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7 Attorneys for Debtor

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

10 In re  
11 OFFICE ON EASY STREET, INC.,  
12  
13 Debtor.

No. 2:16-10434-EPB  
CHAPTER 11  
DISCLOSURE STATEMENT

15 THE DEBTOR PROVIDES THIS DISCLOSURE STATEMENT TO  
16 CREDITORS OF SUCH DEBTOR AND OTHER INTERESTED PARTIES. THE  
17 PURPOSE OF THIS DISCLOSURE STATEMENT IS TO GIVE INFORMATION  
18 WHICH THE DEBTOR BELIEVES TO BE MATERIAL, IMPORTANT AND  
19 ADEQUATE FOR MAKING AN INFORMED DECISION IN VOTING ON THE  
20 REORGANIZATION PLAN PROPOSED BY THE DEBTOR AND ON FILE WITH  
21 THIS COURT. A CLASS OF CREDITORS HAS ACCEPTED THE PLAN, IF  
22 AMONG THOSE CREDITORS, WITHIN SUCH CLASS, WHO VOTE ON THE  
23 PLAN AT LEAST TWO-THIRDS IN AMOUNT AND MORE THAN ONE-HALF IN  
24 NUMBER OF THE ALLOWED CLAIMS IN SUCH CLASS VOTE FAVORABLY  
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1 FOR THE PLAN.

2 IF, HOWEVER, THE REQUISITE ACCEPTANCES ARE NOT OBTAINED,  
3 THE COURT MAY NEVERTHELESS CONFIRM THE PLAN OF REORGANIZATION  
4 IF THE COURT FINDS THAT SUCH PLAN OF REORGANIZATION ACCORDS FAIR  
5 AND EQUITABLE TREATMENT TO THE CLASS REJECTING IT. IF SUCH  
6 REQUISITE ACCEPTANCES ARE NOT OBTAINED, THE DEBTOR WILL URGE THE  
7 COURT TO NEVERTHELESS CONFIRM THE PLAN OF REORGANIZATION.  
8

9 NO REPRESENTATIONS CONCERNING THE DEBTOR ARE  
10 AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS  
11 STATEMENT. ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE  
12 ACCEPTANCES WHICH IS OTHER THAN AS CONTAINED IN THIS STATEMENT  
13 SHOULD NOT BE RELIED UPON IN ARRIVING AT A DECISION, AND SUCH  
14 REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL  
15 FOR THE DEBTOR, WHO, IN TURN, SHALL DELIVER SUCH INFORMATION TO  
16 THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED  
17 APPROPRIATE.  
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20 PLEASE BE AWARE THAT THE UNITED STATES BANKRUPTCY  
21 COURT HAS NOT APPROVED OR VERIFIED THE ACCURACY OF THE  
22 STATEMENTS SET FORTH IN THIS DISCLOSURE STATEMENT.  
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26 I. History of Debtor.

27 CATHERINE MARR ("MARR") is the Director, President, Secretary, and  
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1 sole shareholder of the Debtor. The business of the Debtor is the operation of a  
2 restaurant at 34 Easy Street, Carefree, Arizona, which does business as VENUES  
3 CAFÉ ("Restaurant"). The Debtor was incorporated on April 5, 2005. A copy of the  
4 Docket of the Debtor at the Arizona Corporation Commission is attached as Exhibit A.

5 MARR was employed by TRAVELERS INSURANCE for 26 years. At  
6 TRAVELERS INSURANCE, she was Vice President and person-in-charge of the West  
7 Coast Region for claims. MARR was responsible for approximately 600 employees in  
8 13 offices. On a regular basis, she formulated and dealt with business operational  
9 plans for the resolution of over \$4,000,000,000.00 in exposure. When MARR left  
10 TRAVELERS INSURANCE, she received a severance package of \$80,000.00, a lump  
11 sum retirement payment of \$87,000.00, and her 401K of \$302,000.00, which all went  
12 into purchasing and refurbishing the Restaurant and ownership of the real property at  
13 34 Easy Street, Carefree, Arizona. The real property is owned by CAREFREE 34,  
14 INC.; the Docket at the Arizona Corporation Commission for CAREFREE 34, INC., is  
15 attached as Exhibit B. MARR is the Director, Chief Executive Officer and sole  
16 shareholder of CAREFREE 34, INC.

## 17 II. Bankruptcy History.

18 The Chapter 11 proceeding was filed on September 9, 2016. Copies of  
19 any documents referenced in this Disclosure Statement can be obtained upon request  
20 from Donald W. Powell, attorney for the Debtor, 6225 North 24<sup>th</sup> Street, Suite 125,  
21 Phoenix, Arizona 85016, telephone number (602) 861-0777. On September 29, 2016,  
22 the law firm of CARMICHAEL & POWELL, P.C., was appointed by the Bankruptcy  
23 Court as the attorneys for the Debtor. Monthly Operating Reports have regularly been  
24 filed by the Debtor. Attached as Exhibit C is the Monthly Operating Report for April,  
25 2017.  
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1                   III.    Incidents Precipitating Chapter 11.

2                   In May, 2016, ALBERT W. SWANSON (“SWANSON”) filed a Declaratory  
3 Judgment Complaint in the Maricopa County Superior Court, Case No. CV2016-  
4 007851. Such Complaint alleged that SWANSON had a 50% ownership interest in the  
5 Debtor and CAREFREE 34, INC. In June, 2016, an Answer and Counterclaim was  
6 filed by the Debtor, MARR and CAREFREE 34, INC., denying all allegations in the  
7 Complaint; the Counterclaim alleged Breach of Fiduciary Duty (Real Estate Agent),  
8 Breach of Fiduciary Duty (Financial Advisor), Breach of the Duty of Good Faith and Fair  
9 Dealing (Real Estate Contract), Breach of the Duty of Good Faith and Fair Dealing  
10 (Financial Advising Contract), Professional Negligence, and Libel Per Se. A Reply was  
11 filed by SWANSON to the Counterclaim denying the allegations set forth.  
12 Subsequently, the attorneys for SWANSON withdrew. The litigation was extremely  
13 costly to the Debtor. Further, the litigation was occurring during the summer months,  
14 wherein the business of the Debtor is reduced significantly. The Debtor had  
15 additionally incurred substantial unsecured debt in the business operations. During  
16 2014–2015, a now closed restaurant owned by the Debtor in Connecticut experienced  
17 a significant financial loss. As a result of the above, the Debtor filed this Chapter 11  
18 proceeding.

19                   IV.    Assets and Liquidation Analysis.

20                   The Debtor owns no real property. Office equipment is owned by the  
21 Debtor which includes all computer equipment and communication systems equipment  
22 and software, 105 chairs, 20 tables, POS systems, 3 televisions, laptop and printer,  
23 desk and chair, 2 dishwashers, plates, glasses, and silverware; the fair market value of  
24 the same approximates \$8,000.00. The Debtor leases a 2015 Mercedes which has no  
25 equity. The Debtor owns a website with limited or no value. The value of the food  
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1 and alcohol inventory of the Debtor approximates \$15,000.00. The liquidation value of  
2 the above-delineated assets will approximate 70% of the fair market value. Cash on  
3 hand of the Debtor typically averages \$300.00 while the checking account of the Debtor  
4 averages \$1,500.00. As previously set forth, the Debtor holds a Counterclaim against  
5 SWANSON in the Maricopa County Superior Court litigation. In Adversary No. 2:17-  
6 ap-00184-EPB, the Debtor filed a Complaint for Turnover against SWANSON  
7 requesting Judgment against SWANSON in an amount of at least \$267,339.04 plus  
8 costs and attorneys fees. The Debtor believes the going concern value of the Debtor  
9 is extremely limited, as without MARR, the restaurant would not have success  
10 proceeding forward.  
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13 The fair market value referenced herein represents what such assets  
14 would bring pursuant to sale with substantial efforts rendered in a normal course of sale  
15 procedure. The liquidation value represents a forced sale of the assets without  
16 reasonable and normal business marketing efforts applicable. Such values above  
17 delineated are the personal opinions of MARR; due to the expense of the same,  
18 appraisals were not obtained by the Debtor concerning the above described assets.  
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21 V. Valuation of Claims.

22 The Debtor possesses administrative expenses to CARMICHAEL &  
23 POWELL, P.C., in an amount approximating \$10,000.00. The Debtor believes  
24 quarterly fees due the United States Trustee are current.

25 The Debtor has no tax claimants. There is a lease of a 2015 Mercedes  
26 with MERCEDES BENZ FINANCIAL SERVICES ("MERCEDES") with a balance due of  
27 approximately \$6,900.00.  
28

1 CELTIC BANK CORPORATION ("CELTIC") holds a Deed of Trust on the  
2 real property owned by CAREFREE 34, INC., in an amount approximating  
3 \$650,000.00; upon information and belief, the Debtor and MARR are  
4 codebtors/guarantors on such obligation to CELTIC. The obligation is further secured  
5 by a lien on the inventory, accounts and equipment of the Debtor.

6 SWANSON has filed a claim in the amount of \$497,695.00. A Complaint  
7 Objecting to Claim was filed by the Debtor against SWANSON in Adversary No. 2:17-  
8 ap-00166-EPB. Rent and loans are due from the Debtor to CAREFREE 34, INC., in  
9 an amount of \$333,391.00. The remaining claims delineated in Schedule F of the  
10 Schedules of the Debtor relate to unsecured creditors in an amount approximating  
11 \$145,000.00.

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13 VI. Preparation and Accounting Information.

14 The books and records of the Debtor have been prepared by MARR.  
15 Normal accounting procedures were utilized at all times in determining valuation of  
16 assets, liquidation values and amounts of claims.

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18 VII. Post-Petition Matters.

19 A Chapter 11 Status hearing was scheduled by the Bankruptcy Court for  
20 November 8, 2016. Such Chapter 11 Status Conference was noticed to all creditors  
21 and interested parties, and was attended by the attorney for the Debtor.

22 On October 17, 2016, the Debtor filed a Notice of Filing 11 U.S.C. §  
23 1116(1) documents. Attached to such Notice were a Profit and Loss Statement for  
24 January 1 through September 6, 2016, and a Balance Sheet as of September 6, 2016.

25 On December 2, 2016, an Order Barring Claims Which Are Not Filed On or  
26 Before January 15, 2017, was entered. Such Order was mailed to all creditors and  
27 interested parties on December 8, 2016.

1 The Debtor filed the aforementioned Complaint Objecting to Claim in  
2 Adversary No. 2:17-ap-00166-EPB on February 24, 2017. An Amended Complaint  
3 Objecting to Claim was filed in said adversary proceeding on March 10, 2017.  
4 SWANSON answered the Amended Complaint Objecting to Claim on April 12, 2017.

5 As previously set forth a Complaint for Turnover was filed against  
6 SWANSON by the Debtor in Adversary No. 2:17-ap-00184-EPB; such Complaint for  
7 Turnover was filed on March 10, 2017. SWANSON filed an Answer to the Complaint  
8 for Turnover on April 12, 2017.

9 On April 4, 2017, the attorneys for the Debtor filed an Application for  
10 Compensation and Reimbursement of Expenses Under 11 U.S.C. § 330. The total  
11 amount requested was \$13,827.70. No Objections were filed and the Order  
12 Approving Application for Compensation and Reimbursement of Expenses Under 11  
13 U.S.C. § 330 was entered on May 3, 2017.

14 In June, 2017, SWANSON filed a Motion for Declaratory Judgment in  
15 Accordance with 28 U.S.C. §§ 2201 and 2202 relating to the 2 adversary proceedings.  
16 The Debtor will respond to such Motion.

17 VIII. Business Expectations.

18 The restaurant business of the Debtor is extremely seasonal. The highest  
19 performing months for the business are October through April. The business  
20 experiences a serious slow down during the months of May through September.

21 To date during the Chapter 11 proceeding the total income revenues are:

<u>Month</u>	<u>Amount</u>
September	\$ 46,232.00
October	\$ 92,803.00
November	\$ 75,770.00
December	\$ 75,765.00
January	\$ 76,181.00

1	February	\$ 86,445.00
2	March	\$ 99,219.00
3	April	\$ 70,409.00.

4

5 Further, to date, during the Chapter 11 proceeding the net monthly incomes are:

6	<u>Month</u>	<u>Amount</u>
7	September	\$ -15,170.00
8	October	\$ 8,596.00
9	November	\$ 757.00
10	December	\$ 4,194.00
11	January	\$ 3,655.00
12	February	\$ 11,659.00
13	March	\$ 21,232.00
14	April	\$ 4,528.00.

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16 The restaurant is open 7 days a week. On Monday through Saturday, the hours are  
 17 11:30 a.m. to 9:00 p.m. On Sunday, a brunch is served and the hours are 10:00 a.m.  
 18 to 9:00 p.m. During the high season, the Debtor will employ between 20 and 25  
 19 individuals, while 12 employees are employed during the slow months. The restaurant  
 20 experiences approximately 50% more in business during the months of October  
 21 through April than in the months of May through September. MARR manages the  
 22 restaurant on a full-time basis, performs the marketing services and as previously  
 23 stated prepares the books and records. The average day for MARR is 10:00 a.m. to  
 24 approximately 9:30 p.m.; she receives an annual salary of \$45,000.00.

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IX. Executory Contracts.

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The business premises lease of the Debtor is with CAREFREE 34, INC.

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Such lease is assumed by the Debtor.

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1 X. Tax Consequences of Confirmation of the Plan.

2 The confirmation and consummation of the Plan may result in Federal  
3 income tax consequences to holders of claims. Tax consequences to a particular  
4 creditor will depend on the particular circumstances regarding the claim of that creditor.  
5 It is recommended that holders of claims consult their own tax advisors as to the  
6 consequences to them of the Plan under Federal and applicable State and local tax  
7 laws.

8 XI. Alternatives to the Plan.

9 The alternatives to confirmation of the Plan of Reorganization of the Debtor  
10 are the continuation of the Chapter 11 proceedings, conversion to Chapter 7  
11 bankruptcy, or dismissal of this matter. The Debtor does not believe the continuation  
12 of this matter without a confirmed Plan of Reorganization is beneficial to any of the  
13 interested parties. Likewise, the Debtor does not believe that dismissal will be of  
14 benefit to the interested parties. The other consideration is conversion to Chapter 7. In  
15 a Chapter 7 liquidation, a Trustee will be appointed, and the Trustee will require the  
16 services of an attorney and the services of an accountant. The Debtor believes  
17 unsecured creditors will receive significantly more under the Plan of Reorganization of  
18 the Debtor as opposed to Chapter 7 liquidation.

19 XII. Summary of Plan of Reorganization.

20 Set forth below is the Plan of Reorganization of the Debtor.

21 Classification of Creditors.

22 The classes of creditors are divided as follows:

23 Class 1. Expenses of Administration.

24 Class 2. CELTIC.

- 1           Class 3.     GORDON.  
2           Class 4.     JIROCH.  
3           Class 5.     SWANSON.  
4           Class 6.     MERCEDES.  
5           Class 7.     Unsecured creditors.  
6           Class 8.     Owner.

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9           II.     Treatment Provisions for Claims of Creditors.

10           The claims of creditors will be satisfied and treated as below set forth:

11           Class 1.     The Debtor has certain administrative claimants.     The  
12 Debtor will pay any approved sums to administrative claimants within 30 days of the  
13 applicable Court Order, unless the applicable administrative claimant agrees to a later  
14 date.     Any sums due the United States Trustee are within this Class.     This Class is not  
15 impaired by the Plan.  
16

17           Class 2.     The Debtor is the owner and operator of a restaurant at 34  
18 Easy Street, Carefree, Arizona (“Restaurant”).     The real property at such location is  
19 owned by CAREFREE 34, INC. (“CAREFREE”).     CELTIC possesses a lien on the real  
20 property owned by CAREFREE and on the inventory, accounts and equipment of the  
21 Debtor.     The Debtor pays rent to CAREFREE, which is utilized by CAREFREE to make  
22 the required monthly payments on the real property to CELTIC; such payments are and  
23 will remain current.     Beginning 30 days after the date of confirmation, and continuing  
24 on the same day of each month thereafter, the Debtor shall pay CELTIC \$250.00 a  
25 month on the personal property lien until the obligation with CELTIC, of which the  
26 Debtor is a codebtor/guarantor, has been paid.     Interest at the contract rate will  
27 continue to be paid CELTIC.     The lien of CELTIC shall be retained until CELTIC has  
28

1 been fully paid. This Class is impaired by the Plan.

2           Class 3.     GORDON claims legal fees for services rendered are due  
3 from the Debtor and that CATHERINE MARR (“MARR”), the owner of the stock of the  
4 Debtor, is a codebtor/guarantor. The Debtor shall pay GORDON a sum of \$6,000.00  
5 within 12 months of the date of confirmation, plus interest at 3% per annum. Any  
6 sums remaining due GORDON shall be treated pursuant to Class 7. This Class is  
7 impaired by the Plan.

8           Class 4.     JIROCH claims legal fees for services rendered are due from  
9 the Debtor and that MARR is a codebtor/guarantor. The Debtor shall pay JIROCH a  
10 sum of \$2,500.00 within 12 months of the date of confirmation, plus interest at 3% per  
11 annum. Any sums remaining due JIROCH shall be treated pursuant to Class 7. This  
12 Class is impaired by the Plan.

13           Class 5.     SWANSON has filed a claim in this proceeding; a Complaint  
14 Objecting to Claim was filed by the Debtor concerning such claim in Adversary No.  
15 2:17-ap-00166-EPB. Further, the Debtor has filed a Complaint for Turnover against  
16 SWANSON in Adversary No. 2:17-ap-00184-EPB. SWANSON shall receive no  
17 payments under the Plan due to the matters and allegations set forth in the above-  
18 referenced adversary proceedings and as a result of other sums received by  
19 SWANSON either from or on behalf of the Debtor. In the alternative, if any of the  
20 claim of SWANSON is allowed, the same will be offset by the sums delineated in the  
21 aforementioned adversary proceedings and from the other sums received by  
22 SWANSON from the Debtor. If any amount remains thereafter, such shall be paid in  
23 three equal and annual payments beginning one year after the date of confirmation and  
24 continuing on the same day of the month for the following two years. This Class is  
25 impaired by the Plan.  
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27           Class 6.     MERCEDES is the Lessor to the Debtor of a 2015 Mercedes  
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1 Benz vehicle. The Debtor is current; the monthly payment under the Lease shall be  
2 reduced to \$200.00 beginning 30 days from the date of confirmation and will continue  
3 until the lease terms have been satisfied. This Class is impaired by the Plan.

4 Class 7. The Debtor will pay unsecured creditors with valid and proven  
5 claims an amount of \$25,000.00 on a prorata basis. Such amount will be paid in  
6 installments of \$5,000.00 every 6 months, the first payment to be paid 6 months after  
7 the date of confirmation. Interest at 3% per annum will additionally be paid. It is the  
8 opinion of the Debtor that unsecured creditors having valid and proven claims in this  
9 Class will receive approximately 25% of such claim. This Class is impaired by the  
10 Plan.

11 Class 8. The Owner of the Debtor is MARR. MARR will contribute a  
12 total of \$10,000.00 to assist in consummation of the Plan. Additionally, an amount due  
13 CAREFREE approximating \$333,391.00 for rent and loans will not be paid under the  
14 Plan. It is the belief of MARR that if a Chapter 7 occurs, there will be absolutely no  
15 funds left for unsecured creditors. Due to the amounts of administrative, secured,  
16 lease, and unsecured claims, MARR believes no net value will be applicable for the  
17 Debtor for an extensive period of time. The owner is of the opinion that, due to the fact  
18 there is no net value of the Debtor, such amount of \$10,000.00 is an equivalent value of  
19 her interest in the Debtor. Such amount of \$10,000.00 shall be contributed within 6  
20 months of the date of confirmation. Any non-compliance with 11 U.S.C. §  
21 1129(b)(2)(B)(i), which provides that each holder of an unsecured claim in a Class  
22 receive or retain on account of such claim property of a value, as of the effective date of  
23 the Plan, equal to the allowed amount of such claim, shall be resolved by the new  
24 money which is being contributed to the Debtor, thereby satisfying the "new value  
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1 exception” to the absolute priority rule of the Bankruptcy Code. This Class is impaired  
2 by the Plan.

3  
4 RESPECTFULLY SUBMITTED this 29<sup>th</sup> day of June, 2017.

5 CARMICHAEL & POWELL, P.C.

6  
7 By /s/ Donald W. Powell

8 Donald W. Powell

9 6225 North 24<sup>th</sup> Street, Ste. 125

10 Phoenix, Arizona 85016

11 Attorneys for Debtor  
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