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10 **IN THE UNITED STATES BANKRUPTCY COURT**
11 **IN AND FOR THE DISTRICT OF ARIZONA**

12 In re:

13 CABALLO2015, LLC,
14 Debtor.

In Proceedings Under Chapter 11

Case No.: 2:15-BK-15659-BKM

DISCLOSURE STATEMENT

15 **I. INTRODUCTION**

16 On December 5, 2015, Marianne and Ignacio Martinez (the “**Martinezes**”) formed
17 CABALLO2016, an Arizona limited liability company (the “**Debtor**”). The Debtor owns
18 two single-family residences, one in Washington and the second in New Mexico. On
19 December 14, 2015, both the Debtor and the Martinezes filed for bankruptcy protection in
20 the United States Bankruptcy Court for the District of Arizona. The Debtor filed a Chapter
21 11 bankruptcy case, while the Martinezes filed a Chapter 7 case. The Debtor’s case was filed
22 to reorganize the obligations secured by the Debtor’s real estate.

23 This Disclosure Statement is filed pursuant to 11 U.S.C. §1125 and is intended to
24 provide the holders of claims and interest with adequate information about the Debtor and
25 the Plan of Reorganization (the “**Plan**”) attached hereto as **Exhibit “A**” so as to enable the
26 creditors to make an informed judgment as to their acceptance or rejection of the Plan. In
27 the event of any inconsistency between this Disclosure Statement and the Plan, the Plan
28 shall control.

As part of this Disclosure Statement and in support of the Plan, the Debtor relies on
the following Exhibits:

- A. Plan of Reorganization
- B. January 2017 Operating Report

1 **II. DEFINITIONS**

2 Defined terms used in this Disclosure Statement shall refer to and have the same
3 meaning as provided in Article I of the Plan. All other terms not specifically defined by this
4 Disclosure Statement or in the Plan shall have the same meaning as designated in Section
101 of the Bankruptcy Code or, if not contained therein, their ordinary meaning.

5 **III. DISCLAIMER**

6 Any representation concerning the Plan, other than as set forth herein, is
7 unauthorized. This Disclosure Statement is designed to provide information that the
8 Debtor deems material, important and necessary for its creditors to arrive at an informed
9 decision in exercising their right to accept or reject the Plan. **You should, therefore,
10 not rely on any other information, representation or inducement in assessing
11 the merits of the Plan other than the information contained in this Disclosure
12 Statement.**

13 The Debtor expressly does not warrant or represent that there are no inaccuracies in
14 this Disclosure Statement, although the information provided is accurate to the best of its
15 knowledge, information, and belief. Creditors should also be aware that the Bankruptcy
16 Court has not undertaken any individual determination to verify the accuracy of the
17 information contained in this Disclosure Statement. Finally, the attorney for the Debtor
18 have not made any independent evaluation as to the accuracy of the information contained
19 in this Disclosure Statement other than to ascertain that the information contained here is
20 generally consistent with information provided by the Debtor. Notwithstanding the
21 foregoing, the Debtor believes that the information contained in this Disclosure Statement
22 is correct and accurate and complies with the requirements of the Bankruptcy Code.

17 **IV. BACKGROUND**

18 **A. Description of the Debtor and Its Principal Assets**

19 The Debtor is an Arizona limited liability company. The Debtor owns two single-
20 family residences, one located at 1021 Canal Blvd., Los Lunas, NM 87031 (the “**NM
21 House**”) and as second one located at 110 W Smith St., Seattle, WA 981109 (the “**WA
22 House**”).

23 The Martinezes resided at the WA House through the summer of 2014 before they
24 relocated to Arizona for work. The NM House is occupied by Mr. Martinez’s brother, who
25 is disabled. Neither the WA House nor the NM is currently generating any income.

26 **B. Events Leading to the Chapter 11 Filing**

27 Prior to their bankruptcy filing, the Martinezes experienced the collapse of their tax
28 preparation firm, Kingman Winslow, LLC (“**KW**”) due to partner fraud, a difficult business
climate and health issue of Marianne Martinez. Notwithstanding their efforts to service all
their debt, the legacy liabilities of KW proved too much. In December 2015, the Martinezes

1 decided to form the Debtor, transfer the NM House and the WA house to the Debtor, and to
2 file two separate bankruptcy cases.

3 The Debtor's Chapter 11 case was filed to reorganize 4 loans secured by the NM
4 House and the WA House, which at the time of the Petition Date were in arrears. Also, the
5 senior creditor on the NM House had initiated foreclosure proceedings.

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C. Significant Events During the Bankruptcy Case; Claim Objections; Avoidance Actions

Immediately following the bankruptcy filing of the Debtor, the Martinezes filed for
bankruptcy protection under Chapter 7 of the Bankruptcy Code—Case No 2:15-bk-15695-
BKM (the “**Martinez Bankruptcy**”). The bankruptcy filing of the Martinezes created a
Chapter 7 bankruptcy estate in the Martinez Bankruptcy, which included the Martinezes’
interest in the Debtor as well as potential claims arising from the transfer of the NM House
and WA House to the Debtor.

To resolve the outstanding issues in the Martinez Bankruptcy, the Martinezes
entered into an agreement with their Chapter 7 Trustee, Anthony Mason, to purchase the
Chapter 7 estate’s interest in the Debtor and the NM House and WA House. That
agreement was approved in the Martinez Bankruptcy on September 15, 2016, granting the
Martinezes authority to exercise control over the Debtor.

D. Current Financial Condition of the Debtor

The Debtor’s main source of income is contributions from the Martinezes.

According to Schedule J, filed in the Martinez Bankruptcy, the Martinezes’ gross
household income is \$25,000 per month, plus bonuses. Since the filing of the Martinez
Bankruptcy, Ignacio Martinez has separated from his employment and is currently
receiving severance pay. The Martinezes expect to move back to Washington and reside at
the WA House. The Martinezes have sufficient income to support all payments required of
the Debtor under the Plan.

E. Financial Condition of the Martinezes

As noted above the main source of income for the Debtor is contributions from the
Martinezes. Also, the Plan calls for the Martinezes to fund all future payments. As such,
the current financial condition of the Martinezes should be taken into consideration by
creditors when considering the Plan.

Although Ignacio Martinez has separated from his employment, his prior employer
is contractually required to make severance payments consistent with his pre-petition
income of \$25,000 per month. Mr. Martinez is also currently evaluating several
employment opportunities at similar income levels and he is expected to accept a
permanent employment position by the end of 2017. Furthermore, Marianne Martinez is
has been cleared by her doctors for work and she is currently evaluating employment

1 opportunities. In short, the Martinezes income is expected to increase, if not double by the
2 end of the 2017. As such, the Debtor projects that the Martinezes will be able to make all
require payments under the Plan.

3 **V. VOTING PROCEDURES AND REQUIREMENTS**

4 **A. Ballots and Voting Deadline**

5 A ballot to be used for voting to accept or reject the Plan is enclosed with this
6 Disclosure Statement and mailed to creditors entitled to vote. A creditor must (1) carefully
7 review the ballot and instructions thereon, (2) execute the ballot; and return it to the
8 address indicated thereon by the deadline in order to be considered for voting purposes.
9 The Bankruptcy Court has directed that, in order to be counted for voting purposes, ballots
for the acceptance or rejection of the Plan must be received no later than the date
established by the Bankruptcy Court, with a copy being provided to the following address:

10 Carlos M. Arboleda
11 ARBOLEDA BRECHNER
12 4545 E. Shea Blvd., Ste. 120
Phoenix, AZ 85028

13 **The enclosed ballot states the deadline within which all ballots must be**
14 **filed with the Court and copies provided to Debtor's counsel.**

15 **TO BE COUNTED, ALL BALLOTS MUST BE RECEIVED AT THE ABOVE**
16 **ADDRESS BY 5:00 P.M, APRIL 5, 2017.**

17 **B. Creditors Entitled to Vote**

18 Any creditor of the Debtor, whose claim is impaired under the Plan, is entitled to
19 vote. Class 7 of the Plan is deemed to have rejected the Plan because creditors holding
disallowed claims are not scheduled to receive distributions under the Plan

20 Any claim as to which an objection has been filed (and such objection is still
21 pending) is not entitled to vote, unless the Bankruptcy Court temporarily allows the claim
22 in an amount which it deems proper for the purpose of accepting or rejecting the Plan upon
23 motion by the creditor whose claim is subject to any objection. Such motion must be heard
and determined by the Bankruptcy Court prior to the date established by the Court to
24 Confirm the Plan.

25 **C. Definitions of impairment**

26 Section 1124 of the Bankruptcy Code of defines impairment. Creditors are referred
27 to that Section of the Bankruptcy Code to determine if their Claims are impaired.

28 **D. Classes Impaired Under the Plan**

1 Creditors holding claims or interests in a Class impaired under the Plan are eligible,
2 subject to the limitations set forth above, to vote to accept or reject the Plan. Class 5 of the
3 Plan is deemed to have rejected the Plan because it will not receive any distributions. Class
4 of the Plan is the only Class entitled to vote on the Plan, but the Debtor does not believe
5 that there are any creditors entitled to hold an allowed Unsecured Claim.

6 More specifically, the Debtor asserts that the various Classes under the Plan have the
7 following status:

<i>Class</i>	<i>Description</i>	<i>Status</i>
Class 1	Administrative Claims	Unimpaired
Class 2	Secured Claims	Unimpaired
Class 3	Tax Claims	Unimpaired
Class 4	Unsecured Claims	Impaired
Class 5	Disallowed Claims	Rejected the Plan

11 E. Votes Required for Class Acceptance

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

17 Since mail delays may occur, it is important the ballot or ballots be mailed or
18 delivered well in advance of the date specified. Any ballots received after this date may not
19 be included in any calculation to determine whether the Debtor's creditors have voted to
20 accept or reject the Plan. This is a solicitation by the Debtor only and is not a solicitation by
21 the Debtor's attorneys. The records subsequent to the filing of the petition for
22 reorganization have been kept by the Debtor and monthly financial reports have been
23 submitted by the Debtor from time to time since the filing of the petition. While every
24 reasonable effort has been made to ensure the accuracy of the monthly reports, their
25 accuracy cannot be guaranteed.

22 VI. GENERAL INFORMATION AND DISCLOSURE

23 1. Sources of Information

24 Information relating to financial matters has been taken from the records of the
25 Debtor. Information of a legal nature has been provided by legal counsel.

26 2. Current Condition of Debtor.

27 The Debtor remains in possession of its bankruptcy estate and continues to operate
28 its affairs.

1 3. The Accounting Process

2 The accounting process is conducted using generally accepted accounting principles.
3 All accounting information was furnished by the Debtor.

4 4. Future Management

5 Management of Debtor's affairs will remain with the Debtor.

6 5. The Anticipated Future of Debtor's Affairs

7 The funds needed to comply with the Debtor' Chapter 11 Plan shall come from
8 contributions of the Martinezes. The Debtor believes that the Martinezes generate
9 sufficient income to make all payments under the Plan.

10 The Martinezes current income level from severance is \$25,000 per month. Likely
11 within the two quarters, Ignacio Martinezes will accept a job and the Martinezes income
12 will increase by an additional \$25,000 per month, not including bonuses. Marianne
13 Martinez, being cleared by her doctors to resume work, is exploring employment options as
14 well. And as demonstrated by her prior employment history, the Martinezes believe that
15 Ms. Martinez will also generate income in excess of \$25,000 per month.

16 The Martinezes also expect to move into the WA House. The net effect of this move
17 is that their monthly budget will be reduced significantly because they will not be required
18 to pay rent in Arizona. Given their anticipated income, the Martinezes project that the total
19 debt service required by the Plan will be approximately 15 percent of their total household
20 budget. Finally, it should be also noted that the Martinezes are relatively young and do no
21 expect to retire for at least 10 years.

22 6. Incidents which led to the filing of the Chapter 11

23 The Debtor filed for bankruptcy protection to reorganized its secured obligations.

24 7. Disclaimer regarding the information given

25 Section III of this Disclosure Statement sets out all disclaimers related to the
26 financial information contained herein.

27 8. Amount of Claims scheduled.

28 Sections VII and VIII of this Disclosure Statement describe the various
classifications of creditors and the proposed treatment of each class. The Debtor estimate
that they will provide the following approximate distributions:

a. Class 1- Administrative Claims	\$25,000
b. Class 2 – Secured Claims (outside the Plan)	Paid In Full
c. Class 3- Tax Claims	No Claims

- d. Class 4 – General Unsecured Claims No Claims
- e. Class 5 – Disallowed Claims No Distributions

9. The estimated return to the creditors if liquidated

Section X of this Disclosure Statement provides a detailed liquidation analysis of the Debtor’ assets.

10. A copy of the proposed Plan

Exhibit A to this Disclosure Statement provides a copy of the Plan.

11. Certain Risk Factors Attendant to the Martinez Bankruptcy

As noted above the Martinezes filed for bankruptcy protection under Chapter 7. The Martinezes received a discharge under 11 USC § 727 on August 16, 2016 in the Martinez Bankruptcy. However, certain factors in that bankruptcy case could potentially have a negative impact on the Plan.

First, the Martinezes are defending a non-dischargeability action by Cheryl and Richard Swift (the “**Swifts**”) under 11 USC § 523. The Martinezes assert that the allegations in that case are groundless and that they will ultimately prevail. But in the event that the Martinezes are ultimately held to be liable to the Swifts, the Martinezes believe that the obligations that they will have to repay will be approximately \$375,000, including a potential award of attorney’s fees. The Martinezes assert that they generate sufficient income to pay that obligation in full and still make all Plan payments.

Second, the Martinez Bankruptcy disclosed certain potential tax obligations arising from an audit and the operations of KW. The Internal Revenue Service has completed its audit with no additional assessment. KW is now in the process of completing a final tax return, which is expected show substantial losses.

Notwithstanding the resolution of the tax audit of KW, there may be additional assessments that have not been issued at this time, including for flow-through liability associated with the operations of KW. The Martinezes believe that this possibility is so unlikely and they have not made any reserves to pay additional taxes.

VII. FINANCIAL INFORMATION

A. Administrative Claims

These Claims consist of the expenses of administration of the estate including attorney’s fees for Debtor’ counsel and any unpaid fees to the U.S. Trustee. The Debtor estimates administrative claims will add up to approximately \$25,000.00, although the administrative claims will be subject to Court approval. Administrative claims will be paid in full on the Effective Date, or as agreed by such creditors.

1 **B. Secured Claims**

2 Only the following Creditors will receive treatment as Secured Claims under the
3 Plan:

<i>Creditor</i>	<i>Amount of Claim</i>
PNC Mortgage Attn: B6-YM07-01-5 PO Box 1820 Dayton, OH 45401-1820	\$138,331.80
PNC Bank c/o 26125 Solon Rd. Solon, OH 44239-3442	\$29,573.21.00
Wells Fargo Mortgage PO Box 10335 De Moines, IA 50306	\$1,143,026.25
The Lemoine Group, Inc. 13210 Harbor Blvd. Ste. 149 Garden Grove, CA 92843	\$88,500.00

14 **C. Tax Claims**

15 Priority tax claims are unsecured income, employment, and other taxes described by
16 Section 507(a)(8) of the Code. Unless the holder of such a Section 507(a)(8) priority tax
17 claim agrees otherwise, it must receive the present value of such claim paid over a period
18 not exceeding 5 years from the Effective Date.

19 The Debtor does not believe that it has any priority tax creditors.

20 **D. Unsecured Claims**

21 The Debtor does not believe that it has any unsecured creditors.

22 **E. Disallowed Claims**

23 Any Unsecured Claim, regardless of whether such claim is listed and contingent, un-
24 liquidated or disputed, that does not file a proof of claim before the Effective Date or that
25 does vote on the Plan shall be treated as a Disallowed Claim. Any other claim not deemed
26 an Allowed Claim shall also be treated as a Disallowed Claim. Disallowed Claims will not
27 receive any distributions under the Plan.

28 **F. Claims Bar Date**

 The Plan sets the Effective Date for all creditors to file a Proof of Claim in order to
receive a distribution under the Plan.

1 **G. Discharge of Debtor**

2 Except as otherwise provided in the Plan, or by Order of the Bankruptcy Court,
3 confirmation of the Plan acts as a discharge of any and all debts of the Debtor (and its
4 principals) that arose at any time before the Petition Date, including, but not limited to, all
5 principal and any all interest accrued there on, pursuant to 11 U.S.C. §1141. The discharge
6 of the Debtor shall be effective as to each claim, regardless of whether a proof of claim
7 thereof was filed, whether the claim is an Allowed Claim or whether the holder thereof
8 votes to accept the Plan.

7 **H. Objections to Claims**

8 Objections to Claims or Interest may be filed by the Reorganized Debtor for a period
9 of 30 days after the Effective Date of the Plan. Objections not timely filed shall be deemed
10 waived.

11 **I. Executory Contracts**

12 All unexpired leases and other executory contracts that exists between the Debtor
13 and any Person, and which have not otherwise been expressly rejected by the Debtor, are
14 deemed assumed as of the Confirmation Date.

14 **J. Revesting**

15 Except as provided for by in the Plan, as may be modified by Final Order of the
16 Bankruptcy Court, on the Confirmation Date the Reorganized Debtor shall be vested with
17 all the Property of the Estate free and clear of all claims, liens, charges, and other interests
18 of Creditors arising prior to the Petition Date, except that Secured Creditors will retain
19 their security interest in their collateral. Upon the Effective Date, the Reorganized Debtor
20 shall operate its affairs free of any restrictions.

20 **K. Effective Date**

21 The “Effective Date” of the Plan determines when the performances of many of the
22 obligations of under the Plan are due. The Effective Date is defined by the Plan as the 60th
23 business day after entry of a Final Order confirming this Plan.

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

24 The Plan provides 5 classes of claims to be paid or administered in the following
25 manner:

26 **A. Class 1-Administrative Claims**

27 Class 1 consists of Administrative Expense Claims and Priority Claims. The Debtor
28 estimates that the total allowed Class 1 Claims will be \$25,000.00, which amount shall be

1 subject to Court approval. The Debtor propose to pay all the Class 1 Claims upon the later
2 of the Effective Date or entry of a Bankruptcy Court order approving the payment of
3 Administrative Claims, Class 1 Claims will be paid in full. All parties requesting payment of
4 an Administrative Claim must file a final fee application within 60 days of the Effective
5 Date. Post-confirmation fees of the Reorganized Debtor, its financial advisors and counsel
6 shall be paid on a monthly basis in the ordinary course of business with exempt property or
7 the Debtor's post-petition income. **This Class is unimpaired and not entitled to**
8 **vote.**

9 **B. Class 2--Secured Claims**

10 Class 2 consists of Allowed Secured Claims. Only the following Creditors will receive
11 treatment as Secured Claims under Class 2:

<i>Creditor</i>	<i>Collateral</i>	<i>Amount of Claim</i>
PNC Mortgage Attn: B6-YM07-01-5 PO Box 1820 Dayton, OH 45401-1820	First position on 1021 Canal Blvd. Los Lunas, NM 87031	\$138,331.80
PNC Bank c/o 26125 Solon Rd. Solon, OH 44239-3442	Second position on 1021 Canal Blvd. Los Lunas, NM 87031	\$29,573.21.00
Wells Fargo Mortgage PO Box 10335 De Moines, IA 50306	First position on 110 W Smith St. Seattle, WA 981109	\$1,143,026.25
The Lemoine Group, Inc. 13210 Harbor Blvd. Ste. 149 Garden Grove, CA 92843	Second position on 110 W Smith St. Seattle, WA 981109	\$88,500.00

12 Other than Arrears, allowed Secured Claims shall be paid outside the Plan in
13 accordance with the security instruments evidencing such Secured Claim.

14 The Debtor shall be entitled to cure any Arrears of an allowed Unsecured Claim
15 pursuant to the provisions of 11 USC § 1123(a)(5)(G). More specifically, any payment
16 amount due to a Secured Claim that is deemed to be in Arrears as of the Effective Date shall
17 be cured by the Debtor in 60 equal monthly installments, with the first payment
18 commencing 90 days following the Effective Date. All claims for Arrears shall not be
19 entitled to recover any interest or other collection fees. Any party asserting that a portion
20 of its Secured Claim is in Arrears shall provide notice to the Debtor within 30 days after the
21 Effective Date of such amount claimed to be due, but unpaid. The Debtor shall then have
22 30 days to object to the Arrears or consent to cure.

23 To the extent that the Debtor asserts that the value of the collateral securing a
24 Secured Claim is not sufficient to protect such claim in full, the Debtor shall object to the

1 secured status of such claim no later than 60 days after the Effective Date. Any amount
2 deemed under-secured shall receive treatment under Class 4—Unsecured Claims.

3 No party holding an involuntary lien against Property of the Estate shall be deemed
4 to hold an Allowed Secured Claim. On the Effective Date, any such party shall be deemed
5 to hold an Unsecured Claim and will receive treatment under Class 4 – Unsecured Claims.

6 **This Class is unimpaired and not entitled to vote on the Plan.**

7 **C. Class 3—Tax Claims**

8 Class 3 consists of allowed Tax Claims. The Debtor does not believe that it has any
9 Class 4 Claims. However, to the extent that any governmental unit is entitled to receive
10 treatment under Class 4, said creditors shall be paid in full no later than 5 years after the
11 Petition Date. **This Class is unimpaired and not entitled to vote on the Plan.**

12 **D. Class 4--Unsecured Claims**

13 Class 4 consists of allowed Secured Claims. The Debtor does not believe that it has
14 any Class 4 Claims. However, to the extent that any a creditor is entitled to receive
15 treatment under Class 4, said creditors shall receive \$1.00 in full satisfaction of the Allowed
16 Unsecured Claim no later than 90 days after the Effective Date. **This Class is impaired
17 and is entitled to vote.**

18 **E. Class 5 – Disallowed Claims**

19 Any Unsecured Claim, regardless of whether such claim is listed as contingent, un-
20 liquidated or disputed, that does not file a proof of claim before the Effective Date or that
21 does not vote on the Plan shall be treated as a Disallowed Claim. Any other claim not
22 deemed an Allowed Claim shall also be treated as a Disallowed Claim. Disallowed Claims
23 will not receive any distributions under the Plan. **Class 7 Claims are deemed to have
24 rejected the Plan and are not entitled to vote.**

25 **IX. DISPUTED CLAIMS**

26 The Debtor reserves the right to verify and object to any proof of claim. Payment of
27 disputed claims shall be made only after agreement has been reached between the Debtor
28 and the Creditor or upon the order of the Court. Any and all objections to proofs of claims
will be filed within thirty (30) days of the Effective Date of this plan or will be waived.

X. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory
contracts and unexpired leases that exist between the Debtor and any person shall be
deemed assumed by the Debtor, as of the Effective Date, except for any executory contract
or unexpired lease as to which a motion for approval of the rejection of such executory
contract or unexpired lease has been filed and served prior to the Confirmation Date.

1 **XI. MEANS OF EXECUTION**

2 The Debtor believe that by virtue of the Plan that it will have the ability to pay all
3 allowed and approved claims pursuant to the Plan as provided below. The Debtor reserves
4 the right to accelerate payment under the Plan.

5 Summary of the Plan. The Debtor proposes to pay all Allowed Claims pursuant to
6 the provisions of the Plan within 5 years of the Effective Date and after resolution of all
7 Litigation. Any property not distributed to Creditors under the Plan shall re-vest on the
8 Debtor free and clear of any claim or encumbrance.

9 Contributions by the Martinezes. Upon the Effective Date the Debtor shall assign all
10 Property of the Estate to Ignacio and Marianne Martinez. In consideration of this
11 assignment, the Martinezes agree to make all payments under the Plan and advance
12 sufficient cash to fully fund any commitment of the Reorganized Debtor under the Plan.
13 Nothing in the Plan shall be deemed to accelerate the payments of the Reorganized Debtor
14 under the Plan.

15 New Value. The contributions of the Martinezes to the Reorganized Debtor
16 provided under paragraph B, above, shall be deemed "New Value" under the provisions of
17 11 USC §1129(b), and the Martinezes shall be entitled to retain their equity interest in the
18 Debtor and the Reorganized Debtor, notwithstanding the fact that senior claim or equity
19 holders may not be paid in full under the Plan.

20 Liquidation or Refinance of Real Property. At their sole discretion, the Martinezes
21 may elect to sell or refinance any real property in other to finance the payments required by
22 the Plan or to shorten the duration of Plan..

23 Substantial Consummation and Final Decree. Once all matters of the Debtor' estate
24 have been administered and the Debtor have commenced paying Allowed Claims in
25 accordance with the Plan, the Debtor will prepare and file with the Court an Application for
26 Entry of Final Decree. As part of that Application, the Debtor shall provide to the Court an
27 accounting of the funds distributed under this Plan.

28 **XII. PLAN CONFIRMATION**

A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires that the Bankruptcy Court, after
notice, hold a hearing on confirmation of the Plan (the "**Confirmation Hearing**").
Section 1128(b) provides that any party in interest may object to confirmation of the Plan.
**The Confirmation Hearing has been scheduled at 11:00 am on April 12, 2017,
at, at 230 N. First Avenue, Phoenix, Arizona, 7th Floor, Courtroom No. 701.** The
confirmation hearing may be adjourned from time to time by the Bankruptcy Court without
further notice except for an announcement made at the confirmation hearing or any
adjustment thereof. **Any objection to confirmation must be made in writing and**

1 **filed with the Bankruptcy Court with a proof of service and served upon the**
2 **following on or before April 5, 2017:**

3 Carlos M. Arboleda
4 ARBOLEDA BRECHNER
5 4545 E. Shea Blvd., Ste. 120
6 Phoenix, AZ 85028

7 Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.
8 **Unless an objection to confirmation is timely filed and served it will not be**
9 **considered by the bankruptcy court.**

10 **B. Requirements for Confirmation of the Plan**

11 At the Confirmation Hearing the Bankruptcy Court shall determine whether the
12 requirements of § 1129 of the Bankruptcy Code have been satisfied, in which event the
13 Bankruptcy Court shall enter an Order confirming the Plan. The Debtor believes that the
14 Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, that
15 the Debtor has complied or will have complied with all the requirements of Chapter 11 and
16 the proposals contained in the Plan are made in good faith.

17 The Debtor contends that holders of all claims impaired under the Plan will receive
18 payments under the Plan having a present value as of the Effective Date in amounts not less
19 than the amounts likely to be received if the Debtor was liquidated in a case under Chapter
20 7 of the Bankruptcy Code.

21 **C. Feasibility**

22 The Bankruptcy Code permits a plan to be confirmed if it is not likely to be followed
23 by liquidation or the need for further financial reorganization. For purposes of determining
24 whether the Plan meets this requirement, the Debtor has analyzed its ability to meet its
25 obligations under the Plan. As part of this analysis, the Debtor notes that it projects to have
26 sufficient cash on hand to make all payment required under the Plan. Based on its
27 projections, the Debtor believe that it will be able to make all payments required pursuant
28 to the Plan and, therefore, that confirmation of the Plan is not likely to be followed by
liquidation or the need for further reorganization.

29 **XIII. LIQUIDATION ANALYSIS**

30 Pursuant to 11 U.S.C. § 1129(a)(7), for the Plan to be confirmed, it must provide that
31 Creditors will receive at least as much under the Plan as they would receive in a liquidation
32 of the Debtor' property under Chapter 7 of the Bankruptcy Code. The Debtor estimates
33 that under Chapter 7 liquidation, Unsecured Creditors and the Equity Interests would not
34 receive any distributions and that any Secured Creditor holding a junior position would
35 also not be paid. In contrast, the Plan provides for payment of all secured creditors in full
36 and additional distributions of approximately \$25,000. The Plan in other words, provides a
37 substantially better return to Creditors than liquidation under Chapter 7.

1 In support of the Plan, the Debtor provides the following liquidation analysis.

2 Cash/Liquid Assets \$0.00

3 Personal Property \$0.00

4 Real Property

5
6 NM House \$85,000.00
7 Less First Mortgage (\$138,331.80)
8 Less Second Mortgage (\$29,573.21)
9 Total Equity \$0.00

10 WA House \$1,130,000.00
11 Less First Mortgage (\$1,143,026.25)
12 Less Second Mortgage (\$88,500.00)
13 Total Equity \$0.00

14 Liquidation Value of Bankruptcy Estate \$0.00

15 **XIV. NON-CONSENSUAL CONFIRMATION**

16 In the event that any impaired class of claims does not accept the Plan, the
17 Bankruptcy Court may still confirm the Plan at the request of the Debtor if, as to each
18 impaired class which has not accepted the Plan, the Plan “does not discriminate unfairly”
19 and is “fair and equitable.” A plan of reorganization does not discriminate unfairly within
20 the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to
21 receive for its claims or equity interest. “Fair and equitable” has different meanings for
22 secured and unsecured creditors.

23 With respect to a secured claim, “fair and equitable” means either (1) the impaired
24 secured creditor retains its liens to the extent of its allowed claim or receives deferred cash
25 payments at least equal to the allowed amount of its claim and a present value as of the
26 Effective date at least equal to the value of such creditor’s interest in the property securing
27 its liens, (2) property subject to the lien of the impaired secured creditor sold free and clear
28 of that lien, with that lien attaching to the proceeds of the sale and such lien proceeds must
be treated in accordance with clauses (1) or (2) hereof, or (3) an impaired creditor realizes
the “indubitable equivalent” of its claim under the Plan.

With respect to an unsecured claim, “fair and equitable” means either (1) each
impaired unsecured creditor receives or retains property of a value equal to the amount of
its allowed claim, or (2) holders of the claims and interests that are junior to the claims of
the dissenting class will not receive any property under the Plan.

In the event one or more classes of impaired claims rejects the Plan, the Bankruptcy
Court will determine at the confirmation hearing whether the Plan is fair and equitable and
does not discriminate unfairly against any rejecting impaired class of claims.

1 **XV. CLOSING OF THE CASE**

2 The Debtor may seek a final decree and an Order closing this case upon the
3 conclusion of all administrative matters and provide that the Debtor have commenced
4 payments required to be made pursuant to the Plan of Reorganization. More specifically,
5 final payment to Classes 2 and 3 will not be a pre-requisite for entry of a Final Decree.

6 **ALL CREDITORS SHALL REMAIN BOUND BY THE TERMS AND**
7 **CONDITIONS SET FORTH IN THE DEBTOR'S CHAPTER 11 PLAN OF**
8 **REORGANIZATION. NO CREDITOR SHALL BE ALLOWED TO TAKE ANY**
9 **COLLECTION ACTION AGAINST THE DEBTOR AS LONG AS THE DEBTOR**
10 **REMAINS IN COMPLIANCE WITH ITS CHAPTER 11 PLAN OF**
11 **REORGANIZATION.**

12 **XVI. TAX ATTRIBUTES**

13 The Debtor is unaware of the status of tax attributes affecting the Creditors. The
14 Debtor does not purport, through this Disclosure Statement, to advise creditors as to the
15 tax consequences that will necessarily follow confirmation of the proposed Plan. Creditors
16 and other parties in interest should seek independent tax counsel as to the tax
17 consequences of their treatment under the Plan.

18 **XVII. IMPLEMENTATION AND CONSUMATION OF THE PLAN**

19 The Debtor's status as debtor-in-possession, upon the entry of an Order confirming
20 the Plan, shall terminate and the Debtor shall continue to operate its business in the
21 ordinary course and is authorized to engage in any lawful business activities and
22 transactions without the Court approval.

23 All property of the estate shall vest in the Debtor and will be free from attachment,
24 levy, garnishment or execution by creditors bound by the Plan.

25 Except as expressly stated in the Plan or otherwise allowed by the Bankruptcy Court,
26 no interest, penalty or late charge arising after the Petition Date shall be allowed on any
27 claim.

28 The Debtor may pre-pay any amounts due any creditor or Class of Creditors prior to
the due dates in the Plan of Reorganization without penalty and without prior notice or
Court approval unless otherwise provided for in the Plan or Reorganization.

Upon the entry of an order confirming the Plan, the Debtor shall have the authority,
without further Court approval or notice to creditors, to sell any or all of the Debtor' real
estate property provided that the net proceeds from such sale are sufficient to pay (1) the
amounts due to any creditor holding a perfected lien against the property or as otherwise
agreed to by the parties; (2) reasonable sales cost, including ordinary real estate

1 commissions; (3) reasonable attorneys fees associated with the respective transaction; and
2 (4) taxes if any, resulting from the sale.

3 The terms of the Plan subsequent to confirmation shall bind the Debtor, any entity
4 acquiring property under the Plan, and creditor or claimant, whether or not such creditor
5 or claimant has accepted the Plan.

6 It shall be the obligation of each creditor participating under the Plan to keep the
7 Debtor advised of its current mailing address. In the even any payments tendered to
8 creditors are mailed, postage prepaid, addressed (1) to the address specified in the Debtor's
9 schedules and statements, (2) to the address specified in any proof of claim filed by a
10 creditor or claimant herein or (3) to the address provided by any such creditor or claimant
11 for purpose of distribution, and if subsequently in Post office returns such distribution due
12 to a lack or insufficiency of address or forwarding address, the Debtor shall retain such
13 distribution for a period of six months. Thereafter, the distribution shall revert to the
14 Debtor without further Order of the Court and free and clear of any claim of the named
15 distribute. The Debtor shall thereafter not be required to mail subsequent distributions to
16 any creditor for whom a distribution has been returned by the Post Office.

17 The Debtor reserves the right to modify the Plan in accordance with §1127 of the
18 Bankruptcy Code. The Plan may be modified prior to confirmation provided that the Plan
19 still complies with §1122 and §1123 of the Bankruptcy Code. The Plan may be modified
20 subsequent to confirmation and before substantial consummation of the Plan under such
21 circumstances as may warrant such under §1123 if the Bankruptcy Code. Any holder of a
22 claim or interest that has been previously accepted or rejected a confirmed Plan, shall be
23 deemed to have accepted or rejected any subsequently modified Plan unless the holder of
24 such claim or interest changes its acceptance or rejection of the Plan within the time fixed
25 by the Court.

26 **XVIII. CONCLUSION**

27 The Debtor recommends that all Creditors vote to accept the Plan. The Plan, in
28 short, provides the best source of recovery for all Creditors.

DATED 7 March 2017.

ARBOLEDA BRECHNER

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