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7
8 **UNITED STATES BANKRUPTCY COURT**
9 **DISTRICT OF ARIZONA**

10 In re:

CHAPTER 11

11 STEVEN D. POOLE and BAUDELIA
12 RODRIGUEZ GONZALEZ.

Case No. 0:16-bk-03743-SHG

13 Debtors.

**DEBTORS' DISCLOSURE STATEMENT
DATED AUGUST 8, 2016**

14 Steven D. Poole and Baudelia Rodriguez Gonzalez, debtors and debtors-in-possession in
15 the above-captioned Chapter 11 case (“**Debtors**”), through undersigned counsel, hereby submit
16 this *Disclosure Statement Dated August 8, 2016* to assist creditors in making an informed
17 decision in voting on the *Debtors’ Plan of Reorganization Dated August 8, 2016* (“**Plan**”)
18 proposed pursuant to 11 U.S.C. § 1121.

19 **ARTICLE 1**

20 **INTRODUCTION TO THE DISCLOSURE STATEMENT AND VOTING**

21 **1.1 Purpose of the Disclosure Statement.**

22 This Disclosure Statement sets forth certain information regarding Debtors’ pre-petition
23 history, their assets, significant events that have occurred during this Chapter 11 case, a summary
24 of the Plan, including when and how creditors will be paid, and a brief discussion of the
25 confirmation process and the voting procedures that holders of claims in Impaired Classes must
26 follow for their votes to be counted.

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1 The primary purpose of this Disclosure Statement is to provide adequate information to
2 those creditors voting on the Plan so that they may make a reasonably informed decision with
3 respect to exercising their right to accept or reject the Plan. This Disclosure Statement is intended
4 for the sole use of creditors and other parties-in-interest. This Disclosure Statement may not be
5 relied upon for any purpose other than to determine how to vote on the Plan and nothing contained
6 herein shall constitute an admission of any fact or liability by any party or be admissible in any
7 proceedings involving Debtors or any other party or be deemed conclusive advise on the tax or
8 other legal effects of the reorganization on holders of claims or interests.

9 **You should consult your personal counsel or tax advisor on any questions or concerns**
10 **respecting tax, securities, or other legal consequences of the Plan.**

11 **1.2 Definitions.**

12 Unless otherwise defined herein, terms defined in the Plan shall have the same meaning
13 when used in this Disclosure Statement. In addition, unless otherwise defined herein or in the Plan,
14 terms used in this Disclosure Statement shall have the same meaning as in the Bankruptcy Code
15 (“Code”) or the Federal Rules of Bankruptcy Procedure (“**Bankruptcy Rules**”), or, if not defined
16 therein, their ordinary meaning.

17 **1.3 Authorized Representations.**

18 This Disclosure Statement is the only document authorized by the Bankruptcy Court to be
19 used in connection with the solicitation of votes on the Plan. You should not rely upon any
20 representations or inducements made to secure your acceptance of the Plan other than those set
21 forth herein or in the Plan. **The Bankruptcy Court’s approval of this Disclosure Statement**
22 **does not constitute a certification or ruling by the Court regarding the completeness or**
23 **accuracy of any statements contained herein. The information contained in this Disclosure**
24 **Statement came from the records of Debtor.**

25 This Disclosure Statement is not the Plan. This Disclosure Statement, together with the
26 Plan [**Exhibit “A”**], should be read in their entirety before you vote on the Plan. For the
27 convenience of the creditors and holders of interests, the Plan is summarized in this Disclosure
28 Statement, but all summaries are qualified in their entirety by the Plan itself, which is controlling in

1 the event of any inconsistency. The financial information contained herein has been provided by in
2 good faith, but has not been audited by a certified public accountant and has not necessarily been
3 prepared in accordance with generally accepted accounting principals.

4 **1.4 Voting Procedures.**

5 To be entitled to vote, a creditor must have an Allowed Claim that is impaired under the
6 Plan. The Bankruptcy Code defines whether a claim is impaired in 11 U.S.C. § 1124. Summarily,
7 a claim is impaired if the plan modifies the legal or contractual rights of the claimant, or if the plan
8 does not cure and reinstate the legal rights of the claimant. A creditor in a class that will not, under
9 any circumstances, receive any distributions under the Plan, is not entitled to vote as the class of
10 which it is a member is deemed to have rejected the Plan. If a creditor holds more than one claim
11 in one class, all of the claims in such class will be aggregated and the creditor will be entitled to
12 one vote in the amount of all aggregated claims.

13 **All creditors or parties-in-interest entitled to vote on the Plan may cast their votes for**
14 **or against the Plan by completing, dating and signing the Ballot which accompanies this**
15 **Disclosure Statement.**

16 In order for the Ballot to be considered, the original Ballot must be mailed to the attorneys
17 for the Plan Proponents. **The Court has issued an order requiring that all votes for the**
18 **acceptance or rejection of the Plan be received by close of business on _____.** The
19 Ballots should be sent as follows:

20 Thomas H. Allen
21 Philip J. Giles
22 ALLEN BARNES & JONES, PLC
1850 N. Central, Suite 1150
Phoenix, Arizona 85004

23 **Your ballot will not be counted if Proponent's counsel receives it after such deadline.**

24 You may not change your vote after it is cast, unless the Bankruptcy Court permits you to do so
25 after notice and a hearing to determine whether sufficient cause exists to permit the change.

26 **1.5 Confirmation of the Plan.**

27 In order for the Proponent's Plan to be effective, it has to be confirmed. Confirmation of
28 the Plan means that the Court has approved the Plan. For the Plan to be confirmed, votes by each

1 Impaired Class representing at least two-thirds (2/3) in amount of the Allowed Claims voting in
2 each class and greater than one-half (1/2) in number of individual creditors for such class (of those
3 casting votes) must be submitted in favor of acceptance of the Proponent's Plan. If the requisite
4 acceptances are not obtained from one or more Impaired Classes, the Court may nonetheless
5 confirm the Proponent's Plan pursuant to 11 U.S.C. § 1129(b) if one Impaired Class accepts the
6 Plan and the Court finds that Debtors' Plan provides, among other things, fair and equitable
7 treatment of the classes rejecting the Plan and that creditors receive as much or more under the Plan
8 than they would receive in a Chapter 7 liquidation (discussed more fully below).

9 When confirmed by the Bankruptcy Court, this Plan will bind all holders of claims against
10 the Debtor, whether or not they are entitled to vote, or did vote on the Plan and whether or not they
11 received or retained any distributions or property under the Plan.

12 **1.6 Proponent's Recommendations and Position.**

13 The Proponent strongly urges each creditor to vote to accept the Plan. The Debtors believe
14 that each person or entity entitled to vote will conclude that the Plan is fair, reasonable, and
15 provides the greatest return to the greatest number of creditors.

16 **ARTICLE 2**

17 **2.1 History of the Debtors and Incidents Leading to the Chapter 11 Filing.**

18 The Debtors are a married couple residing in Quartzsite, Arizona. The Debtors are
19 entrepreneurs and owners of multiple businesses, including the grocer chain called RoadRunner
20 Grocers, Inc. ("**RoadRunner**"); an entertainment venue called the Main Event; and a tool store
21 called the Wholesale Depot. RoadRunner is currently in its own Chapter 11 bankruptcy (0:15-BK-
22 13816-SHG) (the "**RoadRunner Case**"). The Main Event and Wholesale Depot are dbas of SDP
23 Holdings, LLC, an entity owned by the Debtors. However, the Debtors' primary source of income
24 is through social security income, rental income, and Debtor Baudelia Gonzalez's wages.

25 The Debtors own multiple properties in Quartzsite and one rental property in Blythe,
26 California. The Debtors own a commercial property located at 200 E. Main Street, Quartzsite,
27 Arizona ("**Main Street Property**"), which is rented by RoadRunner for one of its two grocery
28 store locations. The Debtors own real property located at 480 Quartzsite Blvd., Quartzsite, Arizona

1 (“**480 Quartzsite Property**”), which houses the Main Event and the Wholesale Depot. The
2 Debtors’ residence is a manufactured home affixed to the 480 Quartzsite Property. The Debtors
3 also own an empty lot located at 365 Quartzsite Blvd., Quartzsite, Arizona (the “**Lot**”), which the
4 Debtors received as part of a settlement related to the acquisition of the Wholesale Depot. Finally,
5 the Debtors own a rental property located at 2521 Fairway Drive, Blythe, California (“**Blythe**
6 **Property**”). The Blythe Property is currently rented.

7 There are two primary reasons leading the Debtors to file bankruptcy. The Debtors are
8 owners of RoadRunner, which is currently in its own bankruptcy. The Debtors are guarantors of
9 the RoadRunner debts. Because RoadRunner’s two locations are located in seasonal markets
10 (Quartzsite and Bouse), the inconsistent flow of revenue to and income from RoadRunner had a
11 direct and negative impact on the Debtors ability to provide payments to the secured lienholders
12 and earn a profit. As a result, RoadRunner’s creditors sought recourse against RoadRunner and the
13 Debtors. The Debtors will reorganize most of RoadRunner’s debts through the RoadRunner case.
14 However, in January 2016, one of RoadRunner’s creditors, Walter and Lois Goin (the “**Goins**”),
15 the secured lienholders of the Main Street Property, exercised their rights against the Debtors’
16 guarantee and filed a Complaint against Debtor Steven Poole to judicially foreclose upon the Main
17 Street Property. In an effort to prevent foreclosure, the Debtors filed this bankruptcy so that the
18 debt owed to the Goins can be reorganized and the Debtors’ guarantee discharged.

19 Additionally, the Debtors acquired the 480 Quartzsite Property in hopes to build the Main
20 Event into a successful, entertainment venue. The Main Event is offered for rent to various vendors
21 for events, entertainment, and the property grounds may be rented for camping. The Debtors
22 anticipated that the Main Event would be successful and significantly profitable. As of the Debtors’
23 bankruptcy filing, the Debtors have not been able to turn a profit with the Main Event.

24 With respect to the Wholesale Depot, which is a wholesale tool store, the Debtors learned
25 shortly after acquiring the business that there were multiple deficiencies with the Wholesale
26 Depot’s records and accounting. As a result, the Debtors sought recourse against the Wholesale
27 Depot’s former owners which resulted in settlement. Similar to the Main Event, the Debtors have
28 yet to turn a profit with the Wholesale Depot or draw against its operating account.

1 Since filing their petition, there has been little adversarial action except for two motions
2 filed by the Goins. The Goins filed a Motion for Relief from the Automatic Stay on May 18,
3 2016 [DE 25] and a Motion to Value Collateral on June 30, 2016 [DE 34]. However, neither
4 motion was properly noticed as required under the Bankruptcy Rules and Local Bankruptcy
5 Rules. The Debtors filed an opposition to the Motion for Relief from the Automatic Stay on
6 June 1, 2016 [DE 32]. As of the date of this Disclosure Statement, a hearing on either motion
7 has yet to been held or scheduled.

8 **ARTICLE 4**

9 **SUMMARY OF THE DEBTORS' CURRENT FINANCIAL CONDITION**

10 The Debtors' current financial condition is detailed in their Schedules and Statements of
11 Financial Affairs and the Monthly Operating Reports that have been and will continue to be
12 filed with the Bankruptcy Court. Interested parties are encouraged to review the Debtors'
13 Schedules, Statements of Financial Affairs, and Monthly Operating Reports. Based on certain
14 of the Debtors' assets that can be readily liquidated, the Debtors anticipate that they will have
15 sufficient funds to make the payments due on the Plan's Effective Date. See Exhibits "C" and
16 "D". Moreover, the Debtors believe that with the reduction in their debts through the Plan, they
17 will be able to confirm the Plan and perform as set forth therein.

18 **ARTICLE 5**

19 **DESCRIPTION OF ASSETS**

20 The Debtors' assets and liabilities are listed on their Schedules and Statement of
21 Financial Affairs filed in this case [DE 20]. The total non-exempt value of the Debtors' assets
22 is approximately \$152,230.00. The Debtors prepared a Liquidation Analysis Chart that details
23 the liquidation value of the Debtors' assets. Exhibit "D"; see Article 10, below. The Debtors
24 intend to liquidate certain non-exempt assets as specifically outlined in Exhibit "E" attached
25 herein.

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ARTICLE 6
POST-CONFIRMATION CONTROL

The Debtors will retain control of their assets, though certain non-exempt assets will be carefully and systematically liquidated for the benefit of creditors. See Exhibits “C” and “D”; Article 5, above. The specific assets that will be liquidated are provided in Exhibit “E” attached hereto. The Debtors shall also be responsible for preparing and filing quarterly post confirmation financial reports. Copies of those reports shall be provided to the United States Trustee’s Office. During the term of the Plan and while this case remains open, the Debtors will pay, in cash, or other certified funds, quarterly fees to the United States Trustee’s Office.

ARTICLE 7
SUMMARY OF THE PLAN

This section contains a brief summary of the Plan, and it is qualified in its entirety by reference to the Plan, which accompanies this Disclosure Statement. **THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE. THE PLAN ITSELF CONTROLS THE RELATIONSHIP BETWEEN THE DEBTORS AND CREDITORS. YOU SHOULD READ THE PLAN IN ITS ENTIRETY PRIOR TO CASTING YOUR BALLOT.**

7.1 Classification and Treatment of Claims.

7.1.1 Class I - Administrative Claims.

Class I consists of the allowed Administrative Claims for actual and necessary costs and expenses of administration entitled to priority under Sections 503(b) and 507(a)(1) of the Bankruptcy Code. This class includes, without limitation, post-petition tax claims, the Debtors’ attorneys’ fees, approved accounting fees, and fees due the United States Trustee, if any. Prior to the filing of this case, the Debtors paid AB&J a retainer in the amount of \$15,000.00. AB&J applied \$7,488.53 of this retainer to the Debtors’ pre-filing fees and costs. The remaining \$7,511.47 of the retainer is held in AB&J’s IOLTA Trust account for post-bankruptcy fees and costs. While Plan litigation is possible, the Debtors anticipate that AB&J’s attorneys’ fees and expenses will not exceed an additional \$10,000.00. The Debtors do not anticipate employing any other professionals in this case, though the Debtors may have to retain

1 appraiser(s) to value certain real and personal property in the event a workout cannot be reached
2 with the secured creditors. In such an event, the parties retained will become holders of an
3 Allowed Class I Claim. Holders of Allowed Class I Claims shall be paid, in full, on the
4 Effective Date of the Plan from the Debtors' cash funds, or upon such other terms as the Debtor
5 and the holders of Allowed Class I Claims agree. Class I Claims are unimpaired.

6 **7.1.2 Class II – Priority Claims.**

7 Class II consists of all Claims which are entitled to priority treatment pursuant to
8 11 U.S.C. § 507(a). The Debtors do not believe that there are any Class II Claims. The priority
9 claims provided in Debtors' Schedule E [DE 20] are being paid through the RoadRunner Case.
10 If any Class II Claims are deemed Allowed Claims in this case, holders of Allowed Class II
11 Claims shall receive full payment of the amount of their Allowed Class II Claims on the
12 Effective Date.

13 **7.1.3 Class III – Secured Claims.**

14 Class III consists of various sub-classes of asserted secured creditor claims. Each
15 holder of a Secured Claim in Class III is considered to be in its own separate subclass within
16 Class III, and each such subclass is deemed to be a separate Class for purposes of the Plan.
17 Unless otherwise specified below, holders of Allowed Secured Claims in any of the Class III
18 subclasses shall receive full payment of the amount of his Allowed Secured Claims. Any of the
19 Debtors' defaults and the loan documents with the Allowed Secured Claimant shall be deemed
20 cured as of the Effective Date to the extent such loan documents provide for default resulting
21 from the Debtors' bankruptcy filings, such default shall not be enforceable. Notwithstanding any
22 pre-bankruptcy agreements with Class III Claimants, Debtor's statement of value of each
23 Secured Claim shall be final unless a Creditor objects to the Debtors' value prior to confirmation
24 of the Plan. Unless otherwise specified herein or in an order entered by the Bankruptcy Court,
25 holders of Allowed Secured Claims shall retain any existing perfected lien to secure the
26 Debtors' obligations under the Plan. Payments to holders of Allowed Class III Secured Claims
27 will begin on the Effective Date unless otherwise stated.

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1 Street Property. The payments to the Allowed Secured Class III(c) Claim shall begin on the
2 Effective Date. No prepayment penalty shall apply to the Class III(c) Claim. The Class III(c)
3 Claim is impaired.

4 **7.1.3.4 Class III(d) – Secured Claim of Chop, LLC.**

5 Class III(d) consists of the Allowed Secured Claim of Chop, LLC relating
6 to its secured claim encumbering 480 Quartzsite Property. The holder of the Allowed Secured
7 Class III(d) Claim shall receive the value of 480 Quartzsite Property in the amount of
8 \$1,000,000.00 over thirty (30) years with interest at the rate of 4.0% per annum, with monthly
9 payments of \$4,774.15 plus any amounts attributable to each month for insurance and property
10 taxes. Any deficiency amount incurred prior to the Effective Date, including without limitation
11 any: accrued interest, fees, escrow deficiency for any funds advanced, and escrow shortage shall
12 be treated as a Class IV General Unsecured Claim. Chop, LLC, shall retain its lien encumbering
13 the 480 Quartzsite Property. The payments to the Allowed Secured Class III(d) Claim shall
14 begin on the Effective Date. No prepayment penalty shall apply to the Class III(d) Claim. The
15 Class III(d) Claim is impaired.

16 **7.1.3.5 Class III(e) – Secured Claim of CitiMortgage, Inc.**

17 Class III(e) consists of the Allowed Secured Claim of CitiMortgage, Inc.
18 (“CMI”) relating to its secured claim encumbering Blythe Property. CMI has an Allowed
19 Secured Claim in the approximate amount of \$111,539.68. The Allowed Secured Claim shall be
20 amortized over thirty (30) years and accrue interest at 4.00% per annum. Payments in the
21 approximate amount of \$532.51 per month plus any amounts attributable to each month for
22 insurance and property taxes shall begin on the Effective Date. CMI shall retain its lien
23 encumbering the Blythe Property. No prepayment penalty shall apply to the Class III(e) Claim.
24 The Class III(e) Claim is impaired.

25 **7.1.3.6 Class III(f) – Secured Claim of Specialized Loan Servicing**
26 **and The Bank of New York Mellon.**

27 Class III(f) consists of the Allowed Secured Claim of Specialized Loan
28 Servicing, LLC (“SLS”) and The Bank of New York Mellon (“BONYM”) relating to its second-

1 priority, secured claim encumbering Blythe Property. The holder of the Allowed Secured Class
2 III(f) Claim is undersecured and shall receive the value of the Blythe Property in the amount of
3 \$8,460.32 over five (5) years with interest at the rate of 4.0% per annum, with monthly
4 payments of \$155.81 plus any amounts attributable to each month for insurance and property
5 taxes. Any deficiency amount incurred prior to the Effective Date, including without limitation
6 any: accrued interest, fees, escrow deficiency for any funds advanced, and escrow shortage shall
7 be treated as a Class IV General Unsecured Claim. SLS and BONYM shall retain their lien
8 encumbering the Blythe Property. The payments to the Allowed Secured Class III(f) Claim shall
9 begin on the Effective Date. No prepayment penalty shall apply to the Class III(f) Claim. The
10 Class III(f) Claim is impaired.

11 **7.1.3.7 Class III(g) – Secured Claim of Ally Financial.**

12 Class III(g) consists of the Allowed Secured Claim of Ally Financial
13 (“**Ally**”) relating to its secured claim encumbering the 2011 Chevrolet Traverse (“**Traverse**”).
14 Ally has an Allowed Secured Claim in the approximate amount of \$9,737.48. The Allowed
15 Secured Claim shall be amortized over five (5) years and accrue interest at 4.00% per annum.
16 Payments in the approximate amount of \$179.33 per month shall begin on the Effective Date.
17 Ally shall retain its lien encumbering the Chevy Traverse. No prepayment penalty shall apply to
18 the Class III(g) Claim. The Class III(g) Claim is impaired.

19 **7.1.4 Class IV – General Unsecured Creditors.**

20 Class IV consists of all Allowed Unsecured Claims that are not entitled to
21 classification in any other class of claims, including unsecured deficiency claims of any secured
22 creditors of the Debtors. Holders of Class IV Claims shall be paid the sum of \$152,702.40 over
23 five years. The Debtors shall make the payments to the holders of Allowed Class IV Claims on
24 the first Business Day that occurs eleven (11) months after the Effective Date (“**Initial**
25 **Payment Date**”) and every year thereafter for four (4) years based upon each Class IV Claims’
26 *pro rata* share of potential unsecured claims. No interest will accrue or be paid to the holders of
27 the Allowed Class IV Claims. If a Class IV Claim is not an allowed claim, prior to thirty (30)
28 days after the Effective Date, the Class IV Claim shall receive payment on the one year payment

1 date that falls after their Class IV Claim becomes an allowed claim. Class IV Claims are
2 impaired.

3 **ARTICLE 8**

4 **MEANS TO IMPLEMENT PLAN**

5 The Plan will be funded by the Debtors' disposable monthly income and through
6 liquidating certain non-exempt assets as listed on Exhibit "E". See Exhibit "E"; Article 5,
7 above. Mr. Poole shall continue to act as landlord for his investment properties, and work to
8 transition the Main Event into a profitable entertainment venue business. Ms. Rodriguez will
9 continue with her employment at RoadRunner and receive her normal monthly income. Upon
10 the Debtors restructuring their secured debts, their monthly secured debt obligations will reduce,
11 thereby allowing the Debtors to stay current on their expenses and Plan commitments while
12 they work to liquidate certain assets for distribution to creditors. See Exhibits "C" and "D".

13 Not later than nine (9) months after the Effective Date, the Debtors shall hold a sale to
14 liquidate the assets outlined in Exhibit "E." From the sale proceeds, the Debtors will issue a
15 one-time lump sum payment to the holders of Allowed Class IV Claims on or by the Initial
16 Payment Date. This payment is in addition to the first of the five payments to the holders of
17 Allowed Class IV Claims as outlined in Article 7, *supra*.

18 **ARTICLE 9**

19 **PROJECTED DISPOSABLE INCOME**

20 As a condition to confirmation, Bankruptcy Code § 1129(a)(15) requires that where the
21 holder of an Allowed Unsecured Claim objects to Confirmation of the Plan: (a) the value on the
22 Effective Date of the property to be distributed under the Plan and the property is sufficient to
23 pay the amount of the objector's Allowed Unsecured Claim; or (b) the value of the property to
24 be distributed under the Plan is equal to the projected disposable income of the Debtors (as
25 defined in § 1325(b)(2)) to be received during the five-year period, beginning on the Initial
26 Payment Date, or during the period for which the Plan provides payments, whichever is longer.

27 "Disposable income" is defined as current monthly income received by the Debtors
28 (other than child support payments, foster care payments, or disability payments for a dependent

1 child made in accordance with applicable non-bankruptcy law to the extent reasonably
2 necessary to be expended for such child) less amounts reasonably necessary to be expended: (i)
3 for the maintenance or support of the Debtors or a dependent of the debtor, or for a domestic
4 support obligation, that first becomes payable after the date the petition is filed; (ii) for
5 charitable contributions (that meet the definition of “charitable contribution” under § 548(d)(3))
6 to a qualified religious or charitable entity or organization (as defined in § 548(d)(4)) in an
7 amount not to exceed 15% of gross income of the debtor for the year in which the contributions
8 are made; and (iii) if the debtor is engaged in business, for the payment of expenditures
9 necessary for the continuation, preservation, and operation of such business.

10 The Debtors’ sources of monthly income are: (1) social security benefits, (2) rental
11 income, and (3) wages from Debtor Baudelia Gonzalez’s employment. On the Petition Date, the
12 Debtors’ average monthly income is \$15,096.21 and their average monthly expenses were
13 \$14,093.81. See Exhibit “B”. Accordingly, the Debtors’ net disposable income will be \$14.76.
14 By reorganizing the Debtors’ secured debts and liquidating certain non-exempt assets over time,
15 the value of the property to be distributed under the Plan will be greater than the Debtors’ five-
16 year projected disposable income. Thus, the Plan complies with Bankruptcy Code §
17 1129(a)(15).

18 ARTICLE 10

19 LIQUIDATION ANALYSIS

20 As a condition to confirmation, Bankruptcy Code § 1129(a)(7) requires the Plan to
21 provide that each creditor either accept the Plan or receive from the Debtors’ estate as much
22 under the Plan as each creditor would receive in a Chapter 7 liquidation. The Debtors’ assets
23 and liabilities are listed on their Schedules and Statement of Financial Affairs filed in this case
24 [DE 20]. The total non-exempt value of the Debtors’ assets is \$152,230.00. The Debtors have
25 created a Liquidation Analysis Chart that details the liquidation value of the Debtors’ assets.
26 Exhibit “C”; see Article 10, above. Additionally, the Debtors have investigated and are
27 unaware of any receivable owing to them. The Debtors are investigating additional transfers
28 that may be avoided for the benefit of the bankruptcy estate. The Debtors anticipate unsecured

1 creditors will receive significantly more under the Plan than in a Chapter 7 liquidation.

2 **ARTICLE 11**

3 **TAX ISSUES**

4 The Debtors make no representations regarding any tax implications resulting from
5 confirmation of the Plan. **CLAIMANTS AND PARTIES IN INTEREST ARE ADVISED TO**
6 **CONSULT WITH THEIR TAX ADVISORS CONCERNING THE INDIVIDUAL TAX**
7 **CONSEQUENCES OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN,**
8 **INCLUDING STATE AND LOCAL TAX CONSEQUENCES.**

9 **ARTICLE 12**

10 **BALLOTING INSTRUCTIONS**

11 Creditors will vote to accept or reject this Plan. THIS PLAN CANNOT BE CONFIRMED
12 IF THE PLAN DOES NOT RECEIVE AT LEAST TWO-THIRDS (2/3) IN AMOUNT AND
13 MORE THAN ONE-HALF (1/2) IN NUMBER OF ALLOWED CLAIMS VOTING IN EACH
14 IMPAIRED CLASS, provided, however, if the requisite acceptances are not obtained from one or
15 more Impaired Classes, the Court may nonetheless confirm the Plan pursuant to 11 U.S.C.
16 § 1129(b) if one Impaired Class accepts the Plan and the Court finds that the Plan provides, among
17 other things, fair and equitable treatment of the classes rejecting the Plan and that creditors receive
18 as much or more under the Plan than they would receive in a Chapter 7 liquidation.

19 **ARTICLE 13**

20 **MODIFICATION OF PLAN**

21 The Debtors reserve the right to modify the Plan in accordance with the provisions of the
22 Bankruptcy Code and Chapter 11 as follows:

23 **13.1 Pre-Confirmation.**

24 In accordance with Section 1127(a) of the Code, the modification of the Plan may be
25 proposed in writing by the Proponent at any time before its Confirmation, provided that the Plan, as
26 thus modified, meets the requirements of Sections 1122 and 1123 of the Code, and the Proponent
27 complies with Section 1125 of the Code.

28 **13.2 Post-Confirmation.**

1 In accordance with Section 1127(b) of the Code, the Plan also may be modified at any time
2 after its Confirmation and before its substantial consummation, provided that the Plan as thus
3 modified meets the requirements of Sections 1122 and 1123 of the Code, provided further that the
4 circumstances then existing justify such modification, and the Court confirms the Plan as thus
5 modified under Section 1129 of the Code.

6 **13.3 Objections.**

7 Any holder of a claim or equity interest that has accepted or rejected the Plan will be
8 deemed to have accepted or rejected, as the case may be, the Plan as modified unless, within the
9 time fixed by the Bankruptcy Court for doing so, such holder changes its previous acceptance or
10 rejection.

11 **13.4 Effect.**

12 Every modification of the Plan will supersede the previous version of the Plan as and when
13 ever each modification is effective. When superseded, the previous version of the Plan will be in
14 the nature of a withdrawn or rejected settlement proposal, and will be null, void and unusable by
15 Debtors or any other party for any purposes whatsoever with respect to any of the contents of such
16 version of the Plan.

17 **13.5 Default.**

18 If the Debtors are unable to perform the terms and conditions of the Plan, then they will be
19 in default. Any creditor may seek to enforce the Plan. Before doing so, the creditor must provide
20 notice to the Debtors specifying the nature of the alleged default and a 30-day period to cure the
21 default. Any notice must be in writing and sent via certified mail to the Debtors at the address on
22 file with the Clerk of this Court and with a copy sent via certified mail to:

23 Thomas H. Allen
24 Phil J. Giles
25 ALLEN BARNES & JONES, PLC
1850 N. Central Avenue, Suite 1150
Phoenix, Arizona 85004

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1 **ARTICLE 14**

2 **CONFIRMATION, RISKS & RECOMMENDATION**

3 **14.1 Best Interests Test.**

4 Debtors believe that the “best interests test” imposed by 11 U.S.C. § 1129(a)(7) is satisfied
5 by the Plan because each holder of a Claim or Interest not accepting the Plan will receive at least as
6 much as such holder would receive in a Chapter 7 liquidation as discussed in detail in Article 9
7 herein.

8 **14.2 Fair and Equitable Test.**

9 To the extent such requirements are applicable based upon the votes of Creditors on the
10 Plan, the Plan satisfies the fair and equitable requirements of Bankruptcy Code § 1129(b). With
11 respect to Secured Classes, the Plan provides for all Secured Creditors to retain pre-petition liens
12 and to be paid the full value of their Allowed Secured Claims.

13 **14.3 Recommendation of the Debtor.**

14 Debtors recommend that the Plan be approved.

15 RESPECTFULLY SUBMITTED this 8th day of August, 2016.

16 */s/ Steven D. Poole*
17 Steven D. Poole

/s/ Baudelia Rodriguez Gonzalez
Baudelia Rodriguez Gonzalez

18
19 **APPROVED AS TO FORM AND CONTENT:**

20 **ALLEN BARNES & JONES, PLC**

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