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9  
10 **UNITED STATES BANKRUPTCY COURT**  
11 **FOR THE DISTRICT OF ARIZONA**

12 In re:	Chapter 11
13 MOSES, INC.,	Case No. 2:16-bk-09889-BMW
14 Debtor.	<u>Confirmation Hearing</u>
	Date: TBD
	Time TBD

15 **FIRST AMENDED DISCLOSURE STATEMENT TO ACCOMPANY CHAPTER 11**  
16 **PLAN OF REORGANIZATION FOR DEBTOR MOSES, INC.**  
17 **DATED FEBRUARY 11, 2017**

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**I.**

**INTRODUCTION**

On August 26, 2016 (the "**Petition Date**"), Moses, Inc. an Arizona corporation, debtor and debtor-in-possession ("**Debtor**" or "**Plan Proponent**"), filed a petition for relief (the "**Petition**") under Title 11, Chapter 11 of the United States Code (the "**Bankruptcy Code**") with the United States Bankruptcy Court for the District of Arizona (the "**Bankruptcy Court**") commencing the above-captioned Chapter 11 case (the "**Chapter 11 Case**").

The Debtor has prepared this Disclosure Statement in connection with the *Chapter 11 Plan of Reorganization for Debtor Moses, Inc., Dated February 11, 2017* [Dkt. No. 109] (as may be amended, modified, or supplemented, the "**Plan**") filed on February 11, 2017. All capitalized, undefined terms herein shall have the meanings ascribed in the Plan.

The Exhibits to this Disclosure Statement included in the Appendix are incorporated into, and are a part of, this Disclosure Statement. The Plan is attached hereto as **Exhibit "1."** Any interested party desiring further information should contact:

Stinson Leonard Street, LLP  
Attn: Christopher C. Simpson, Esq.  
1850 N. Central Ave., Suite 2100  
Phoenix, Arizona 85004  
Telephone: (602) 212-8623  
Email: Christopher.simpson@stinson.com

Interested parties may also obtain further information from the Bankruptcy Court at the following website: <http://www.azb.uscourts.gov>. Each Holder of a Claim and parties otherwise affected by the Plan should read this Disclosure Statement, and the Exhibits attached hereto, including the Plan. These documents contain important information concerning the classification and treatment of Claims, Equity Securities, and Executory Contracts.

**II.**

**GENERAL OVERVIEW**

**A. General Information About Debtor's Business and Events Leading to this Chapter 11 Case.**

The Debtor has a history in the advertising industry the reaches back over 30 years. The

1 Debtor was originally founded as Moses Kimicata, Inc. in November of 1982. With the addition  
2 of Joseph Anshell as a shareholder, the Company changed its name to Moses Kimicata Anshell,  
3 Inc. in June of 1983 and then again to Moses Anshell, Inc. in October of 1996. The Debtor  
4 changed its name to Moses, Inc. in December of 2013 after the retirement of Joseph Anshell.

5 Throughout its long operating history, the Debtor has earned its reputation as a premier  
6 advertising agency with a regional and national reputation for excellence and has received  
7 numerous awards and recognitions throughout the industry. The Debtor's client base has  
8 included such names as US Airways, State of Arizona, Nintendo, Peter Piper Pizza, the Grammy  
9 Museum, and Fender Guitars.

10 **1. The Retirement of Joseph Anshell and Resulting Claim**

11 By March of 2012, Joseph Anshell had decided to retire from the Company. In March of  
12 2012, the Company, Joseph Anshell and Louis Moses entered into a Stock Redemption  
13 Agreement whereby the Company redeemed the corporate stock then held by Joseph Anshell.  
14 As part of the redemption price for Anshell's Fifty Percent (50%) interest in the Company, the  
15 Company issued Joseph Anshell a promissory note to in the original principal amount  
16 \$660,000.00 (the "**Anshell Note**").

17 The Anshell Note was modified in April of 2015, to among other things, reflect the then  
18 applicable balance of \$70,000.00. Joseph Anshell filed a proof of claim in the amount of  
19 \$31,939.21 on December 8, 2016 (POC No. 31). The Anshell Note is an unsecured obligation of  
20 the Debtor, but is personally guaranteed by Louis and Teresa Moses.

21 **2. The Montecito Secured Loan.**

22 On or about March 12, 2012, the Debtor and Montecito entered into a Promissory Note  
23 (the "**Montecito Promissory Note**") in the original principal amount of \$1,000,000.00. Pursuant  
24 to the Montecito Loan Documents, the loan was to be secured by certain personal property of the  
25 Debtor and Montecito advanced a loan to the Debtor in the original principal amount of  
26 \$1,000,000.00. The obligations under the Montecito Loan Documents are further guaranteed by  
27 the personal guarantees of Louis and Teresa Moses. The personal guarantees in favor of  
28

1 Montecito are further secured by a second position deed of trust against the residence of Louis  
2 and Teresa Moses.

3 The Debtor defaulted on the Montecito Promissory Note and Montecito and the Debtor  
4 entered into the First Amendment to Promissory Note dated March 5, 2015, extending the  
5 payment terms of the Montecito Promissory Note. The Debtor defaulted under the First  
6 Amendment and Montecito and the Debtor entered into the Second Amendment to Promissory  
7 Note dated March 5, 2016 which provided for non-default interest at six percent (6%) per annum  
8 maturing on March 15, 2020. The Debtor again defaulted under the Second Amendment and as  
9 of the Petition Date, the Debtor was indebted to Montecito in the amount of not less than  
10 \$1,030,000.00.

### 11 **3. The Jackson Street Lease**

12 On June 14, 2000, the Debtor executed and delivered to Jackson Street, as landlord, a  
13 Lease Agreement regarding that certain real property located at 20 West Jackson Street, Phoenix,  
14 Arizona 85004 pursuant to which Debtor agreed to pay over \$38,000 a month to occupy  
15 approximately 22,500 square feet.

16 The Debtor struggled to make its obligations under the Lease and the Lease was amended  
17 several times to reduce the Debtor's continuing obligations. Finally, on May 1, 2016, the Debtor  
18 executed and delivered to Jackson Street, a Fourth Amendment to Lease Agreement which was  
19 in force as of the Debtor's August 26, 2016, Petition Date.

### 20 **4. Loss of a Major Client and Other Events Leading to Bankruptcy**

21 The advertising industry has undergone considerable changes in recent years as  
22 advertising dollars continue to shift away from traditional media towards internet, social media  
23 and mobile platforms. In the wake of these changes, the Debtor attempted to maintain its status  
24 as a traditional full-service advertising agency.

25 At its height, the Debtor employed fifty (50) employees and its headquarters in down  
26 town Phoenix occupied 22,500 square feet at a cost of over \$38,000 a month. As the industry  
27 changed, the Debtor's traditional business model of maintaining a large facility and employing a  
28 large staff to cover all functions of a traditional full-service advertising agency proved



1 uneconomical and the Debtor sought ways to streamline its operations. At the same time, the  
2 demands of large national accounts required the Debtor to maintain significant staff and facilities  
3 to service those traditional full service relationships and to advance funds to secure media  
4 placement in advance of client payment.

5 The Debtor's unexpected loss of Regent University, one of the Debtor's largest national  
6 accounts, was the final straw that led to this Chapter 11 filing. The Debtor's annual revenue  
7 dropped from \$16,681,000.00 to its current post-petition rate of approximately \$2,800,000.00  
8 resulting in the filing of the Chapter 11 Case.

9 **B. Debtor's Pre-Petition Restructuring Steps.**

10 Prior to the Petition Date, the Debtor reduced its staff to sixteen (16) core individuals and  
11 secured a new office location which reduced the Debtor's monthly rent from its high of over  
12 \$38,000 a month to less than \$7,000 a month. On August 26, 2016, the Debtor initiated the  
13 present Chapter 11 Case.

14 **C. Significant Events in the Chapter 11 Case.**

15 **1. Rejection of the Jackson Street Lease**

16 The Debtor remained in its pre-petition Jackson Street premises through the end of  
17 September. The Debtor vacated the Jackson Street premises on September 30, 2016 and on that  
18 same day filed *Debtor's Motion for Entry of an Order Authorizing the Rejection of Unexpired*  
19 *Non-Residential Real Property Lease* (the "Rejection Motion"). The Court approved the  
20 Rejection Motion on October 27, 2016, with the Lease rejected as of September 30, 2016 (Dkt.  
21 No. 71).

22 The Debtor did not satisfy various obligations under the Lease during the Debtor's post-  
23 petition occupancy. On December 8, 2016, Jackson Street filed an unsecured claim for lease  
24 rejection damages in the amount of \$328,905.46 (POC No. 31). On December 9, 2016, Jackson  
25 Street filed its *Motion for Allowance and Payment of an Administrative Expense Claim Pursuant*  
26 *to 11 U.S.C. § 365 and 503* [Dkt. No. 72], seeking allowance and immediate payment of an  
27 administrative expense claim in the amount of \$41,895.59.

28

1           **2. The Debtors Negotiations with Major Creditors.**

2           Post-petition, the Debtor has engaged in extensive negotiations with secured creditor  
3 Montecito, administrative claimant Jackson Street and Joseph Anshell in an attempt to formulate  
4 a consensual plan of reorganization. The negotiations resulted in a stipulation with three of the  
5 Debtor's major creditors that forms a framework for the Plan which the Debtor believes to be  
6 acceptable to these primary creditors.

7           **3. The Stipulation with Major Creditors.**

8           On December 9, 2016, the Debtor entered into a stipulation with Montecito, Jackson  
9 Street, Joseph Anshell and Louis Moses. The stipulation was filed on December 13, 2016 [Dkt.  
10 No. 78] (the "Stipulation") and the accompanying *Motion to Approve Stipulation Among Jackson*  
11 *Street, LLC, Joseph Anshell, Montecito Ventures, LLC, Louie Moses and The Debtor In Aid of*  
12 *Confirmation of Plan of Reorganization* (the "Stipulation Approval Motion") was filed on  
13 December 13, 2016 [Dkt. No 79]. The Stipulation Approval Motion sought approval of the  
14 Stipulation granting the named creditors allowed claims in the following amounts:

15

<b>Claimant</b>	<b>Class</b>	<b>Claim Amount</b>	<b>Treatment</b>
Jackson Street, LLC	Administrative	\$38,294.09	Allowed Administrative Claim
Jackson Street, LLC	Class 6	\$328,905.46	Allowed as General Unsecured Claim
Joseph Anshell	Class 5	\$31,939.21	Allowed as Unsecured Claim
Montecito Ventures, LLC	Class 2	\$198,752.73	Allowed as Secured Claim
Montecito Ventures, LLC	Class 4	\$831,247.27	Allowed as Unsecured Claim

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22           The Court entered its Order approving the Stipulation and allowing the above claims on  
23 January 18, 2017 [Dkt. No. 99]. The Jackson Street, LLC Administrative Claim in the amount of  
24 \$38,294.09 was paid by the Debtor shortly after entry of the Court's Order approving the  
25 Stipulation.

26           **4. Termination of Exclusivity.**

27           Bankruptcy Code section 1121 gives a debtor-in-possession the exclusive right to file a  
28 plan of reorganization for 120 days. If a plan is filed within the exclusivity period the debtor-in-

1 possession also has the exclusive right to solicit acceptances for that plan until 180 days after  
2 filing for Chapter 11. No competing plans may be filed during this period of exclusivity. In this  
3 case the original exclusivity period for filing a plan was set to expire on December 27, 2016.

4 On December 22, 2016 the Debtor filed a motion to extend exclusivity through February  
5 10, 2017 [Dkt. No 87] and the Court entered its Order approving the motion to extend on January  
6 25, 2017 [Dkt. No 106]. The Debtor has not sought a further extension of exclusivity and a Plan  
7 was not filed within the February 10, 2017 deadline. The exclusivity period to file a plan expired  
8 on February 10, 2017. The Disclosure Statement Order further contains language terminating any  
9 remaining exclusivity pursuant to Bankruptcy Code Section 1121. Any party in interest may  
10 now file a competing plan of reorganization. Following entry of the Disclosure Statement Order  
11 and subject to Court approval of an accompanying disclosure statement, said party may further  
12 solicit acceptance of a competing plan.

13 **D. Current and Projected Financial Conditions.**

14 **1. Description and Value of Debtor's Available Assets and Discussion of**  
15 **Liquidation Analysis.**

16 As reflected on the Debtor's revised Schedule A/B attached hereto as Exhibit 5 and the  
17 Liquidation Analysis attached hereto as Exhibit 3 to this Disclosure Statement, the Debtor's  
18 assets consist of Cash, Accounts Receivable, a 2014 Jeep, a note from Louis Moses and personal  
19 property including furniture, office equipment and industry awards. The value of the Debtor's  
20 personal property for the purpose of the Liquidation Analysis is slightly greater than the value  
21 reflected on Schedule A/B. The increase as reflected in the Liquidation Analysis resulted from  
22 the Stipulation with major creditors whereby the value of Montecito's security was stipulated to  
23 be \$198,752.73. The Debtor's available assets and their values are summarized in the following  
24 table:

Asset	Value	Note
Cash	\$304,896.31	The amount of Cash identified herein is the amount reported by the Debtor in its March 2017 Monthly Operating Report, page 2.

28

1	Accounts Receivable	\$1,065,720	The value of receivables identified herein is based upon the amount reported by the Debtor in its March 2017 Monthly Operating Report, page 5.
2			
3	Auto (Jeep)	\$14,094.00	The Debtor estimates the market value of the Jeep to be \$12,104. 00. The book value of the Jeep as reflected on the Debtor's books is \$14,094.00. For purposes of the Liquidation Analysis, the Debtor adopted the higher book value as reported in its March 2017 Monthly Operating Report, page 5.
4			
5	Louis Moses Note	\$62,865.00	Louis Moses will pay the entire outstanding balance of the Louis Moses Note to the Reorganized Debtor on the Effective Date pursuant to Sections, 1.1.47 and 5.1 of the Plan as further described in Section V(A)(1) of this Disclosure Statement.
6			
7	Personal Property	\$198,753.00	This amount reflects the stipulated value pursuant to the Stipulation with major creditors.
8			
9	Vendor Preference Actions and other pre-petition avoidable transfers.	\$0.00	The Debtor scheduled 162 separate unsecured creditors consisting almost entirely of trade debt. The Debtor does not anticipate bringing any avoidance actions against non-insiders and thus places no value on any such causes of action.  The Estate's claim against Louis Moses in the amount of \$62,865.00 as evidenced by the Louis Moses Note will be paid in full by Louis Moses to the Reorganized Debtor on the Effective Date.
10			
11	Other Lawsuits	\$0.00	The Debtor has no pending non-bankruptcy litigation. The Debtor disclosed a potential cause of action against Regent University on its Schedules. Regent University has filed a proof of claim in the amount of \$685,446.96. Apart from a potential right to setoff pursuant to Bankruptcy Code § 558, the Debtor does not project an additional cash recovery pursuant to the claim against Regent University.
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27 Pursuant to the Liquidation Analysis attached to the Disclosure Statement as Exhibit 3,  
28 net cash available for distribution in a chapter 7 liquidation would be reduced by the balance of

1 any then outstanding Post-Petition Accounts Payable. Further, for the purpose of a chapter 7  
2 liquidation analyses, the value of outstanding receivables are discounted by 30% to reflect the  
3 reduced liquidation collection value due to incomplete advertising campaigns and the expenses of  
4 collection.

5 **2. Collectability of Debtor's Accounts Receivable.**

6 The collectability of the Debtor's accounts receivable were initially set forth in Part 3 of  
7 Debtor's Schedule A/B attached hereto as Exhibit 5. Updated assessments of the Debtor's  
8 estimate of the present value of its receivables based on collectability are set forth in the Debtor's  
9 March 2017 Monthly Operating Report, page 5, attached hereto as Exhibit 4 and on the  
10 Liquidation Analysis attached hereto as Exhibit 3. In essence, the Debtor has consistently  
11 reported that approximately \$1,677,369 of the face amount of its pre-petition receivables is  
12 uncollectable. The vast majority of these uncollectable pre-petition receivables reflect invoices  
13 related to agreements for add placements which the Debtor lacked the resources to fulfill. The  
14 Debtor has determined that an additional \$59,856 in post-petition receivables is uncollectable,  
15 primarily due to client insolvency. As such, the Debtor believes that approximately \$1,737,255  
16 of its receivables is wholly uncollectable. The Debtor estimates that it will collect approximately  
17 \$1,065,720 of its current receivables base.

18 **3. Projected Recovery by Class.**

19 The operating projections for the Reorganized Debtor for the four-year period following  
20 the Effective Date are set forth on Exhibit 2 attached hereto. During this period, the Debtor  
21 projects that it will be able to return a total of \$1,619,982 to creditors over the life of the Plan.  
22 The anticipated recovery by Class is set forth in the table below:

23

24 <b>Classes</b>	<b>Claims</b>	<b>Effective Date Payment</b>	<b>Projected Total Payments Over Life of Plan</b>
25 Class 1 (Secured Real Estate Tax Claims)	\$0.00	\$0.00	\$0.00
26 Class 2 (Secured Claim of Montecito)	\$198,752.73	\$75,000.00	\$207,440.00 (includes interest 27 at 6% from Effective Date).
28 Class 3 (Other Priority Unsecured Claims)	\$6,230.00	\$6,230.00	\$6,230.00

1	Class 4 (Unsecured Claim of Montecito)	\$831,247.27	\$0.00	\$244,988.00
2				
3	Class 5 (Unsecured Claim of Joseph Anshell)	\$31,939.21	\$0.00	\$9,413.00
4	Class 6 (General Unsecured Claims)	\$3,908,448.00	\$0.00	\$1,151,911.00
5	Class 7 (Equity Securities)	\$0.00	\$0.00	\$0.00
6				

7 The operating projections for the reorganized Debtor after the estimated Effective Date  
8 summarized above and attached to this Disclosure Statement as Exhibit 2 were prepared by the  
9 Debtor based upon the Debtor's historical financial performance and various assumptions made  
10 by the Debtor about the Debtor's future operations. The Debtor cautions that no representations  
11 can be made as to the accuracy of the operating projections or as to Debtor's ability to achieve  
12 the projected results. Certain of the assumptions on which the operating projections are based are  
13 subject to uncertainties outside the Debtor's control. Some assumptions inevitably will not  
14 materialize. Events and circumstances occurring after the date on which the operating projections  
15 were prepared may be different from those assumed or may be unanticipated and may adversely  
16 affect the Debtor's financial results. Therefore, actual results can be expected to vary from  
17 projected results. Those variations may prove material and adverse.

18 The operating projections were not prepared with a view toward complying with the  
19 guidelines established by the American Institute of Certified Public Accountants, the practices  
20 recognized to be in accordance with generally accepted accounting principles, or the rules and  
21 regulations of the Securities and Exchange Commission regarding projections. The operating  
22 projections have not been audited by independent accountants. Although presented with  
23 numerical specificity, the operating projections are based on a variety of assumptions, some of  
24 which in the past have not been achieved and which may not be realized in the future, and  
25 remain subject to significant business, economic, regulatory, and competitive uncertainties and  
26 contingencies, and many of which are beyond any party's control.

27 Consequently, the operating projections should not be regarded as a representation or  
28 warranty by any person that the projections will be realized. Actual results may vary materially  
and adversely from those presented.

1           **4. Debtor's Relationship with Affiliates.**

2           The term "Affiliate" is defined in § 101(2) of the Bankruptcy Code. The Bankruptcy  
3 Code defines the term "affiliate" to mean:

4           (A) entity that directly or indirectly owns, controls, or holds with power to vote, 20  
5 percent or more of the outstanding voting securities of the debtor, other than an entity that holds  
6 such securities—

7                   (i) in a fiduciary or agency capacity without sole discretionary power to vote such  
8 securities; or

9                   (ii) solely to secure a debt, if such entity has not in fact exercised such power to  
10 vote;

11           (B) corporation 20 percent or more of whose outstanding voting securities are directly or  
12 indirectly owned, controlled, or held with power to vote, by the debtor, or by an entity that  
13 directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the  
14 outstanding voting securities of the debtor, other than an entity that holds such securities—

15                   (i) in a fiduciary or agency capacity without sole discretionary power to vote such  
16 securities; or

17                   (ii) solely to secure a debt, if such entity has not in fact exercised such power to  
18 vote;

19           (C) person whose business is operated under a lease or operating agreement by a debtor,  
20 or person substantially all of whose property is operated under an operating agreement with the  
21 debtor; or

22           (D) entity that operates the business or substantially all of the property of the debtor  
23 under a lease or operating agreement.

24           Pursuant to the Bankruptcy Code's definition of "affiliate" and the general business  
25 understanding of that term, the only affiliate of the Debtor is Louis Moses who directly owns and  
26 controls, with power to vote, 100 percent of the equity interests of the Debtor. Louis Moses is  
27 the founder, sole director and President of the Debtor and remains the key creative force behind  
28 the Debtor.

1           **5.     Debtor's Accounting Process.**

2           The Debtor's gross revenue numbers for years prior to 2016 as contained in Section II of  
3 this Disclosure Statement were prepared using generally accepted accounting principles. Pre-  
4 petition gross revenue and financial information for calendar year 2016 forward were provided  
5 by Tom Guilfooy, the Debtor's Chief Restructuring Officer and pre-petition Senior Finance  
6 Director.

7           Post-petition reporting and projections were provided by Tom Guilfooy and are generally  
8 presented on a cash basis, with the exception that revenues from customer deposits are not  
9 recognized as income until earned.

10          Certain of the information contained in this Disclosure Statement, including, without  
11 limitation, the Debtor's projections attached as Exhibit 2 to this Disclosure Statement is  
12 inherently forward-looking and contains estimates, assumptions, and projections that may prove  
13 materially different from actual future results.

14          The financial information contained in this Disclosure Statement has not been audited by  
15 a certified public accountant and, except as noted above, may not have been prepared in  
16 accordance with generally accepted accounting principles.

17          In preparing the estimated cash, payables, and receivables balances for the liquidation  
18 analysis attached hereto as Exhibit 3, the Debtor utilized the information from the Debtor's  
19 March 2017 Monthly Operating Report, attached hereto as Exhibit 4.

20   **III.**

21           **INFORMATION REGARDING THE PLAN AND THIS DISCLOSURE STATEMENT**

22   **A.    What Is Chapter 11?**

23          Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code.  
24 Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of itself, its  
25 creditors, and equity interest holders. The commencement of a Chapter 11 case creates an estate  
26 that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The  
27 Bankruptcy Code provides that the debtor may continue to operate its business and remain in  
28 possession of its property as a "debtor-in-possession."



1 **B. What is the objective of a Chapter 11 bankruptcy case?**

2 The objective of a Chapter 11 bankruptcy case is the confirmation (i.e. approval by the  
3 bankruptcy court) of a plan of reorganization.

4 **C. What is a plan of reorganization?**

5 A plan describes in detail (and in language appropriate for a legal contract) the means for  
6 satisfying claims against, and equity interests in, a debtor.

7 **D. What is a disclosure statement and its purpose?**

8 Before a debtor or other plan proponent can solicit acceptances of a plan, Section 1125 of  
9 the Bankruptcy Code requires the debtor or other plan proponent to prepare a disclosure  
10 statement containing adequate information of a kind, and in sufficient detail, to enable those  
11 parties entitled to vote on the plan to make an informed voting decision about whether to accept  
12 or reject the plan.

13 **E. What will happen after the Bankruptcy Court approves this Disclosure Statement?**

14 This Disclosure Statement should only be considered after the Bankruptcy Court has  
15 found that this Disclosure Statement provides adequate information in accordance with Section  
16 1125 of the Bankruptcy Code and has entered an order approving this Disclosure Statement.  
17 Approval by the Bankruptcy Court is not an opinion or ruling on the merits of the Plan and it  
18 does not mean that the Plan has been or will be approved by the Bankruptcy Court.

19 **F. Do I have an Allowed Claim?**

20 You have an Allowed Claim if: (i) you or your representative timely filed a proof of  
21 Claim and no objection has been filed to your Claim within the time period set for the filing of  
22 such objections; (ii) you or your representative timely filed a proof of Claim and an objection is  
23 filed to your Claim upon which the Bankruptcy Court has ruled and allowed your Claim; (iii)  
24 your Claim is listed by the Debtor in its Schedules as amended by any amendments thereto  
25 (which are on file with the Bankruptcy Court as a public record) as liquidated in amount and  
26 undisputed and no objection has been filed to your Claim; or (iv) your Claim is listed by the  
27 Debtor in its Schedules as liquidated in amount and undisputed and an objection was filed to  
28 your Claim upon which the Bankruptcy Court has ruled to allow your Claim. If your Claim is

1 not an Allowed Claim, it is a Disputed Claim and you will not be entitled to Distribution under  
2 the Plan unless and until the Bankruptcy Court enters an order allowing or disallowing your  
3 Claim, in whole or in part, as the case may be. If you are uncertain as to the status of your Claim  
4 or if you have a dispute with the Debtor, you should check the Bankruptcy Court record  
5 carefully, including the Schedules of the Debtor, and seek appropriate legal advice. Neither the  
6 Debtor nor its professionals can advise you about such matters.

7 **G. What is the effect of plan confirmation?**

8 Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding  
9 upon the debtor, any issuer of securities under the plan, any party acquiring property under the  
10 plan, any creditor of the debtor, and any party otherwise affected by the plan, regardless of  
11 whether such creditor or party: (i) is impaired under, or has accepted, the plan; or (ii) receives or  
12 retains any property under the plan.

13 **H. Has the Securities and Exchange Commission reviewed and approved this**  
14 **Disclosure Statement?**

15 This Disclosure Statement has been prepared in accordance with Section 1125 of the  
16 Bankruptcy Code and Bankruptcy Rule 3016(b) and not necessarily in accordance with federal  
17 or state securities laws or other non-bankruptcy laws.

18 This Disclosure Statement has not been approved or disapproved by the United States  
19 Securities and Exchange Commission (the "SEC"), nor has the SEC passed upon the accuracy or  
20 adequacy of the statements contained herein.

21 **I. Can I rely upon the statements contained in this Disclosure Statement?**

22 DEBTOR MAKES THE STATEMENTS AS OF THE DATE HEREOF, UNLESS  
23 OTHERWISE SPECIFIED. PERSONS REVIEWING THIS DISCLOSURE STATEMENT  
24 SHOULD NOT INFER THAT THE FACTS SET FORTH HEREIN HAVE NOT CHANGED  
25 SINCE THE DATE HEREOF.

26 THIS DISCLOSURE STATEMENT THEREFORE DOES NOT CONSTITUTE, AND  
27 MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT OR LIABILITY, A  
28 STIPULATION OR A WAIVER IN ANY PROCEEDING OTHER THAN THE

1 SOLICITATION OF ACCEPTANCES OF THE PLAN AND CONFIRMATION OF THE  
2 PLAN. FOR ALL PURPOSES OTHER THAN THE SOLICITATION OF ACCEPTANCES  
3 OF THE PLAN, THIS DISCLOSURE STATEMENT SHOULD BE CONSTRUED AS A  
4 STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED  
5 MATTERS, ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED  
6 LITIGATION OR ACTIONS.

7 THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE LEGAL, BUSINESS,  
8 FINANCIAL, OR TAX ADVICE. ALL PERSONS DESIRING SUCH ADVICE OR ANY  
9 OTHER ADVICE SHOULD CONSULT WITH THEIR OWN ADVISORS.

10 **J. What if there is an inconsistency between this Disclosure Statement and the Plan?**

11 This Disclosure Statement summarizes certain provisions of the Plan and certain other  
12 documents and financial information that are incorporated by reference herein (collectively, the  
13 "Incorporated Documents"). The summaries contained herein are qualified in their entirety by  
14 reference to the Incorporated Documents. In the event of any inconsistency or discrepancy  
15 between a description in this Disclosure Statement and the actual content of any of the  
16 Incorporated Documents, the Incorporated Documents shall govern for all purposes.

17 **IV.**

18 **SUMMARY OF THE PLAN TREATMENT OF CREDITORS<sup>1</sup>**

19 Section 1123 of the Bankruptcy Code provides that a plan of reorganization shall classify  
20 the claims of a debtor's creditors and equity interest holders. In compliance therewith, the Plan  
21 divides Claims into various Classes and sets forth the treatment for each Class. The Plan  
22 Proponent is also required under Section 1122 of the Bankruptcy Code to place a Claim into a  
23 particular Class only if such Claim is substantially similar to other Claims in such Class. The  
24 Plan Proponent believes that the Plan has classified all Claims in compliance with the provisions  
25 of Section 1122 of the Bankruptcy Code, but it is possible that a Holder of a Claim will  
26 challenge the Plan's classifications and that the Bankruptcy Court will find that different

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27 <sup>1</sup> The following summary of the Plan treatment of Creditors is qualified in its entirety by  
28 reference to the Plan itself. For a more detailed description of the Plan, see also Article V hereof  
and the Plan.

1 classifications are required in order for the Plan to be confirmed. In such event, the Debtor  
2 reserves the right, to the extent permitted by the Bankruptcy Code, to make reasonable  
3 modifications of the classifications under the Plan to permit confirmation.

4 The following summary of the Plan is qualified in its entirety by reference to the detailed  
5 explanations in this Disclosure Statement and the Plan itself.

6 **A. Non-Classified Claims.**

7 Pursuant to Section 1123(a)(1) of the Bankruptcy Code, the Allowed Priority Tax Claims  
8 and Allowed Administrative Claims are not designated as Classes under the Plan. In general,  
9 these Claims consist of the fees and costs of professionals employed on behalf of the Estate. The  
10 Holders of such unclassified Claims are not entitled to vote on the Plan.

11 On or before the Administrative Claim Bar Date, each holder of an Administrative Claim  
12 shall file with the Bankruptcy Court a request for payment of an Administrative Claim. Any  
13 Administrative Claim that is not filed on or before the Administrative Claim Bar Date will be  
14 forever barred from assertion against the Debtor, the Estate, and the Assets. Unless otherwise  
15 agreed to by the Holders of the Administrative Claims and Plan Proponent, the Plan Proponent  
16 shall pay each holder of an Allowed Administrative Claim the full unpaid amount of such Claim  
17 in Cash on the Effective Date or as soon as practicable thereafter.

18 The amount of Administrative Claims for fees and costs incurred by Debtor's counsel, but  
19 unpaid as of the Confirmation Hearing, is estimated to be less than \$45,000.00, though it may  
20 exceed such amount.

21 Each Holder of an Allowed Priority Tax Claim will, in full and final satisfaction of such  
22 Claim, be paid in Cash in full (or be treated in compliance with Section 1129(a)(9)(C) of the  
23 Bankruptcy Code) by the Plan Proponent on the Effective Date or as soon as practicable  
24 thereafter.

25 **B. Classified Claims.** The Distributions under the Plan to each Class are summarized in the  
26 following table:

27

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Class	Description	Treatment
Class 1	Secured Real Estate Tax Claims	Unimpaired. No solicitation required. Deemed to accept.
Class 2	Montecito Secured Claim	Impaired. Solicitation required.
Class 3	Other Priority Unsecured Claims	Unimpaired. No solicitation required.
Class 4	Montecito Unsecured Claim	Impaired. Solicitation required.
Class 5	Anshell Unsecured Claim	Impaired. Solicitation required.
Class 6	General Unsecured Claims	Impaired. Solicitation required.
Class 7	Equity Securities	Impaired. Not entitled to vote. No solicitation required.

Bankruptcy Code § 1129(b) provides that, if the Plan is rejected by one or more impaired Classes of Claims, the Plan nevertheless may be confirmed by the Bankruptcy Court, if: (i) the Bankruptcy Court determines that the Plan does not discriminate unfairly and is fair and equitable with respect to the rejecting Class(es) of Claims; and (ii) at least one Class of Impaired Claims has voted to accept the Plan.

The specific treatment of each Class under the Plan is set forth in the Plan and is summarized below:

**1. Class 1 – Secured Real Estate Tax Claims.** Class 1 consists of the Secured Real Estate Tax Claims to the extent they are determined to be Allowed Secured Claims and have not been satisfied or extinguished as of the Effective Date. The Holders of the Secured Real Estate Tax Claims shall receive, on the later of the Effective Date or when those Secured Real Estate Tax Claims are due under applicable non-bankruptcy law, the full amount of the Allowed Secured Real Estate Tax Claims. The Debtor does not believe there are any Secured Real Estate Tax Claims.

The Creditor(s) in Class 1 is Unimpaired under the Plan, deemed to have accepted the Plan, and therefore, not entitled to vote on the Plan.

1           **2. Class 2 – Montecito Secured Claim.**

2           Class 2 consists of the Montecito Secured Claim, which is deemed to be an Allowed  
3 Secured Claim in the total amount of \$198,752.73. The Montecito Secured Claim will be treated  
4 as follows:

- 5           a)     Effective Date Payment: On the Effective Date Montecito shall be paid the  
6                   Montecito Claim Effective Date Payment, in partial satisfaction of its  
7                   Allowed Secured Claim.
- 8           b)     Monthly Payments: Following the Effective Date, Montecito shall receive  
9                   monthly payments on account of the remaining amount of the Montecito  
10                  Secured Claim with interest at the rate of 6% per annum in equal monthly  
11                  payments of \$5,000.00 with payments beginning on the 15th day of the  
12                  first full month following the Effective Date and continuing on each 15th  
13                  day of each month thereafter until the Montecito Secured Claim is paid in  
14                  full with interest.
- 15           c)     Reporting Requirements: The Reorganized Debtor must provide  
16                   Montecito with monthly financial statements.

17           The Creditor in Class 2 is Impaired under the Plan and thus, the Holder of the Class 2  
18 Claim is entitled to vote on the Plan.

19           **3. Class 3 – Other Priority Unsecured Claims.**

20           Class 3 consists of Other Priority Secured Claims. The Holders of the Other Priority  
21 Unsecured Claims shall receive, on the Effective Date or as soon thereafter as practicable, the  
22 full amount of the Allowed Other Priority Unsecured Claims.

23           Creditors in Class 4 are Unimpaired under the Plan, deemed to have accepted the Plan,  
24 and therefore, not entitled to vote on the Plan.

25           **4. Class 4 – Montecito Unsecured Claim.**

26           Class 4 consists of the Montecito Unsecured Claim, which is deemed to be an Allowed  
27 Unsecured Claim in the total amount of \$831,247.27. The Montecito Unsecured Claim is an  
28 unsecured claim and shall be included in the treatment of Class 6 Claims. The debt which is the

1 subject of the Montecito Unsecured Claim is guaranteed by the Moses Montecito Guaranty and  
2 is separately classified under the Plan. The overall debt to Montecito is partially secured by the  
3 collateral securing the Montecito Secured Claim and further receives the benefit of separate  
4 collateral under the Moses Montecito Guaranty.

5 Class 4 is Impaired under the Plan, and thus the Holder of the Class 4 Claim is entitled to  
6 vote on the Plan.

7 **5. Class 5 – Anshell Unsecured Claim.**

8 Class 5 consists of the Anshell Unsecured Claim, which is deemed to be an Allowed  
9 Unsecured Claim in the total amount of \$31,939.21. The Anshell Unsecured Claim is an  
10 unsecured claim and shall be included in the treatment of Class 6 Claims. The debt which is the  
11 subject of the Anshell Unsecured Claim is guaranteed by the Moses Anshell Guaranty and is  
12 separately classified under the Plan.

13 Class 5 is Impaired under the Plan, and thus the Holder of the Class 5 Claim is entitled to  
14 vote on the Plan.

15 **6. Class 6 – General Unsecured Claims.**

16 A General Unsecured Claim is a Claim, including a Claim arising under Section 502(g)  
17 of the Bankruptcy Code that is not secured by a charge against or interest in property in which  
18 the Estate has an interest and is not an unclassified Claim, Administrative Claim, or Priority  
19 Unsecured Claim.

20 Each Holder of an Allowed General Unsecured Claim shall receive, starting on the 25<sup>th</sup>  
21 day of the month following the first full calendar quarter following the Effective Date, and on the  
22 25<sup>th</sup> day of the month following each successive calendar quarter thereafter for a total period of  
23 16 calendar quarters, net Distributable Cash generated from the Debtor's operations.

24 Distributable Cash is calculated by the Disbursing Agent on a calendar quarterly basis  
25 using monthly and quarterly financial statements, commencing on the first full calendar quarter  
26 following the Effective Date of the Plan. Distributable Cash shall be transferred to the  
27 Disbursing Agent following the end of each quarter for Pro Rata distribution to the Holders of  
28 Allowed, Class 4, Class 5 and Class 6 Claims.

1 Creditors in Class 6 are Impaired under the Plan, and therefore, the Holders of Class 6  
2 Claims are entitled to vote on the Plan.

3 **7. Class 7 – Equity Securities.**

4 On the Effective Date, Holders of interests in Class 7 shall retain their pre-petition  
5 interests in the Debtor. Louis Moses shall retain 100% of the equity in the reorganized Debtor in  
6 exchange for the Equity Contribution in accordance with Sections 1129(a) and (b) of the  
7 Bankruptcy Code. Equity Securities in Class 7 are impaired under the Plan, but Holders of  
8 Equity are not entitled to vote on the Plan.

9 **V.**

10 **ADDITIONAL PLAN PROVISIONS**

11 In addition to the terms of the Plan described in Section IV above, the Plan contains the  
12 following provisions. The description contained herein is qualified in its entirety by reference to  
13 the remainder of this Disclosure Statement and the Plan itself.

14 **A. Means for Implementation of the Plan.**

15 **1. Funding on the Effective Date.**

16 All payments under the Plan which are due on the Effective Date will be funded from the  
17 Equity Contribution of Louis Moses, proceeds from the repayment of the Louis Moses Note and  
18 by any and all remaining Cash retained by the Reorganized Debtor on the Effective Date. The  
19 source of funds to be paid by Louis Moses for repayment of the Louis Moses Note and payment  
20 of the Equity Contribution on the Effective Date is from life insurance policies held by Louis  
21 Moses.

22 **2. Funding After the Effective Date.**

23 The funds necessary to ensure continuing performance under the Plan after the Effective  
24 Date will be funded from the Equity Contribution and derived from the Reorganized Debtor's  
25 continuing operating revenue. The Debtor's projections of post-petition operating revenue are set  
26 forth in the four-year Pro Forma attached to this Disclosure Statement.

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1           **3. Debtor in Possession.**

2           The Reorganized Debtor shall remain in possession of the Assets and continue to run the  
3 Debtor's business in the ordinary course after the Effective Date.

4           **4. Post-Confirmation Management.**

5           Louis Moses will continue as the sole director and President of the Debtor.

6           **5. United States Trustee Fees.**

7           Quarterly fees due to the United States Trustee pursuant to 11 U.S.C. 1930(a)(6) will be  
8 paid when due by the Debtor.

9           **6. Terms of Injunctions or Stays.**

10          Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case  
11 pursuant to sections 105 or 362 of the Bankruptcy Code, or otherwise, and that are in existence  
12 on the Effective Date, shall remain in full force and effect until the Chapter 11 Case is closed.

13 **B. Provisions Governing Distributions.**

14          **1. Appointment of Disbursing Agent.**

15          A Disbursing Agent will be appointed as of the Effective Date. The Disbursing Agent  
16 shall be Clotho Corporate Recovery, LLC under the direction of Timothy Shaffer. The  
17 Disbursing Agent shall, among other things, act instead of and as the nominee of the Holders of  
18 Claims and Interests, receive payments from Debtor, the Estate, and the Reorganized Debtor, and  
19 make all payments and distributions contemplated by the Plan.

20          **2. Compensation of Disbursing Agent.**

21          The Disbursing Agent shall be entitled to reimbursement of ordinary and necessary  
22 expenses and reasonable compensation for services rendered at the ordinary hourly rates charged  
23 for those employees of Disbursing Agent providing service.

24          **3. Reporting to Disbursing Agent.**

25          The Reorganized Debtor shall deliver monthly and quarterly financial statements to the  
26 Disbursing Agent within 15 days after the end of such reporting period.

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1           **4.       Payments to Disbursing Agent.**

2           The Reorganized Debtor shall transfer Distributable Cash to the Disbursing Agent within  
3 15 days after the end of each calendar quarter.

4           **5.       Use of Distributable Cash.**

5           Distributable Cash paid by the Debtor to the Disbursing Agent shall be used as follows:  
6 (1) first, to pay the allowable costs and fees of the Disbursing Agent; (2) second, to pay any  
7 unpaid Allowed Administrative Claims; (3) third, to provide adequate reserves for any Pro Rata  
8 distributions on account of any disputed General Unsecured Claims until such claims are finally  
9 resolved; and (4) fourth, distributed Pro Rata to Holders of Allowed Class 4, Class 5 and Class 6  
10 Claims.

11           **6.       General Provisions; Undeliverable Distributions.**

12           Distributions to the holders of Allowed Class 4, Class 5 and Class 6 Claims shall be made  
13 by the Disbursing Agent to the address of each holder as set forth in the Schedules, unless  
14 superseded by the address set forth on proofs of Claim filed by such holder. If any Distribution is  
15 returned as undeliverable, the Disbursing Agent may, without requirement and in its sole  
16 discretion, make such efforts to determine the current address of the holder of the Claim with  
17 respect to which the Distribution was made as the Disbursing Agent deems appropriate, but no  
18 Distribution to any holder shall be made unless and until the Disbursing Agent has determined  
19 the then-current address of the holder.

20           **7.       Unclaimed Property.**

21           Distributions that are not claimed by the expiration of 180 days from the date of such  
22 distribution shall be deemed to be unclaimed property and the Claims with respect to which  
23 those Distributions are made shall be automatically canceled. After the expiration of that 180-day  
24 period, the Claim of any Entity to those Distributions shall be discharged and forever barred.  
25 Nothing contained in the Plan shall require the Disbursing Agent to attempt to locate any Holder  
26 of an Allowed Claim. All unclaimed property shall then be redistributed to Holders of Allowed  
27 Claims pursuant to the terms of this Plan.

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1           **8. Time Bar to Cash Payments by Check.**

2           Checks issued by the Reorganized Debtor on account of Allowed Claims shall be null  
3 and void if not negotiated within ninety (90) days after the date of issuance thereof, and shall be  
4 treated as unclaimed property under the Plan.

5           **9. Compliance with Tax Requirements.**

6           In connection with making Distributions under this Plan, to the extent applicable, the  
7 Reorganized Debtor and the Disbursing Agent shall comply with all tax withholding and  
8 reporting requirements imposed on it by any governmental unit, and all Distributions pursuant to  
9 this Plan shall be subject to such withholding and reporting requirements. The Disbursing Agent  
10 may withhold the entire Distribution due to any Holder of an Allowed Claim until such time as  
11 such Holder provides the necessary information to comply with any withholding requirements of  
12 any governmental unit. Any property so withheld will then be paid by the Disbursing Agent to  
13 the appropriate authority. If the Holder of an Allowed Claim fails to provide the information  
14 necessary to comply with any withholding requirements of any governmental unit within 90 days  
15 from the date of first notification to the Holder of the need for such information such Claims  
16 shall be deemed to be unclaimed property and the Claims with respect to which those  
17 Distributions are made shall be automatically canceled and shall be discharged and forever  
18 barred.

19           **10. Limitation of Liability of the Disbursing Agent.**

20           No action or claim may be asserted against the Disbursing Agent for any matter relating  
21 to or arising out of this Chapter 11 Case, the confirmation of the Plan, the consummation of the  
22 Plan, or the administration of the Plan or the property to be administered or distributed under the  
23 Plan, in any court without first obtaining approval of the Bankruptcy Court, and, in such event,  
24 any such action must be prosecuted before the Bankruptcy Court, which shall retain jurisdiction  
25 to adjudicate any such actions. The Disbursing Agent is acting solely as a fiduciary on behalf of  
26 the Estate in implementing this Plan. Neither the Disbursing Agent, nor any of its employees,  
27 shall have any personal liability for serving in the fiduciary capacity of Disbursing Agent, except  
28 for willful misconduct or gross negligence.

1 VI.

2 **DISPUTED CLAIMS**

3 **A. Resolution of Disputed Claims.**

4 From and after the Effective Date, the Reorganized Debtor shall have all rights of the  
5 Debtor to file, prosecute, compromise, withdraw, or resolve objections to Claims; provide  
6 however that nothing in the Section shall prejudice the right of the Reorganized Debtor to object  
7 to Claims prior to the Effective Date.

8 **B. Payment of Disputed Claims.**

9 No payments or other distributions will be made to holder of disputed claims unless and  
10 until such Claims are Allowed Claims pursuant to a Final Order. If a Claim is not an Allowed  
11 Claim as of the Effective Date or when payment is otherwise due under the Plan, payment of  
12 such Claim will commence if and when such Claim becomes an Allowed Claim pursuant to a  
13 Final Order.

14 **C. Disallowance of Late Claims.**

15 Any and all applications for Claims or proofs of Claim filed after the applicable Bar Date  
16 shall be deemed disallowed and expunged as of the Effective Date without any further notice,  
17 action, order or approval of the Bankruptcy Court, and Holders of such Claims may not receive  
18 any Distributions on account of such Claims, unless the Bankruptcy Court enters an order  
19 deeming any such Claim to be timely filed.

20 **D. Objections to Administrative Claims.**

21 From and after the Effective Date, the Reorganized Debtor shall have all rights of the  
22 Debtor to object to any Administrative Claims that are asserted. Any objections to  
23 Administrative Claims (other than Professional Fee Claims) will be filed and served by the date  
24 thirty (30) days after the Administrative Claims Bar Date or such other date as may be fixed by  
25 the Bankruptcy Court. All objections will be litigated to Final Order; provided, however, that the  
26 Reorganized Debtor shall have the authority to file, settle, compromise, or withdraw any  
27 objections without Bankruptcy Court Approval.

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**VII.**

**TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**A. Assumption or Rejection of Existing Contracts and Unexpired Leases.**

Pursuant to §§ 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases that exist between the Debtor and any party that have not been previously assumed or rejected pursuant to an order of the Bankruptcy Court, shall be deemed rejected as of the Effective Date.

**B. Rejection Claims.**

All Rejection Claims must be filed with the Bankruptcy Court and served on the Debtor and other parties in interest no later than thirty (30) days after the rejection of any executory contract or unexpired lease. Any Rejection Claim for which a proof of Claim is not timely filed within thirty (30) days of the rejection of an executory contract or unexpired lease will be forever barred from assertion against the Debtor, the Estate, and the Assets, and shall be subject to the discharge and permanent injunction.

**VIII.**

**LIMITATIONS AND RISK FACTORS**

**A. Risk Factors**

In addition to risks discussed elsewhere in this Disclosure Statement, the Plan and the transactions contemplated by the Plan involve the following limitations and risks, which should be taken into consideration.

- Operating Risk: While the Debtor believes that it is unlikely, there is risk that unforeseen changes in the economy or the advertising industry will impact its ability to perform as contemplated in the Plan. In the event the Reorganized Debtor performs below its attached projections of post-petition operating revenue set forth in the four-year Pro Forma attached hereto, there will be less Distributable Cash available for Creditors.
- Key Party Risk: Louis Moses is the founder and key creative force behind the Debtor. In the event the Reorganized Debtor loses the services of Louis Moses

1                   during the four year term of this Plan, the Reorganized Debtor may be unable to  
2                   continue operations.

3   **B. Debtor Has No Duty to Update.**

4                   The statements in this Disclosure Statement are made by the Debtor as of the date hereof,  
5                   unless otherwise specified herein. The delivery of this Disclosure Statement after that date does  
6                   not imply that there has been no change in the information set forth herein since that date. The  
7                   Debtor has no duty to update this Disclosure Statement unless ordered to do so by the  
8                   Bankruptcy Court.

9   **C. No Admissions Made.**

10                  Nothing contained herein shall constitute an admission of any fact or liability by the  
11                  Debtor or any other party nor shall it be deemed evidence of the tax or other legal effects of the  
12                  Plan on Debtor or on Holders of Claims.

13   **D. Risks and Considerations.**

14                  1.   **Projections and Other Forward Looking Statements Are Not Assured and**  
15                  **Actual Results Will Vary.**

16                  Certain information herein is, by nature, forward looking, and contains estimates and  
17                  assumption which might ultimately prove to be incorrect, and the Debtor's projections set forth in  
18                  the attached four-year Pro Forma may differ materially from actual future results. There are  
19                  uncertainties associated with assumptions, projections, and estimates and they should not be  
20                  considered assurances or guarantees of the amounts of that will be distributed to creditors.

21                  2.   **Confirmation of the Plan is Not Assured.**

22                  Although the Debtor believes the Plan will satisfy all requirements for Confirmation, the  
23                  Bankruptcy Court may not reach that conclusion. It is also possible that modifications to the  
24                  Plan will be required for Confirmation and that such modifications would necessitate a re-  
25                  solicitation of votes.

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1 IX.

2 **PRESERVATION OF CAUSES OF ACTION, INJUNCTION, RELEASE, AND**  
3 **RELATED PROVISIONS**

4 **A. Vesting and Transfers of Causes of Action.**

5 Except as otherwise provided in the Plan or Confirmation Order, in accordance with  
6 section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that the Debtor or the Estate  
7 may hold against any Entity shall vest upon the Effective Date in the Reorganized Debtor. Upon  
8 the Effective Date, the Reorganized Debtor shall have the exclusive right to institute, prosecute,  
9 abandon, settle or compromise any Cause of Action. Causes of Action, and any recoveries  
10 therefrom, shall remain the sole property of the Reorganized Debtor. Each Cause of Action is  
11 expressly reserved for later adjudication by the Reorganized Debtor (including, without  
12 limitation, Causes of Action not specifically identified or described) and, therefore, no preclusion  
13 doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue  
14 preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches shall  
15 apply to such Causes of Action upon or after the entry of the Confirmation Order. In addition,  
16 the right to pursue or adopt any claims alleged in any lawsuit in which the Debtor is a defendant  
17 or an interested party, against any Entity, including, without limitation, the plaintiffs or co-  
18 defendants in such lawsuits, is expressly reserved.

19 Any Entity to whom the Debtor has incurred an obligation (whether on account of  
20 services, purchase or sale of goods or otherwise), or who has received services from the Debtor  
21 or a transfer of money or property of the Debtor, or who has transacted business with the Debtor,  
22 should assume that any such obligation, transfer, or transaction may be reviewed by the  
23 Reorganized Debtor subsequent to the Effective Date and may be the subject of a Cause of  
24 Action after the Effective Date, regardless of whether: (i) such Entity has filed a proof of Claim  
25 against the Debtor in the Chapter 11 Case; (ii) an objection to any such Entity's proof of Claim  
26 has been filed; (iii) any such Entity's Claim was included in the Schedules; (iv) an objection to  
27 any such Entity's scheduled Claim has been filed; or (v) any such Entity's scheduled Claim has  
28 been identified as disputed, contingent or unliquidated.

1 **B. Release and Injunction.**

2 From and after the Effective Date, all Entities are permanently enjoined from  
3 commencing or continuing in any manner against the Reorganized Debtor, the Estate, or the  
4 Assets, as the case may be, any suit, action or other proceeding, on account of or respecting any  
5 Claim, demand, liability, obligation, debt, right, Cause of Action, interest or remedy that arose  
6 before the Effective Date.

7 From and after the Effective Date, all Entities shall be precluded from asserting against  
8 the Reorganized Debtor, the Estate, or the Assets, any other Claims or Equity Securities based  
9 upon any documents, instruments, or any act or omission, transaction or other activity of any  
10 kind or nature that occurred prior to the Effective Date.

11 The rights afforded in the Plan and the treatment of all Claims and Equity Securities in  
12 the Plan shall be in exchange for and in complete satisfaction of Claims and Equity Securities of  
13 any nature whatsoever against the Reorganized Debtor, the Estate, and the Assets. On the  
14 Effective Date, all such Claims against the Reorganized Debtor shall be satisfied and released in  
15 full.

16 On and after the Effective Date, all Entities are permanently enjoined, on account of any  
17 Claim or Membership Interest, from:

18 (i) commencing or continuing in any manner any action or other proceeding  
19 of any kind against the Reorganized Debtor, the Estate, or the Assets;

20 (ii) enforcing, attaching, collecting or recovering by any manner or means any  
21 judgment, award, decree or order against the Reorganized Debtor, the Estate, or the  
22 Assets;

23 (iii) creating, perfecting or enforcing any encumbrance of any kind against the  
24 Reorganized Debtor, the Estate, or the Assets; and

25 (iv) commencing or continuing in any manner any action or other proceeding  
26 of any kind against the Reorganized Debtor in respect of any Claim, Membership  
27 Interest, or Cause of Action.  
28



1 X.

2 **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

3 THE FOLLOWING SUMMARY DOES NOT CONSTITUTE EITHER A TAX  
4 OPINION OR TAX ADVICE TO ANY PERSON. NO REPRESENTATIONS REGARDING  
5 THE EFFECT OF IMPLEMENTATION OF THE PLAN ON INDIVIDUAL CREDITORS  
6 ARE MADE HEREIN OR OTHERWISE. RATHER, THE TAX DISCLOSURE IS  
7 PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL CREDITORS ARE URGED  
8 TO CONSULT THEIR RESPECTIVE TAX ADVISORS REGARDING THE TAX  
9 CONSEQUENCES OF THE PLAN.

10 Creditors, Holders of Equity Securities, and any Person affiliated with the foregoing are  
11 strongly urged to consult their respective tax advisors regarding the federal, state, local, and  
12 foreign tax consequences which may result from the Confirmation and consummation of the  
13 Plan. This Disclosure Statement shall not in any way be construed as making any  
14 representations regarding the particular tax consequences of the Confirmation and consummation  
15 of the Plan to any Person. This Disclosure Statement is general in nature and is merely a  
16 summary discussion of potential tax consequences and is based upon the Internal Revenue Code  
17 of 1986, as amended (the "IRC"), and pertinent regulations, rulings, court decisions, and treasury  
18 decisions, all of which are potentially subject to material and/or retroactive changes. Under the  
19 IRC, there may be federal income tax consequences to Debtor, its Creditors, its Equity Security  
20 Holders, and/or any Person affiliated therewith as a result of Confirmation and consummation of  
21 the Plan.

22 Upon the Confirmation and consummation of the Plan, the federal income tax  
23 consequences to Creditors and their affiliates arising from the Plan will vary depending upon,  
24 among other things, the type of consideration received by the Creditor in exchange for its Claim,  
25 whether the Creditor reports income using the cash or accrual method of accounting, whether the  
26 Creditor has taken a "bad debt" deduction with respect to its Claim, whether the Creditor  
27 received consideration in more than one tax year, and whether the Creditor is a resident of the  
28 United States. If a Creditor's Claim is characterized as a loss resulting from a debt, then the

1 extent of the deduction will depend on whether the debt is deemed wholly worthless or partially  
2 worthless, and whether the debt is construed to be a business or non-business debt as determined  
3 under the 26 U.S.C. § 166, and/or other applicable provisions of the Internal Revenue Code.

4 CREDITORS SHOULD CONSULT THEIR TAX ADVISOR REGARDING THE TAX  
5 TREATMENT (INCLUDING FEDERAL, STATE, LOCAL, AND FOREIGN TAX  
6 CONSEQUENCES) OF THEIR RESPECTIVE ALLOWED CLAIMS. THIS DISCLOSURE IS  
7 NOT A SUBSTITUTE FOR TAX PLANNING AND SPECIFIC ADVICE FOR PERSONS  
8 AFFECTED BY THE PLAN.

9 **XI.**

10 **CONFIRMATION OF THE PLAN**

11 **A. Confirmation of the Plan.**

12 Pursuant to Section 1128(a) of the Bankruptcy Code, the Bankruptcy Court will hold a  
13 hearing regarding confirmation of the Plan at the United States Bankruptcy Court for the District  
14 of Arizona, 230 North 1st Avenue, Courtroom 301, Phoenix, AZ 85003, commencing on  
15 \*                     , 2017, at      .m. (MST). Parties may also appear in Courtroom 446, 38 S.  
16 Scott Ave., Tucson, Arizona.

17 **B. Objections to Confirmation of the Plan.**

18 Section 1128(b) provides that any party-in-interest may object to confirmation of a plan.  
19 Any objections to Confirmation of the Plan must be in writing, must state with specificity the  
20 grounds for any such objections, and must be timely filed with the Bankruptcy Court and served  
21 upon counsel for Debtor at the following address:

22 Stinson Leonard Street, LLP  
23 Attn: Christopher C. Simpson, Esq.  
24 1850 N. Central Ave., Suite 2100  
25 Phoenix, Arizona 85004  
26 (602) 212-1600 Telephone  
(602) 568-5261 Facsimile  
Email: Christopher.Simpson@stinson.com

27 For the Plan to be confirmed, the Plan must satisfy the requirements stated in Section  
28 1129. In this regard, the Plan must satisfy, among other things, the following requirements.

1 **C. The Best Interest Test and Feasibility of the Plan.**

2 For the Plan to be confirmed, it must satisfy the requirements discussed below.

3 **1. Best Interest of Creditors.**

4 Pursuant to Section 1129(a)(7) of the Bankruptcy Code, for the Plan to be confirmed, it  
5 must provide that Creditors and Holders of Equity Securities will receive at least as much under  
6 the Plan as they would receive in a liquidation of Debtor under Chapter 7 of the Bankruptcy  
7 Code (the "Best Interest Test"). The Best Interest Test with respect to each Impaired Class  
8 requires that each Holder of an Allowed Claim or Equity Security of such Class either: (i)  
9 accepts the Plan; or (ii) receives or retains under the Plan property of a value, as of the Effective  
10 Date, that is not less than the value such Holder would receive or retain if Debtor was liquidated  
11 under Chapter 7 of the Bankruptcy Code. The Bankruptcy Court will determine whether the  
12 value received under the Plan by the Holders of Allowed Claims and Equity Securities equals or  
13 exceeds the value that would be allocated to such Holders in a liquidation under Chapter 7 of the  
14 Bankruptcy Code. Debtor believes that the Plan meets the Best Interest Test and provides value  
15 which is not less than that which would be recovered by each such Holder in a Chapter 7  
16 bankruptcy proceeding.

17 Generally, to determine what Holders of Allowed Claims and Equity Securities would  
18 receive if Debtor were liquidated, the Bankruptcy Court must determine what funds would be  
19 generated from the liquidation of Debtor's Assets and properties in the context of a Chapter 7  
20 liquidation case, which for unsecured Creditors would consist of the proceeds resulting from the  
21 disposition of the Assets of Debtor, including the unencumbered Cash held by Debtor at the time  
22 of the commencement of the liquidation case. Such amounts would be reduced by the costs and  
23 expenses of the liquidation and by such additional Administrative Claims and Priority Claims as  
24 may result from the termination of Debtor's businesses and the use of Chapter 7 for the purpose  
25 of liquidation.

26 In a Chapter 7 liquidation, Holders of Allowed Claims and Equity Securities would  
27 receive Distributions based on the liquidation of the non-exempt Assets of Debtor. Such Assets  
28 would include the same Assets being collected and liquidated under the Plan. However, the net

1 proceeds from the liquidation of Assets of the Estate available for Distribution to Holders of  
2 Allowed Claims and Equity Securities would be reduced by any commission payable to the  
3 Chapter 7 trustee and the trustee's attorneys' and accounting fees, as well as the administrative  
4 costs of the Chapter 11 Estate (such as the compensation for Chapter 11 professionals).

5 In a Chapter 7 case, the Chapter 7 trustee would be entitled to seek a sliding scale  
6 commission based upon the funds distributed by such trustee to Creditors, even though Debtor  
7 has already incurred some (if not all) of the expenses associated with generating those funds.  
8 Accordingly, there is a reasonable likelihood that Creditors would "pay again" for the funds  
9 accumulated by Debtor because the Chapter 7 trustee would be entitled to receive a commission  
10 in some amount for all funds distributed from the Estate.

11 It is further anticipated that a Chapter 7 liquidation would result in significant delay of  
12 Distributions, if any, to Holders of Allowed Claims and Equity Securities. Among other things,  
13 a Chapter 7 case could trigger a new bar date for filing Claims that would be more than 90 days  
14 following conversion of the Chapter 11 Case to Chapter 7. Hence, a Chapter 7 liquidation would  
15 not only delay Distribution but raises the prospect of additional Claims that were not asserted in  
16 the Chapter 11 Case. Moreover, Claims that may arise in the Chapter 7 case or result from the  
17 Chapter 11 Case would be paid in full from the Assets before the balance of the Assets would be  
18 made available to Claims that existed on the Petition Date.

19 The Distributions from the Assets would be paid Pro Rata according to the amount of the  
20 aggregate Claims held by each Creditor. Debtor believes that the most likely outcome under  
21 Chapter 7 would be the application of the "absolute priority rule." Under that rule, no junior  
22 Creditor may receive any Distribution until all senior Creditors are paid in full, with interest, and  
23 no Equity Security holder may receive any Distribution until all Creditors are paid in full.

24 As set forth in the Liquidation Analysis<sup>2</sup> and accompanying notes annexed hereto as  
25 **Exhibit "3,"** Debtor has determined that Confirmation of the Plan will provide Holders of  
26 Claims and Equity Securities with no less of a recovery than he/she/it would receive if Debtor

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27 <sup>2</sup> The Liquidation Analysis sets forth Debtor's best estimates as to value and recoveries in the  
28 event that the Chapter 11 Case is converted to a case under Chapter 7 of the Bankruptcy Code  
and Debtor's Assets are liquidated.

1 were liquidated under Chapter 7. Debtor's Plan provides Creditors quarterly payments of all  
2 Distributable Cash for a period of four (4) years which is projected to far exceed Distributions  
3 from liquidation. Further, in a Chapter 7 such recovery would certainly be delayed and  
4 Distributions from a Chapter 7 liquidation would be reduced by the additional costs of a Chapter 7  
5 case.

6 Thus, as evidenced by the Liquidation Analysis and the accompanying notes annexed  
7 hereto as **Exhibit "3,"** the value provided under the Plan to the Holders of Claims and Equity  
8 Securities is equal to or better than they would receive under a Chapter 7 liquidation.

9 **2. Feasibility.**

10 The Bankruptcy Code requires that in order to confirm the Plan, the Bankruptcy Court  
11 must find that Confirmation of the Plan is not likely to be followed by liquidation or the need for  
12 further financial reorganization of Debtor (the "**Feasibility Test**"). For the Plan to meet the  
13 Feasibility Test, the Bankruptcy Court must find that Debtor will possess the resources and  
14 working capital necessary to meet its obligations under the Plan. In the case at hand, the  
15 Debtor's ability to perform under the Plan is evidenced by the four-year Pro Forma annexed  
16 hereto as **Exhibit "2"**. Upon Confirmation of the Plan, on the Effective Date, all of Debtor's  
17 Assets will re-vest in the Reorganized Debtor. As projected, the Reorganized Debtor's cash on  
18 hand, as well as the Reorganized Debtor's post-petition operating revenue will provide the Cash  
19 necessary to make the Distributions required under the Plan.

20 **XII.**

21 **ALTERNATIVES TO THE PLAN**

22 The Debtor believes that the Plan provides Creditors the best and most complete form of  
23 recovery available. As a result, the Debtor believes that the Plan serves the best interests of all  
24 Creditors and parties-in-interest in the Chapter 11 Case. The Debtor believes not only that the  
25 Plan enables the Creditors to realize the greatest sum possible under the circumstances, but also  
26 that rejection of the Plan in favor of some theoretical alternative method of reconciling the  
27 Claims of the various Classes would require, at the very least, an extensive and time-consuming  
28 negotiation process and would not result in a better recovery for any Class.

1 For example, if a plan cannot be confirmed, a Chapter 11 case may be converted to a case  
2 under Chapter 7, in which a Chapter 7 trustee would be elected or appointed to liquidate the  
3 assets of the debtor for distribution to its creditors and holders of equity security in accordance  
4 with the priorities established by the Bankruptcy Code.

5 As previously stated, the Debtor believes that a liquidation under Chapter 7 would result  
6 in a reduced recovery of funds by Holders of Claims and Equity Securities because of: (i)  
7 additional Administrative Claim expenses involved in the appointment of a Chapter 7 trustee for  
8 Debtor and attorneys and other professionals to assist such Chapter 7 trustee; (ii) additional  
9 expenses and Claims, some of which may be entitled to priority, which would be generated  
10 during the Chapter 7 liquidation; and (iii) the loss of four years of future Distributable Cash  
11 generated by the Debtor under the Plan.

12 **XIII.**

13 **RECOMMENDATION AND CONCLUSION**

14 The Plan provides the best possible recovery for all parties-in-interest. Accordingly, the  
15 Debtor strongly recommends that all Creditors entitled to a Distribution or other parties-in-  
16 interest that are affected by the Plan not object to the Plan, and that the Bankruptcy Court  
17 confirm the Plan.

18 DATED this 3rd day of May, 2017.

19 MOSES, INC. an Arizona corporation,

20 By: /s/ Louis Moses  
21 President

22 **Prepared and Submitted:**

23 **STINSON LEONARD STREET, LLP**

24 By: /s/ Christopher C. Simpson  
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28 *Counsel for Moses, Inc.*