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IN THE UNITED STATES BANKRUPTCY COURT
 IN AND FOR THE DISTRICT OF ARIZONA

In re)	In Proceeding Under
)	Chapter Eleven
MATRIX LUXURY HOMES, LLC,)	
)	Case No. 2-16-bk-09455 BKM
)	
)	DISCLOSURE STATEMENT
)	
Debtor)	
)	
)	

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A. Plan of Reorganization

I. INTRODUCTION

On August 16, 2016, Debtor, Matrix Luxury Homes, LLC, (hereinafter referred to as "Debtor"), filed a voluntary petition for Chapter 11 relief in the United States Bankruptcy Court for the District of Arizona.

This Disclosure Statement is filed pursuant to 11 U.S.C. §1125 and is intended to provide the holders of claims and interest with adequate information about the Debtor and the Plan so as to enable the creditors to make an informed judgment as to their acceptance or rejection of the Plan.

II. DEFINITIONS

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

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

2. "Allowed and Approved Claim" shall mean all scheduled claims and to which no objection to the claim having been filed. If an objection to a claim is filed, said claim will be allowed to the extent ordered by the Court.

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

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

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

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

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

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

9. "Debtor" shall mean the petitioner in the above-captioned Bankruptcy case. As to matters after the effective date "Debtor" shall also include Debtor's successor in interest who shall be the "Reorganized Debtor".

10. "Disclosure Statement" shall mean this Disclosure Statement (hereinafter "Disclosure Statement") filed in this case approved, after notice and a hearing by the Court as being in conformity with §1125 of the Bankruptcy Code.

11. "Effective date" shall be twenty one days after the entry of an Order Confirming the Chapter 11 Plan of Reorganization or the close of escrow, whichever occurs later.

12. "Petition" means to original Chapter 11 Petition filed by the Debtor.

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

14. "Plan distribution date" shall be the "effective date" of confirmation. For distribution of the proceeds of the sale of the Residence the Plan distribution date shall be the date of closing of the Sale of the residence for secured creditor and five business days after such closing date for unsecured creditors or the later of any claim required to be approved by the Court.

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

III. DISCLAIMER

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

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

IV. DEBTOR'S BACKGROUND, EVENTS LEADING TO
CHAPTER 11 BANKRUPTCY FILING AND SIGNIFICANT POST FILING EVENTS

The Debtor is an Arizona limited liability company founded on September 14, 2014, and engaged in the business of acquiring and renovating a residence located at 10801 E Happy Valley Road # 88, Scottsdale 85255, in Maricopa County, Arizona (Lot 88 Glen Moor (MCR) 278-05 Tax Parcel No. 217-02-120) (the "Residence"). The Debtor's manager is Troy (J.R) Hudspeth ("Hudspeth") who manages the day to day operations of the Debtor.

In February of 2014, Debtor obtained an acquisition and renovation loan from Maryland 32 Loan Company ("Maryland 32"). Debtor provided \$375,000 toward the acquisition of the Residence and the remainder was provided by Maryland 32. As a result of expanding the construction initially intended, construction delays, business reverses of Debtor's member affecting Debtor's ability to make loan payments and fund construction cost overruns, a number of loan forbearance extensions were obtained from Maryland 32. While in default on the Maryland 32 loan that resulted in Debtor's receiving a notice of trustee's sale and complaint

requesting the appointment of a receiver, Debtor obtained a loan secured by a first deed of trust from Sir Mortgage and Finance of Arizona Inc (“Sir Mortgage”) that was assigned to La Familia Financial Limited Partnership (“La Familia”) in the amount of \$1,880,000.00.

Anticipated net loan proceeds from the La Familia loan was not sufficient to pay Maryland 32, Sir Mortgage, the loan originator and Blue Mortgage Company, Debtor’s broker. To accommodate the closing of La Familia financing, Maryland accepted a reduced payoff amount, and partial payment by a note secured by a second position Deed of Trust in the amount \$101,725.00. The initial terms of the La Familia loan proposal were, interest only and the rate of 11.2% per annum, with the loan maturity of two years from closing. As a condition of Maryland 32’s accepting by a second position note, Maryland 32 required, in the Closing and Loan Agreement between Debtor and Maryland 32 that the “Lender, in its sole discretion, may make any payment required to keep Borrower’s obligation to the Refinance Lender and the Troon Village Association free of default and add the amount the amount expended to balance owed to the lender”. Maryland 32’s reservation of the right to make payments was communicated to La Familia and Sir Mortgage. The terms of the La Familia loan was changed which added the required principal payments of \$25,000.00 per month and which increased the interest rate to 12.5% per annum. Debtor had no choice but accept the changed loan terms because of the pending trustee’s sale; however the changed terms of the loan was not disclosed to Maryland 32. Debtor did tender the interest portion of the payment that was due May 1, 2016 but such payment was refused by La Familia because the payment did not include the \$25,000.00 principal reduction.

To accommodate the closing Sir Mortgage and Finance of Arizona (“Sir Mortgage”) and Blue Mortgage Company agreed to accept \$36,200.00 of their commission by a note to Sir Mortgage which was secured by a third position Deed of Trust.

On May 15, 2016, eleven days after the May 1, 2016 required payment became delinquent; La Familia’s notice of Trustee’s sale was filed. Debtor’s filing of this Chapter 11 bankruptcy was precipitated by imminent pending trustees’ sales. The La Familia sale was scheduled the day after the filing.

Post-Petition Events

1. Debtor filed its schedules.
2. Debtor consulted a real estate sales professional and obtained advice as to what would be required to stage the Residence for a reasonably quick sale at a fair price. Debtor obtained a commitment from DeAnn Martin of Re Max Fine Properties, who sells luxury home, to market the property at a total commission of 3 ½ % of the sale price. A motion to engage the real estate broker was filed and approved by the Court.
3. Repairs and replacements and improvements to the Residence were commenced.
4. Debtor is attempting to resolve its disputes with lien and unsecured creditors.
5. A motion was filed for authorization to borrow up to \$15,000.00 secured by a deed of trust having priority to all creditors other than Maricopa County and La Familia to fund the payment of administrative expense. A hearing on Debtor’s motion is set for December 1, 2016.
6. A motion to set a bar date will be filed.

V. VOTING

A. Ballots and Voting Deadline.

A ballot to be used for voting to accept or reject the Plan will be enclosed with the approved Disclosure Statement and mailed to creditors entitled to vote. A creditor must (1) carefully review the ballot and instructions thereon; (2) execute the ballot; and, return it to the address indicated thereon by the deadline in order to be considered for voting purposes. 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: Allan D. NewDelman, P.C., 80 East Columbus Avenue, Phoenix, Arizona 85012. The Ballot will state the Court's established deadline in which all ballots must be filed with the Court and copies provided to Debtor's counsel.

B. Creditors Entitled to Vote.

Any creditor of the Debtor, whose claim is impaired under the Debtor's Plan of Reorganization, is entitled to vote. Any claim as to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless the Bankruptcy Court temporarily allows the claim in an amount which it deems proper for the purpose of accepting or rejecting the Plan upon 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 confirm the Plan. In addition, a creditor's vote may be disregarded if the Bankruptcy Court determines that the creditor's acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

C. Definition of Impairment.

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

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

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

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

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

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

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

(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.

D. Classes Impaired Under the Plan.

Creditors holding claims or interests in Classes 3 through 9 are impaired under the Plan and are eligible, subject to the limitations set forth above, to vote to accept or reject the Plan. Creditors holding claims in Classes 1 and 2 not impaired under the Plan and are not entitled to vote with respect to acceptance or rejection of the Plan.

E. Votes Required for Class Acceptance.

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

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

THIS IS A SOLICITATION BY THE PROPONENT ONLY AND IS NOT A SOLICITATION BY THE PROPONENT'S ATTORNEY OR ACCOUNTANT, AND THE REPRESENTATIONS MADE HEREIN ARE THOSE OF THE PROPONENT AND NOT OF THE PROPONENT'S ATTORNEY OR ACCOUNTANT, EXCEPT AS OTHERWISE INDICATED. THE RECORDS SUBSEQUENT TO THE FILING OF THE PETITION FOR REORGANIZATION HAVE BEEN KEPT BY THE DEBTOR-IN-POSSESSION AND

MONTHLY FINANCIAL REPORTS HAVE BEEN SUBMITTED BY THE DEBTOR-IN-POSSESSION FROM TIME TO TIME SINCE THE FILING OF THE PETITION. WHILE EVERY REASONABLE EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THE MONTHLY REPORTS, THEIR ACCURACY CANNOT BE GUARANTEED.

VI. GENERAL INFORMATION AND DISCLOSURE

Utilizing the Standards of A.C. Williams

Sources of information.

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

Current Condition and Anticipated Future of Debtor.

Debtor is in the process of selling the Residence, pay its creditors and discontinue operations.

The Accounting Process.

The Debtor's accounting is on a cash basis. Information is furnished by the Debtor.

Asset Description.

The primary asset of the Bankruptcy estate is the Residence. The Residence and its adjoining guest house have sixteen rooms including five bedrooms and six baths with 8,910 square feet of living area. The Residence also includes a 1,150 square foot unfinished basement, a seven car garage, a 45 foot wide RV garage and a negative edge pool. The Residence was completely renovated in 2014-2016 and is considered to be new. The Residence is located on a 1.51 acre lot within the Glenn Moor guard gated community adjacent to the tenth fairway of the Troon County Club golf course and has unobstructed views of Pinnacle Peak. Although the

residence has an appraised value of \$3,800,000.00 Debtor anticipates that significantly less will be realized in a quick sale in a Bankruptcy setting.

Approximately \$9,000.00 is on deposit with Sir Mortgage for payment of construction completion costs and an unascertained amount is on deposit with Stewart title of Phoenix, a collection agent for payment of insurance and taxes.

Future Management.

The Reorganized Debtor will be a newly formed limited liability company. The Manager will be LeAnn Risenhoover CPA. Mrs. Risenhoover has practiced public and private accounting for 22 years, managed commercial and residential real estate. The manager may not be removed by the members unless for cause and with Court approval. The manager and the manager's staff will be paid on an hourly basis at its standard billing rates. Manager's fees shall be treated as a cost of maintaining the premises during the Residence sale period and the manager shall have first priority of payment from the proceeds of the Sale of the Residence for unpaid compensation.

Incidents which led to the bankruptcy filing

See ARTICLE IV of this Disclosure Statement.

Disclaimer regarding the information given.

See ARTICLE III of this Disclosure Statement.

Amount and classification of claims. The following are the scheduled claims:

Class I. Administrative Claims. These claims consist of the expenses of administration of the estate including attorney fees for Debtor's counsel and any unpaid fees to the U.S. Trustee. Administrative claims include amounts borrowed with court authorization for payment of administrative expenses.

Class II. Real Property Tax. Real property tax was assessed for the 2016 year in the amount of \$11,768.48. The sum of \$5,884.24 became due on October 1, 2016 and the remainder will be payable April 1, 2017.

Class III. Secured Claim of La Familia. The La Familia loan obligation in the original amount of \$1,880,000.00 is secured by a first position Deed of Trust. The contract rate of interest is 12.5% per annum and the default rate is 24% per annum. Additionally the loan obligation requires the payment of attorney fees and costs and a late fee of \$750.00 per day for each payment that is late. On September 26, 2016, La Familia claimed that \$2,381,000.00 was owed.

Class IV. Secured Administrative Loan of Maryland 32. The Court approved administrative loan in the amount of \$15,000.00, bearing interest at 18 per cent per annum, made by Maryland 32, secured by a Priority Deed of Trust, which is subject only to the liens of Class II and Class III creditors.

Class V. Secured Claim of Glen Moor Association. Unpaid monthly homeowner association assessments in the estimated amount of \$3,600.00. The homeowners association has a statutory lien which is subordinate to the La Familia Deed of Trust but superior to all other liens.

Class VI. Secured Claim of Maryland 32. The original amount of the loan is \$101,725. Contract rate of interest is 18%. There is no default interest. Maryland 32 may recover costs of collection and a late fee of 4% of each late payment. The loan is secured by a second position Deed of Trust encumbering the Residence. As of the date hereof \$125,000.00 is owed.

Class VII. Secured Claim of Sir Mortgage. The original amount of the loan is \$35,200.00. The loan provided for default interest from the inception of the note at 24% per annum in the event of default. A principal payment of \$20,000.00 was due July 21, 2016 and the remaining balance becomes due January 1, 2017. The loan is secured by a third position Deed of Trust encumbering the Residence.

Class VIII. Secured Claim of Metro Fire Equipment Inc. A lien in the amount of \$7,200.00 was recorded on March 21, 2016.

Class IX. Secured Claim of Dan Keen Services. A lien in the amount of \$3,141.74 was recorded on June 2, 2016.

Class X. Unsecured Claims. The Class includes claims of eight unsecured creditors totaling \$70,646.77. This class includes liquidated, un-liquidated claims and disputed claims.

Class XI. Insider Claims of Troy Hudspeth and Debtor's Equity. The amount of the claim is \$420,000.00 as lender and as a member contribution no less than \$600,000.00.

The estimated return to the creditors if liquidated.

See ARTICLE XII.

A copy of the proposed plan.

See Exhibit "A" attached hereto.

VII. FINANCIAL INFORMATION

See Articles VI, VIII, and XII.

VIII. SUMMARY OF THE PLAN OF REORGANIZATION

A. The Debtor will be replaced by a successor entity (the "Successor Entity"). The Successor Entity shall sell the Residence by assuming the listing agreement entered into by the Bankruptcy estate with ReMax Fine Properties for the remainder of the term of the listing. Thereafter the Successor Entity may extend the listing or select another aggressive real estate broker having experience, contacts, marketing sources and know how to obtain a reasonable price within a limited amount of time.

The means of execution of this plan of reorganization will come through a transfer of all the assets and rights of the Debtor to the Successor Entity. The Successor Entity will, subject to the terms of the Plan, become the Reorganized Debtor. It is anticipated that proceeds of the sale of the Residence will be sufficient to pay all approved claims in full and to provide additional payments to the Debtor who will be the sole member of the successor entity. The reorganized Debtor shall be authorized to borrow by providing a superpriority deed of trust lien in order to have sufficient funds necessary to pay all unpaid administrative expenses, an administrative loan, manager fees, and for the upkeep of the premises until the closing of a sale of the Residence. This will give the Successor Entity the funds necessary to pay all administrative claims, fund a reserve account (the "Reserve Account") to pay for operating and other needs, and otherwise fund the Successor Entity pending the sale of the Residence. The loan will be for one year at accumulating simple interest at 12 per cent per annum but will be paid sooner (as a first priority) from the proceeds of the Sale of the Residence. This loan by the Reorganized Debtor after the confirmation of the plan is not included in the classes of Debtor's creditors.

Although it is anticipated that the Residence will sell within a relatively short period of time at a price sufficient to pay all creditors in full and provide a distribution to the Reorganized Debtor, the forced sale of the Residence in a Bankruptcy setting will provide less of a sale price

than could be obtained under normal conditions. Moreover, the decision to accept an offer or to hold out for a higher price may be affected by accruing high interest. In addition, the market for luxury homes is weak. Consequently it is possible that there may not be sufficient net sale proceeds to pay all creditors.

The Reorganized Debtor, shall have the authority, subject to court approval, to sell the Residence free of all monetary liens and encumbrances pursuant to 11 U.S.C § 1123 (a) (5) (D) with substituted right to recover against the proceeds of sale for each creditor class to the extent provided for and pursuant to the priorities set forth below. Until the sale of the Residence, each secured creditor shall retain its lien rights.

If the Sale proceeds are insufficient to pay all creditors in full, the creditors will be paid according to payment priorities set forth herein.

If a sale of the Residence is not completed within one year of the effective date, the automatic stay is terminated and each creditor may enforce its rights.

Manager of the Reorganized debtor shall be LeAnn Risenhoover CPA who shall have the authority and responsibility to make marketing decisions enter into contracts for the sale of the Residence to be submitted for court approval. The Manager shall have the authority, responsibilities and immunities of a court appointed receiver in Maricopa County Arizona.

B. Approved claims shall be paid as follow:

Class I. Administrative Claims. Administrative claims will be paid on the “Plan Distribution Date”. **This claim is not impaired.**

Class II. Real Property Tax. Real property tax was assessed for 2016 in the amount of \$11,768.48. The sum of \$5,884.24 was due on October 1, 2016, All delinquent real estate taxes

shall be paid with interest at 16 % per annum. All real estate taxes will be paid from the proceeds of the sale of the Residence. **This claim is not impaired.**

Class III. Secured Claim of La Familia. The La Familia loan obligation in the original amount of \$1,880,000.00 is secured by a first position Deed of Trust. The contract rate of interest is 12.5% per annum and the default rate is 24% per annum, compounded. Additionally the loan requires payment of attorney fees and costs and a late fee of \$750.00 per day for each payment that is late “for the expense of handling the delinquency for any due amounts (including, without limitation, the late charge)”, and a late fee of the 3% of the balance due. On September 26, 2016, La Familia claimed that \$2,381,000.00 was owed.

It is Debtor’s position that whether late fees are treated as liquidated damages or an unenforceable penalty is governed by the principals of the Restatement (Second) of Contracts § 356(1) 1981 (“§ 356(1) of the Restatement”), which provides “Damages for breach by either party may be liquidated in the agreement but only at the amount that is reasonable in the light of the anticipated or actual loss caused by the breach and the difficulties of proof of loss. A term fixing unreasonably large liquidated damages is unenforceable on grounds of public policy as a penalty”. The restatement has been adopted by the Arizona courts. See *In re Dobson Bay v. La Sonrisa*, 239 Ariz. 132, 366 P.3d 1022. (January 2016). La Familia cannot meet its burden of proof regarding its late fee charge of \$750.00 per day and the added late fee 3% of the accelerated balance due. Such fees are not reasonable in the light of the anticipated or actual loss and damages are easily ascertainable. Late fees are excluded under this plan in Debtor’s payment to La Familia. For the same reasons it is Debtor’s position that default interest claimed by La Familia is an unenforceable

penalty. Moreover pursuant to this Plan, Debtor requests that the Court use its discretion to deny default interest based on equitable principals.

La Familia shall be paid principal, the contract rate of interest of 12.5%, approved reasonable legal and other costs, if any, determined by the Court to be reasonable to the effective date and interest of 12.5% from the effective date to the closing of the sale of the Residence. This claim has second priority to be paid. **This claim is impaired.**

Class IV. Secured Administrative Loan of Maryland 32. This Class IV claim shall be paid on the effective date. **This claim is impaired.**

Class V. Secured Claim of Glenn Moor Association. This Class V claim shall be paid with interest at the rate of 4% per annum from the effective date, from the proceeds of the sale of the Residence. This claim has third priority to be paid. **This claim is impaired.**

Class VI. Secured Claim of Maryland 32. The principal amount of this Class VI claim, interest at the contract rate and legal and other costs of collection shall be paid from the proceeds of the sale of the residence. This claim has forth priority to be paid. **This claim is impaired.**

Class VII. Secured Claim of Sir Mortgage. The principal amount of this Class VII claim, interest, if any, as determined by the Court to be legal, compensatory, fair and equitable, till the effective date, shall be paid from the proceeds of the sale of the residence. This claim has fifth priority to be paid. **This claim is impaired.**

Class VIII. Secured Claim of Metro Fire Equipment Inc. This Class VIII claim shall be paid, with interest at the rate of 4% per annum from the proceeds of the sale of the Residence. This claim shares the sixth priority to be paid with class IX proportionately. **This claim is impaired.**

Class IX. Secured Claim of Dan Keen Services. This Class IX claim shall be paid with interest at the rate of 4% per annum from the proceeds of the sale of the Residence. This claim shares the sixth priority to be paid with class VIII proportionately. **This claim is impaired.**

Class X. Unsecured Claims. The holders Class X claims shall be paid the amount of their approved claims, from the proceeds of the sale of the Residence. The claims within this class share the last priority to be paid proportionately to the amount of their approved claims. **This claim is impaired.**

Class XI. Insider Claim of Troy Hudspeth and Debtor's Equity. Debtor shall be the sole member of the Reorganized Debtor. The holder of this claim shall retain his claim against the debtor but not the successor Reorganized Debtor.

IX. DISPUTED CLAIMS

The Debtor reserves the right to verify and object to any proof of 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. Any and all objections to proofs of claim will be filed within sixty (60) days of the Order entered confirming the Plan of Reorganization.

X. EXECUTORY CONTRACTS

Debtor knows of no executory contracts.

XI. MEANS OF EXECUTION/PROJECTION

See Section VIII.

XII. CHAPTER 7 LIQUIDATION ANALYSIS

Pursuant to the provisions of the Bankruptcy Code providing for Court approval of a Plan of Reorganization, the Debtor is 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.

This reorganization plan is a liquidation plan. The advantages over a Chapter 7 case are the following: (1) Saving of Trustee's fees, (2) Saving on Trustee's attorney's fees, (3) Engaging a competent real estate professional at a reduced commission 3 ½ % which is 2 ½ % below the norm and (3) the increased chance of better economic results through participating in the administration by persons having an economic interest in sale of the Residence.

XIII. CRAM-DOWN

If all impaired classes do not accept the Plan, the Debtor and Debtor-in-Possession may attempt to use the "cram-down" provisions of the Bankruptcy Code. The Debtor and Debtor-in-Possession have not yet decided whether it wishes to use cram-down, and will make such a determination following the voting on confirmation of the Plan. Cram-down is a colloquial term for confirmation of a Plan over a dissent of a class of holders of claims of interests. A proponent must request a cram-down, as the Court cannot consider this alternative on its own motion. This Plan contemplates utilizing the cram down provisions provided in §1129 (a) (10) of the Code.

XIV. TAX CONSEQUENCES

Debtor believes that there will be no tax consequence to either itself or to the estate. While it recognized that interest income received on loans made are taxable income, Debtor has no knowledge of creditor's affairs and is unable express an opinion concerning tax consequences to 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, the Successor entity who becomes the reorganized Debtor any entity acquiring property under the Plan, and creditor or claimant, whether or not such creditor or claimant has accepted the Plan. All property of the estate shall vest in the Reorganized Debtor and shall be free from attachment, levy, garnishment or execution by creditors bound by the Plan. It shall be the obligation of each creditor participating under the Plan to keep the Reorganized Debtor advised of its current mailing address. In the event any payments tendered to creditors are mailed, postage prepaid, addressed (1) to the address specified in the Debtor's schedules and statement, (2) to the address specified in any proof of claim filed by a creditor or claimant herein or (3) to the address provided by any such creditor or claimant for purposes of distribution, and if subsequently the Post Office returns such distribution due to a lack or insufficiency of address or forwarding address, the Debtor shall retain such distribution for a period of six months. Thereafter, the distribution shall revert to the Debtor without further Order of the Court and free and clear of any claim of the named distributee. The Debtor shall thereafter not be required to mail subsequent distributions to any creditor for whom a distribution has been returned by the Post Office. The Reorganized Debtor reserve the right to modify the Plan in accordance with §1127 of the Bankruptcy Code. The Plan may be modified prior to confirmation provided that the Plan still complies with §1122

and §1123 of the Bankruptcy Code. The Plan may be modified subsequent to confirmation and before substantial consummation of the Plan under such circumstances as may warrant such under §1123 of the Bankruptcy Code. Any holder of a claim or interest that has been previously accepted or rejected a confirmed Plan, shall be deemed to have accepted or rejected any subsequently modified Plan unless the holder of such claim or interest changes its acceptance or rejection of the Plan within the time fixed by the Court.

XVI. CLOSING OF CASE

The Reorganized Debtor may seek a final decree and an Order closing this case upon the conclusion of all administrative matters and provided that the Debtor has completed the sale of the Residence and payments required to be made pursuant to the Plan of Reorganization.

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

XVII. DEFAULT

The Debtors' failure to make any payment due under the Plan, herein, within sixty (60) days after demand for payment after its due date shall constitute a default unless the Debtors and the affected creditor agree to delayed payment. Any event of default occurring with respect to one (1) claim shall not be an event of default with respect to any other claim. If any default is cured within the sixty (60) day cure period, then the Creditor shall not be entitled to enforce any remedies which would be otherwise available on account of the default.

The Notice of Default shall be effective when served simultaneously upon the Reorganized Debtor and Debtor's counsel. Any Notice of Default must be sent in writing to both the Reorganized Debtor and the Debtor's counsel at the addresses listed below:

LeAnn Risenhoover
7171 San Xavier, Suite 120
Glendale, AZ 85038

Allan D. NewDelman
Allan D. NewDelman, P.C.
80 East Columbus Avenue
Phoenix, AZ 85012

If the default is not timely cured, creditor(s) may pursue any remedy provided by the state or federal law, including foreclosing any security interest, suing on any promissory note issued or continued in effect under the Plan.

XVIII. QUARTERLY FEES AND REPORTS

Debtor shall continue to pay quarterly fees to the U.S. Trustee System until such time as a Final Decree has been entered in this matter by the Court, closing this Chapter 11 proceeding. Debtor shall continue to file monthly operating reports until such time as the Court enters an Order confirming this Chapter 11 Plan of Reorganization. At such time, Debtor shall cease filing monthly operating reports and shall begin filing 90 day reports. These 90 day reports shall be filed until such time as a Final Decree has been entered in this matter by the Court, closing this Chapter 11 proceeding.

XIX. RETENTION OF JURISDICTION

The Bankruptcy Court will retain jurisdiction over this case for purposes of determining the allowance of claims or objections to claims. The Court will also retain jurisdiction for purposes of fixing allowances for compensation and/or for purposes of determining the allowability of any other claimed administrative expenses. The Court will also retain jurisdiction for the purpose of establishing bar dates, making a determination with respect to all disputed claims, priorities among the classes and other issues. The court shall retain jurisdiction for the purpose of approving a sale of the Residence free and clear of all liens. Finally, the Court shall retain jurisdiction for purposes of determining any dispute arising from the interpretation, implementation or consummation of the Plan and to implement and enforce the provisions of the Plan. Notwithstanding anything to the contrary contained herein, the Debtor shall not be bound by estoppel, the principles of res judicata or collateral estoppel with respect to any term or provision contained herein in the event the Plan is not confirmed.

XX. REPRESENTATION

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

XXI. CONCLUSION

It is respectfully submitted that Debtor has given every thought to the complex problems confronting it, and, with the assistance of counsel, has devised and formulated this Plan with the hope that the equitableness of the Plan will be considered by the creditors. It is sincerely hoped that all creditors will join in and consent to the Plan so that they, as well as the Debtor, will receive the maximum results.

DATED this 14th day of November, 2016.

ALLAN D. NEWDELMAN, P.C.

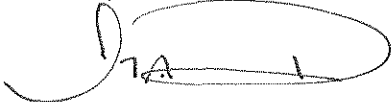


/s/ADN 004066

Allan D. NewDelman, Esq.
Attorney for Debtor

Disclosure Statement above, consisting
of 27 pages plus exhibits is approved as to
form and content:

Matrix Luxury Homes L.L.C

By 
Troy Hudspeth, Manager