  
25 of accepting or rejecting the Plan upon Motion by the creditor whose claim is subject to any objection.  
26 Such motion must be heard and determined by the Bankruptcy Court prior to the date established by the  
27 Court to confirm the Plan. In addition, a creditor’s vote may be disregarded if the Bankruptcy Court  
28

1 determines that the creditor's acceptance or rejection was not solicited or procured in good faith or in  
2 accordance with the provisions of the Bankruptcy Code.

3 C. Definition of Impairment.

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

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

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

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

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

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

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

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

25 11 U.S.C. §1124.

26 D. Classes Impaired Under the Plan.

27 Creditors holding claims or interests in Classes 2, 3, 5, 6, 7, 8, 10, 11, 12 and 13 are impaired  
28 under the Plan and are eligible, subject to the limitations set forth above, to vote to accept or reject the  
Plan. Creditors holding claims in Classes 1, 4, 9 and 14 are not impaired under the Plan and are not  
entitled to vote with respect to acceptance or rejection of the Plan. All creditors will be paid in  
accordance with the provisions of the Plan. *See 11 U.S.C. §1126(f).*

E. Votes Required for Class Acceptance.

The Bankruptcy Code defines acceptance of a Plan by a class of creditors as acceptance by



1           The Accounting Process.

2           The accounting process is conducted using generally accepted accounting principals. Accounting  
3 information is furnished by the Debtors and is presented on a cash basis.

4           Inventory and Asset Description.

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

8           Future Management.

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

10          The Anticipated Future of Debtors' Affairs.

11          It is the Debtor's intention, with lowered monthly expenses to utilize the improved cash flow  
12 in a prudent way.

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

14          *See* ARTICLE IV of this Disclosure Statement.

15          Disclaimer regarding the information given.

16          *See* ARTICLE III of this Disclosure Statement.

17          Amount of claims scheduled.

18          *See* ARTICLES VII AND VIII.

19          The estimated return to the creditors if liquidated.

20          *See* ARTICLE XIII.

21          A copy of the proposed plan.

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

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

24          Debtor's do not anticipate bankruptcy litigation.

25          The collectability of any accounts receivable.

26          None.

27          Pre-petition transfers.

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1 **VIII. SUMMARY OF THE PLAN OF REORGANIZATION**

2 *Classification and Treatment of Claims and Interests*

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

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

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

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

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

15 3. *Classification:* The Plan divides claims against the Debtors, into multiple separate classes  
16 that the Debtors assert are in accordance with the Bankruptcy Code. Unless otherwise expressly stated  
17 in the Plan, distributions to holders of allowed claims are in full satisfaction of their allowed claims. All  
18 claims against the Debtors arising prior to confirmation will be discharged by performance of the Plan  
19 on the Effective Date to the extent that such claims are dischargeable under the Bankruptcy Code Section  
20 1141(d).

21 The Plan provides for 14 classes of claims to be paid or administered in the following manner:

22 8.1 Class 1 - Administrative Claims

23 These claims are for the expenses of administration of the estate, including attorney fees for  
24 Debtors’ counsel in the approximate sum of \$15,000.00 and unpaid fees to the U.S. Trustee, if any.  
25 Debtors believe, at the time that the Debtors’ Chapter 11 Plan is confirmed, that there will be an  
26 administrative expense claim in the approximate amount of \$15,000.00. This claim shall be paid in  
27 cash, or in the amounts allowed by the Court upon the Plan distribution date unless otherwise agreed to  
28

1 between the Debtors and the administrative creditor. **(This class is not impaired.)**

2 8.2 Class 2 - Priority Claims of Governmental Units

3 A. Classification: Class 2 claims consists of all allowed claims of the United States  
4 Internal Revenue Service (“IRS”) and/or State of Arizona, Department of Revenue (“ADOR”) and/or  
5 the Arizona Department of Economic Security (“ADES”), City of Tucson or other government agency  
6 which are entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code except ad valorem  
7 taxes. Debtors are not aware of Proofs of Claims filed.

8 B. Impairment: Class 2 is impaired.

9 C. Treatment: In the event there are determined to be allowed Class 2 claims, each  
10 holder of a Class 2 allowed claim shall retain its claim, in accordance with Section 1129 of the  
11 Bankruptcy Code. The claim shall bear simple interest at a fixed rate equal to that rate which would be  
12 required to be paid as of the Effective Date under Section 6621 and/or 6622 of the Internal Revenue  
13 Code, or such other interest rate as the Bankruptcy Court determines is sufficient to confer upon the tax  
14 note a value as of the Effective Date equal to the principal amount of such claim. The allowed claim  
15 shall be payable in equal monthly installments of principal, along with accrued interest, in deferred cash  
16 payments over a period not to exceed five years from the date of petition. The first payment shall  
17 commence on the first day of the month immediately following the month of the Effective Date. The  
18 claim is subject to prepayment at any time without penalty or premium and shall have such other terms  
19 as are required by law.

20 8.3 Class 3 - Secured Ad Valorem Real Property Tax Claims

21 A. Classification: Class 3 shall consist of pre-petition allowed Ad Valorem Real  
22 Property Tax Claims which are secured by liens on real property. Debtors are not aware of Proofs of  
23 Claims filed.

24 B. Impairment: Class 3 is impaired

25 C. Treatment: In the event there are determined to be allowed Class 3 claims, each  
26 holder of a Class 3 allowed claim shall retain its lien having an aggregate principal amount sufficient  
27 to satisfy, in accordance with Section 1129 of the Bankruptcy Code, the allowed claim. Such claim shall  
28 bear simple interest at a statutory rate of 16% per annum required to be paid as of the Effective Date,

1 or such other interest rate as the Bankruptcy Court determines is sufficient to confer upon the tax claim  
2 a value as of the Effective Date equal to the principal amount of such claim charged by the taxing  
3 authority, or the statutory rate of interest. Payments shall be made in equal monthly installments of  
4 principal, along with accrued interest, in deferred cash payments over a period not to exceed five years  
5 from date of petition. The claim is subject to prepayment at any time without penalty or premium and  
6 shall have such other terms as are required by law.

7 8.4 Class 4 - Secured Claim of Pennymac Loan Services, LLC (“Pennymac”)

8 A. Classification: Class 4 consists of the first lien claim of Pennymac secured by the  
9 real property located at 276 W. Calle Patio Lindo, Sahuarita, AZ 85629, the Debtors’ principal residence.  
10 This claim is evidenced by a deed of trust. Pennymac has filed a proof of claim in the amount of  
11 \$188,159.27.

12 B. Impairment: Class 4 is impaired.

13 C. Treatment: Debtors will continue to pay pursuant to the existing mortgage  
14 contract. Tax and insurance escrows, if any, will continue to be paid pursuant to the terms of the Note  
15 and Deed of Trust. Pre-petition arrears, will be paid in sixty (60) equal monthly installments beginning  
16 30 days after the Effective Date of the Plan.

17 8.5 Class 5 - Secured Claim of Rancho Sahuarita Village Program Association, Inc. (“Rancho  
18 Sahuarita HOA”)

19 A. Classification: Class 5 consists of the claim of Rancho Sahuarita HOA on the real  
20 property known as 276 W. Calle Patio Lindo, Sahuarita, AZ 85629. Debtors estimate this claim in the  
21 amount of \$1,534.00.

22 B. Impairment: Class 5 is impaired.

23 C. Treatment: The allowed secured claim of the Class 5 claimant shall be paid in  
24 full, in equal monthly installments over a period of twenty-four months at 1.0% interest per annum.

25 8.6 Class 6 - Secured Claim of Wells Fargo Bank, N.A. (“Wells Fargo”)

26 A. Classification: This class consists of the first lien claim of Wells Fargo to the  
27 extent of the value of the secured creditor’s interest in the Debtors’ interest in the real property located  
28 at 14387 S. Camino Vallado, Sahuarita, AZ 85629. This claim is evidenced by a promissory note and



1 deed of trust. Wells Fargo has filed a proof of claim in the amount of \$155,631.44. Debtors believe the  
2 claim is not fully secured.

3 B. Impairment: Class 6 is impaired.

4 C. Treatment: The Parties have Stipulated to the following treatment and  
5 incorporated as follows:

6 1. The value of the Subject Property is \$139,000.00 for the purposes of this instant  
7 Chapter 11 case.

8 2. Wells Fargo will have a secured claim in the amount of \$139,000.00 and an unsecured  
9 claim of approximately \$16,631.44, and the unsecured claim will be reduced to \$0 upon confirmation  
10 of the plan.

11 3. Debtor(s) agree(s) to pay the secured claim amount of \$139,000.00 at a 5.25% fixed  
12 interest rate with payment calculated at a 360 month amortization schedule, with all amounts due upon  
13 the maturity date 2/1/2037.

14 4. All amounts still outstanding upon the maturity date under this agreement will be due  
15 and owing in full on the maturity date 2/1/2037.

16 5. The principal and interest payment ("P&I" herein) under these agreed terms is  
17 approximately \$767.56 per month. This amount is approximate, and the formal re-amortization under  
18 this agreement will be completed by Wells Fargo after successful confirmation of the Plan of  
19 Reorganization that incorporates same.

20 6. The loan will remain impounded for taxes and insurance on the Subject Property in  
21 accordance with the terms of the deed of trust and note. The current amounts due are taxes at \$111.27  
22 per month and insurance at \$48.33 per month. Debtors are aware these amounts may fluctuate.

23 7. The first payment of under this agreement is due 5/1/2016 in the amount of \$927.16  
24 per month (principal and interest \$767.56 + taxes \$111.27 + insurance \$48.33). Debtor(s) agree(s) to  
25 make payments in this amount until the permanent loan adjustments are made and post confirmation  
26 mortgage statements is sent out reflecting the new loan terms and monthly payment amount. Debtor(s)  
27 agree(s) to pay the amounts reflected in those statements.

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8.7 Class 7 - Second Lien Claim of Wilmington Trust, National Association, as Successor Indenture Trustee to Citibank, N.A., as Indenture Trustee for Bear Stearns Second Lien Trust 2007-1, Mortgage-Backed Notes, Series 2007-1 (“Wilmington”)

A. Classification: Class 7 consists of the second lien claim of Wilmington secured by the real property located at 14387 S. Camino Vallado, Sahuarita, AZ 85629. This claim is evidenced by a deed of trust. Wilmington has filed a proof of claim in the amount of \$37,327.45. Debtor believes this claim is wholly unsecured.

B. Impairment: Class 7 is impaired.

C. Treatment: The Parties have Stipulated to the following treatment and incorporated as follows:

1. Wilmington’s claim, secured by the second position Deed of Trust, shall be treated, classified and allowed as a non-priority general unsecured claim in the Chapter 11 proceeding subject to conditions pursuant to the Stipulation Regarding Avoidance of Lien.

8.8 Class 8 - Secured Claim of Rancho Sahuarita Village Progam Association, Inc. (“Rancho Sahuarita HOA”)

A. Classification: Class 8 consists of the claim of Rancho Sahuarita HOA on the real property known as 14387 S. Camino Vallado, Sahuarita, AZ 85629. Debtors estimate this claim in the amount of \$1,781.86.

B. Impairment: Class 8 is impaired.

C. Treatment: The allowed secured claim of the Class 8 claimant shall be paid in full, in equal monthly installments over a period of twenty-four months at 1.0% interest per annum.

8.9 Class 9 - Secured Claim of Chase (“Chase”)

A. Classification: This claim consists of the allowed secured claim of Chase to the extent of the value of the secured creditor’s interest in the Debtor’s interest in the personal property known as a VD 2011 Nissan. This claim is evidenced by a security agreement. Debtors estimate this claim in the amount of \$36,050.00. Debtors believe the Class 9 creditor is fully secured.

1 B. Impairment: Class 9 is not impaired.

2 C. Treatment: The Class 9 creditor will be paid pursuant to the security agreement  
3 outside of the plan by a third party.

4 8.10 Class 10 - Secured Claim of Chase (“Chase”)

5 A. Classification: This claim consists of the allowed secured claim of Chase to the  
6 extent of the value of the secured creditor’s interest in the Debtor’s interest in the personal property  
7 known as a VD 2012 Nissan. This claim is evidenced by a security agreement. Debtors estimate this  
8 claim in the amount of \$35,196.00. Debtor believes the current market value of the vehicle is no more  
9 than \$30,000.00. Debtors believe the Class 10 creditor is not fully secured.

10 B. Impairment: Class 10 is impaired.

11 C. Treatment: The Class 10 creditor will be paid the current market value or the  
12 payoff amount at the time of confirmation, whichever is less in 60 equal monthly installments at five  
13 percent (5.0 %) interest, or the rate on the existing note, whichever is less, beginning 30 days after the  
14 Effective Date. Any deficiency claim of the Class 10 creditor shall be treated as a Class 12 unsecured  
15 claim and paid pro-rata from Debtor’s disposable income.

16 8.11 Class 11 - Secured Claim of TD Auto Finance (“TD Auto”)

17 A. Classification: This claim consists of the allowed secured claim of TD Auto to  
18 the extent of the value of the secured creditor’s interest in the Debtor’s interest in the personal property  
19 known as a 2014 Ford Explorer. This claim is evidenced by a security agreement. Debtors estimate this  
20 claim in the amount of \$29,759.00. Debtor believes the current market value of the vehicle is no more  
21 than \$22,000.00. Debtors believe the Class 11 creditor is not fully secured.

22 B. Impairment: Class 11 is impaired.

23 C. Treatment: The Class 11 creditor will be paid the current market value or the  
24 payoff amount at the time of confirmation, whichever is less in 60 equal monthly installments at five  
25 percent (5.0 %) interest, or the rate on the existing note, whichever is less, beginning 30 days after the  
26 Effective Date. Any deficiency claim of the Class 11 creditor shall be treated as a Class 12 unsecured  
27 claim and paid pro-rata from Debtor’s disposable income.

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1 **X. EXECUTORY CONTRACTS**

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

4  
5 **XI. MEANS OF EXECUTION/PROJECTION**

6 The Debtors will provide for payment of all timely filed and allowed claims over 60 months.  
7 The Debtors shall make payments in the sum of \$200.00 per quarter to the Class 12 unsecured creditors,  
8 which shall be disbursed as set forth in the Plan. The source of the funds shall come from the Debtor's  
9 earned post-petition income. *See 11 U.S.C. §1123(a)(8).*

10 The 2005 BAPCPA amendments to the Bankruptcy Code added, among other things, section  
11 1129(a)(15). This section requires that upon the objection of an unsecured creditor to the Debtor's plan,  
12 the Debtors must either (A) pay the claim in full, or, (B) commit their disposable income to the plan  
13 payments for a minimum of 5 years, as determined by §1325(b)(2). The Debtors believe that projected  
14 disposable income is committed to the plan under the current projections

15 The Debtors reserve the right to accelerate payment under the Plan from financing obtained from  
16 third party financing, although currently Debtors have no plans or ability to do so. Debtors believe that  
17 by virtue of Confirmation of the Plan, they will have the ability to pay all allowed and approved claims  
18 pursuant to the Plan of Reorganization. The unsecured creditors will be paid a total of \$4,000.00 under  
19 the Plan of Reorganization.

20  
21 **XII. CHAPTER 7 LIQUIDATION ANALYSIS**

22 Pursuant to the provisions of the Bankruptcy Code providing for Court approval of a Plan or  
23 Reorganization, Debtors are required to pay creditors at least as much as creditors would receive in a  
24 Chapter 7 liquidation case, after costs of administration and the liquidation of the Debtor's assets. 11  
25 U.S.C §1129(a)(7)(ii). A Liquidation Analysis is attached hereto as **Exhibit "C"**. The Liquidation  
26 Analysis represents an estimate of recovery based upon hypothetical liquidation assumptions whereby  
27 a Trustee would liquidate the Debtors' assets to convert assets to cash and settle claims. The  
28

1 determination of the hypothetical proceeds from the liquidation of assets is an uncertain process  
2 involving the use of estimates and assumptions that, although considered reasonable, are inherently  
3 subject to business, economic and competitive contingencies beyond the control of the Debtors.

### 4 5 **XIII. CRAM-DOWN**

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

### 9 10 **XIV. TAX CONSEQUENCES**

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

### 15 16 **XV. IMPLEMENTATION AND CONSUMMATION OF PLAN**

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

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

26 It shall be the obligation of each creditor participating under the Plan to keep the Debtors advised  
27 of its current mailing address. In the event any payment tendered to creditors is mailed, postage prepaid,  
28

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

15  
16 **XVI. QUARTERLY FEES AND REPORTS**

17 Debtors shall continue to pay quarterly fees to the U.S. Trustee System until such time as a  
18 Final Decree has been entered in this matter by the Court, closing this Chapter 11 proceeding.  
19 Debtors shall continue to file monthly operating reports until such time as the Court enters an Order  
20 confirming this Chapter 11 Plan of Reorganization. At such time, Debtors shall cease filing monthly  
21 operating reports and shall begin filing quarterly post confirmation reports. These quarterly reports  
22 shall be filed until such time as a Final Decree has been entered in this matter by the Court, closing  
23 this Chapter 11 proceeding.

24  
25 **XVII. RETENTION OF JURISDICTION**

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

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

9  
10 **XVIII. REPRESENTATION**

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

17  
18 **XIX. CONCLUSION**

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

22  
23 RESPECTFULLY SUBMITTED: September 21, 2016.

24  
25 LAW OFFICES OF  
ERIC SLOCUM SPARKS, P.C.

26  
27 /s/ Sparks AZBAR #11726  
Eric Slocum Sparks  
Attorney for Debtor



1 COPIES of the foregoing  
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