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

9 In re:)
10 CYNTHIA JOY KWASIGROCH,) No. 4:16-bk-02234-SHG
11) (Chapter 11)
Debtor.)
12) NOTICE OF SUBMISSION OF
13) DEBTOR'S FIRST AMENDED DISCLOSURE
14) STATEMENT DATED September 27, 2016
15) FOR ITS FIRST PLAN OF
REORGANIZATION DATED July 6, 2016

16 Cynthia Joy Kwasigroch, (hereinafter "Debtor"), submits this proposed First Amended
17 Disclosure Statement dated September 27, 2016 attached hereto and by reference incorporated herein
18 (hereinafter "the Disclosure Statement") in connection with the "Debtor's First Plan of Reorganization"
19 filed concurrently herewith dated July 6, 2016 (hereinafter "the Plan"). The Disclosure Statement is
20 submitted in compliance with 11 U.S.C. Section 1125 and Bankruptcy Rule 3017. It has not been
21 approved by the Bankruptcy Court and is filed solely to enable the Court and parties in interest to
22 evaluate the adequacy of the information contained herein as required of the Bankruptcy Code.
23 Moreover, the Disclosure Statement refers to information contained herein as required by the Bankruptcy
24 Code. The Disclosure Statement refers to information and facts that the Debtor anticipates will be
25 accurate or will occur on or prior to the date of the hearing to consider the Disclosure Statement.
26 Therefore, certain information and facts contained in the Disclosure Statement may not be completely
27 accurate as of the date hereof.

28 The Debtor believes that a form of Disclosure Statement in substantially the form as that which
is attached hereto contains information of a kind, and in sufficient detail, as far as is reasonably practical

1 in light of the nature and history of the Debtor, that would enable a reasonable investor, typical of the
2 holders of claims and interests in each class of claims and interest in the Plan, to make an informed
3 judgment about the Plan. Nevertheless, all readers are cautioned that the Debtor may file further
4 modifications of the Plan and of the Disclosure Statement prior to the hearing to consider the Disclosure
5 Statement.

6
7 *THE FILING AND ANY DISSEMINATION OF THE DISCLOSURE STATEMENT*
8 *IS NOT A SOLICITATION OF VOTES ACCEPTING OR REJECTING*
9 *THE PLAN DESCRIBED THEREIN.*

10 DATED: September 27, 2016.

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

13 /s/ Sparks AZBAR #11726
14 Eric Slocum Sparks
15 Attorney for Debtor
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September 27, 2016

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12) DEBTOR’S FIRST AMENDED DISCLOSURE
13) STATEMENT DATED September 27, 2016
14) FOR ITS FIRST PLAN OF
15) REORGANIZATION DATED July 6, 2016

16 **I. INTRODUCTION**

17 On April 14, 2016, Debtor, Cynthia Joy Kwasigroch, (hereinafter referred to as “Debtor”), filed
18 a voluntary petition for Chapter 11 relief in the United States Bankruptcy Court for the District of
19 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)(b) At any time after the confirmation of the plan,
5 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 is 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 Debtor proposes 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 December 31,
26 2016.

27 17. All other terms not specifically defined by this Disclosure Statement shall have the meaning
28

1 as designated in §101 of the Bankruptcy Code or, if not contained therein, their ordinary meaning.

2
3 **III. DISCLAIMER**

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

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

20
21 **IV. DEBTOR'S BACKGROUND, EVENTS LEADING TO CHAPTER 11 BANKRUPTCY**
22 **FILING AND OPERATIONS UNDER CHAPTER 11**

23 Background and History of Debtor: Cynthia Kwasigroch was born in Oxford, Germany, and was
24 adopted by an American Army Officer. Cythinia graduated high school in Virginia and attended a
25 community college in California for 1 year. Cynthia joined the United States Air Force and served in the
26 military for 6 years. Cynthia was then married and had 4 children and remained at home with the
27 children as a domestic engineer.

1 Such motion must be heard and determined by the Bankruptcy Court prior to the date established by the
2 Court to confirm the Plan. In addition, a creditor's vote may be disregarded if the Bankruptcy Court
3 determines that the creditor's acceptance or rejection was not solicited or procured in good faith or in
4 accordance with the provisions of the Bankruptcy Code.

5 C. Definition of Impairment.

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

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

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

12 (2) notwithstanding any contractual provision or applicable law that entitles the holder
13 of such claim or interest to demand or receive accelerated payment of such claim or
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
title;

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

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

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

21 11 U.S.C. §1124.

22 D. Classes Impaired Under the Plan.

23 Creditors holding claims or interests in Classes 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 are impaired under
24 the Plan and are eligible, subject to the limitations set forth above, to vote to accept or reject the Plan.

25 Creditors holding claims in Classes 1 and 12 are not impaired under the Plan and are not entitled to vote
26 with respect to acceptance or rejection of the Plan. All creditors will be paid in accordance with the
27 provisions of the Plan. *See 11 U.S.C. §1126(f).*

28

1 Debtor is currently earning income from her business a combined assisted living facility and
2 hospice.

3 The Accounting Process.

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

6 Inventory and Asset Description.

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

10 Future Management.

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

12 The Anticipated Future of Debtors' Affairs.

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

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

16 *See* ARTICLE IV of this Disclosure Statement.

17 Disclaimer regarding the information given.

18 *See* ARTICLE III of this Disclosure Statement.

19 Amount of claims scheduled.

20 *See* ARTICLES VII AND VIII.

21 The estimated return to the creditors if liquidated.

22 *See* ARTICLE XIII.

23 A copy of the proposed plan.

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

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

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

28

1 The collectability of any accounts receivable.

2 None.

3 Pre-petition transfers.

4 There were no pre-petition transfers.

5 Relationship of the Debtor with affiliates.

6 None.

7 Administrative Claims.

8 These claims consist of the expenses of administration of the estate including attorney fees
9 for Debtor's counsel and any unpaid fees to the U.S. Trustee. The Debtor estimates these costs and
10 expenses may be in excess of \$20,000.00.

11 Tax Claims.

12 As reflected in the original schedules filed by the Debtor, Debtor estimated tax claims in the
13 amount of \$54,879.67. This does not include any amounts that may be due for ad valorem claims which
14 are secured against real property, if any. Required treatment of tax claims is addressed in §§507(a)(8)
15 & 1129(a)(9). The Debtors intend to treat all relevant tax claims as required by applicable bankruptcy
16 and state law.

17 Secured Claims.

18 As reflected in the original schedules filed by the Debtors, Debtors estimated secured claims in
19 the amount of \$281,440.85.

20 Unsecured Claims.

21 As reflected in the original schedules filed by the Debtors, Debtors estimated unsecured claims
22 in the amount of \$254,356.93, which does not include any deficiency amounts for secured creditors.

23 Domestic Support Claims.

24 Debtor has no domestic support obligations.

25
26 **VII. FINANCIAL INFORMATION**

27 Debtor receives income from her business a combined assisted living facility and hospice. For
28

1 additional information see Liquidation Analysis attached as **Exhibit “C”**. See Anticipated Income and
2 Expense as **Exhibit “D”**.

3
4 **VIII. SUMMARY OF THE PLAN OF REORGANIZATION**

5 *Classification and Treatment of Claims and Interests*

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

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

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

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

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

18 3. *Classification:* The Plan divides claims against the Debtors, into multiple separate classes
19 that the Debtors assert are in accordance with the Bankruptcy Code. Unless otherwise expressly stated
20 in the Plan, distributions to holders of allowed claims are in full satisfaction of their allowed claims. All
21 claims against the Debtors arising prior to confirmation will be discharged by performance of the Plan
22 on the Effective Date to the extent that such claims are dischargeable under the Bankruptcy Code Section
23 1141(d).

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

25 8.1 Class 1 - Administrative Claims

26 These claims are for the expenses of administration of the estate, including attorney fees for
27 Debtors’ counsel in the approximate sum of \$20,000.00 and unpaid fees to the U.S. Trustee, if any.

28

1 Debtors believe, at the time that the Debtors' Chapter 11 Plan is confirmed, that there will be an
2 administrative expense claim in the approximate amount of \$20,000.00. The Plan provides for the
3 payment in cash, in full, of all allowed Administrative Claims on the later of the Effective Date or the
4 date upon which such Claims become Allowed Claims, or as otherwise ordered by the Bankruptcy Court
5 or agreed to by Claimant and Debtor. **(This class is not impaired.)**

6 8.2 Class 2 - Priority Claims of Governmental Units

7 A. Classification: Class 2 claims consists of all allowed claims of the United States
8 Internal Revenue Service ("IRS") and/or State of Arizona, Department of Revenue ("ADOR") and/or the
9 Arizona Department of Economic Security ("ADES"), City of Tucson or other government agency which
10 are entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code except ad valorem taxes.
11 The I.R.S. has filed a claim in this class in the amount of \$64,608.70.

12 B. Impairment: Class 2 is impaired.

13 C. Treatment: In the event there are determined to be allowed Class 2 claims, each
14 holder of a Class 2 allowed claim shall retain its claim, in accordance with Section 1129 of the
15 Bankruptcy Code. The claim shall bear simple interest at a fixed rate equal to that rate which would be
16 required to be paid as of the Effective Date under Section 6621 and/or 6622 of the Internal Revenue Code,
17 or such other interest rate as the Bankruptcy Court determines is sufficient to confer upon the tax note
18 a value as of the Effective Date equal to the principal amount of such claim. The allowed claim shall be
19 payable in equal monthly installments of principal, along with accrued interest, in deferred cash payments
20 over a period not to exceed five years from the date of petition. The first payment shall commence on the
21 first day of the month immediately following the month of the Effective Date. The claim is subject to
22 prepayment at any time without penalty or premium and shall have such other terms as are required by
23 law. In the event the Debtor defaults on any payment due as required under the confirmed plan, and in
24 the event the Debtor fails to cure said default within thirty days after written notice of the default is
25 mailed to the Debtor and the Debtor's attorney, the entire imposed liability together with any unpaid
26 current liabilities, shall become due and payable immediately unless amended by the Court. The
27 governmental unit may collect unpaid liabilities that become due as a result of the default through the
28 administrative collection provisions or the judicial remedies. The governmental unit shall not be required

1 to seek a modification from the automatic stay to collect any tax liabilities that were not discharged by
2 the confirmation of the plan and from property that has reverted with the Debtor.

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

4 A. Classification: Class 3 shall consist of pre-petition allowed Ad Valorem Real
5 Property Tax Claims which are secured by liens on real property. Debtor believes there are no claims in
6 this class.

7 B. Impairment: Class 3 is impaired.

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

18 8.4 Class 4 - Secured Claim of Internal Revenue Service ("I.R.S.")

19 A. Classification: Class 4 consists of the secured claim of IRS secured tax claims
20 which are secured by Internal Revenue Service tax liens. This claim is evidenced by a tax lien which was
21 recorded on July 9, 2015. The I.R.S. has filed a claim in this class in the amount of \$36,088.47.

22 B. Impairment: Class 4 is impaired.

23 C. Treatment: IRS's pre-petition secured claim shall be paid, in regular installments,
24 with interest, over 96 months. Payments will commence thirty days after the Effective Date. Interest on
25 the claim shall be at the rate in effect on the Effective Date of the Plan. The Debtors' first payment under
26 the Plan for the secured claim shall be made thirty days from the effective date of the Plan and shall
27 continue on the first day of each month thereafter until paid off.

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1 8.5 Class 5 - Secured Claim of U.S. Bank National Association, as trustee, on behalf of the
2 holders of the Home Equity Asset Trust 2005-7 Home Equity Pass-Through Certificates, Series 2005-7
3 ("U.S. Bank")

4 A. Classification: Class 5 consists of the secured claim of U.S. Bank to the extent of
5 the value of the secured creditor's interest in the Debtor's interest in the real property with a first lien on
6 1001 W. Calle San Jose, Sahuarita AZ. This claim is evidenced by a promissory note and deed of trust.
7 U.S. Bank has filed a claim in the amount of \$274,515.22. The Debtor believes the claim is not fully
8 secured.

9 B. Impairment: Class 5 is impaired.

10 C. Treatment: Debtor has not recently had the property appraised, but believes the
11 current value of the property is \$252,145.00.

12 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH U.S. BANK
13 AS TO ITS TREATMENT, THE TERMS AND CONDITIONS THEREIN WILL SUPERCEDE THE
14 TREATMENT SET FORTH HEREIN. Under § 506 of the Bankruptcy Code, a secured creditor has a
15 secured claim to the extent of the creditor's interest in the Debtor's interest in the collateral and an
16 unsecured claim for the balance, if any, unless the creditor makes a 1111(b) election, and, if eligible,
17 elects to have its claim treated as fully secured. The allowed amount of the creditor's secured claim will
18 be the lesser of value of the creditor's interest in the Debtor's interest in the property as determined under
19 § 506, or the allowed amount of the creditor's claim. Debtor has not recently had the property appraised,
20 but believes the current value of the property is \$252,145.00. The Debtor proposes to limit the Class 5
21 creditor's secured claim to \$252,145.00 and to treat the balance of its claim, if any, as an unsecured
22 deficiency claim and treat and pay it as a Class 10 unsecured creditor.

23 The allowed claim of the Class 5 creditor shall be paid, assuming no 1111(b) election is made by
24 creditor, and secured by the first lien mortgage evidenced by a promissory note and deed of trust,
25 modified as follows:

26 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan at
27 the rate of 4.0 % per annum fixed, or the rate on the existing note, whichever is less. The Class 5 creditor
28

1 is not entitled to interest on its allowed secured claim from the Petition date to the Confirmation Date as
2 the current market value of the real property is less than the amount of U.S. Bank's claim.

3 2. The note shall be payable in equal monthly installments of principal and interest
4 amortized over thirty (30) years. The first monthly installment shall be due thirty (30) days after the
5 Effective Date of the Plan and subsequent monthly installments shall be due on the same day of each
6 subsequent month. On the thirtieth anniversary of the Effective Date of the Plan the outstanding principal
7 balance of the note and all accrued and unpaid interest thereon shall be due and payable in full. The final
8 payment shall be made either from proceeds of the sale or refinancing of the property or contributions of
9 the owners of the property at the time the final payment is due. Unless modified herein tax and insurance
10 escrows, if any, will continue to be paid pursuant to the terms of the Note and Deed of Trust.

11 3. The note of the Class 5 creditor shall continue to be secured by its first position deed
12 of trust on the property but the note and any obligation due the Class 5 creditor, which is secured by the
13 above deed of trust, shall be non-recourse to the Debtor. Any security for payment of the allowed claim
14 which U.S. Bank had at the petition date other than the deed of trust above described which encumbers
15 the property U.S. Bank shall retain post-confirmation.

16 4. The Debtor and the Class 5 creditor shall agree to execute such modifications to
17 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
18 treatment for this creditor.

19 5. Any difference between current market value and obligation due lender shall be treated
20 as a Class 10 unsecured claim and will be paid on a *pro-rata* basis from Debtors' disposable income.

21 8.6 Class 6 - Secured Claim of Garrett Cunningham and Janelle E. Cunningham ("Cunningham.")

22 A. Classification: Class 6 consists of the second lien claim of Cunningham to the
23 extent of the value of the secured creditor's interest in the Debtors' interest in the real property with a
24 second lien on 1001 W. Calle San Jose, Sahuarita AZ. This claim is evidenced by a promissory note and
25 deed of trust. Cunningham has filed a claim in the amount of \$107,687.26. Debtor believes this claim
26 is wholly unsecured.

27 B. Impairment: Class 6 is impaired.
28

1 C. Treatment: The Class 6 claimant, which holds a second position lien on the real
2 property, is believed to be wholly unsecured. The Class 6 claimant shall release its lien upon discharge.
3 Any deficiency amount shall be treated as a Class 10 unsecured claim and paid on a pro-rata basis from
4 Debtors' disposable income.

5 8.7 Class 7 - Secured Claim of Atlas Acquisitions LLC Assignee of Snap Finance ("Atlas")

6 A. Classification: Class 7 consists of the secured claim of Atlas to the extent of the
7 value of the secured creditor's interest in the Debtor's interest in leased furniture under a lease agreement
8 with an option to purchase. This claim is evidenced by a finance agreement. Atlas has filed a claim in
9 the amount of \$3,088.20.

10 B. Impairment: Class 7 is impaired.

11 C. Treatment: The Class 7 creditor will be paid its allowed secured claim in 60 equal
12 monthly installments at five percent (5.0 %) interest, or the rate on the existing note, whichever is less,
13 beginning 30 days after the Effective Date.

14 8.8 Class 8 - Secured Claim of Cognical ("Cognical")

15 A. Classification: Class 8 consists of the secured claim of Cognical to the extent of
16 the value of the secured creditor's interest in the Debtor's interest in leased appliances under a lease
17 agreement with an option to purchase. This claim is evidenced by a finance agreement. Debtor estimates
18 this claim in the amount of \$3,670.85.

19 B. Impairment: Class 8 is impaired.

20 C. Treatment: The Class 8 creditor will be paid its allowed secured claim in 60 equal
21 monthly installments at five percent (5.0 %) interest, or the rate on the existing note, whichever is less,
22 beginning 30 days after the Effective Date.

23 8.9 Class 9 - Secured Claim of Cash Title Time Loans Inc. ("Cash Title.")

24 A. Classification: Class 9 consists of the secured claim of Cash Title to the extent of
25 the value of the secured creditor's interest in the Debtor's interest in the personal property known as a
26 2008 Toyota Sequoia. This claim is evidenced by a security agreement. Debtor estimates this claim in
27 the amount of \$8,000.00.

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- 1 B. Impairment: Class 9 is impaired.
- 2 C. Treatment: The Class 9 creditor will be paid its allowed secured claim in 60 equal
- 3 monthly installments at five percent (5.0 %) interest, or the rate on the existing note, whichever is less,
- 4 beginning 30 days after the Effective Date.

5 8.10 Class 10 - Unsecured Deficiency Claims and Unsecured Claims.

6 A. Classification: Class 10 consists of all unsecured deficiency claims and unsecured

7 claims against the debtor. Debtor estimated unsecured claims in the amount of \$254,356.93, which does

8 not include any deficiency amounts for secured creditors.

9 B. Impairment: Class 10 is impaired.

10 C. Treatment: All allowed and approved claims under this Class shall be paid the sum

11 of \$1,920.00 on a quarterly basis, *pro rata*, from Debtors' disposable income, to be paid on the last day

12 of each quarter, beginning with the quarter ending after the Effective Date and anticipated to be December

13 31, 2016, and continuing each quarter thereafter for five years. Any liens held by the Class 10 creditors

14 shall be null and void and removed as of the Effective Date.

15 8.11 Class 11 - Contingent, Unliquidated and Disputed Claims.

16 A. Classification: Class 11 consists of all contingent, unliquidated and disputed

17 claims.

18 B. Impairment: Class 11 is impaired.

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

20 8.12 Class 12 - Equity Interest.

21 A. Classification: Class 12 consists of the interests of the Debtors.

22 B. Impairment: Class 12 is not impaired.

23 C. Treatment: Debtors shall retain all of their legal and equitable interest in exempt

24 and non-exempt assets of this estate, as provided in the plan.

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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 \$1,920.00 per quarter to the Class 10 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 \$38,400.00 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,

1 levy, or garnishment of execution by creditors bound by the Plan.

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

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

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24 **XVI. QUARTERLY FEES AND REPORTS**

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

5
6 **XVII. RETENTION OF JURISDICTION**

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

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

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18 **XVIII. REPRESENTATION**

19 No representations concerning the Debtor are authorized by the Debtor other than as set forth
20 in this statement. Any representation or inducement made to secure your acceptance other than as
21 contained in this statement should not be relied upon by you in arriving at your decision, and such
22 additional representations and inducements should be reported to counsel for the Debtor, who, in turn,
23 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: September 27, 2016.

LAW OFFICES OF
ERIC SLOCUM SPARKS, P.C.

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

COPIES of the foregoing
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September 27, 2016 to:

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