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13 **UNITED STATES BANKRUPTCY COURT**
14 **DISTRICT OF ARIZONA**

15 In re:
16
17 PARADISE MEDSPA, PLLC,
18
19 Debtors.

In Proceedings Under Chapter 11
Case No: 2:16-bk-13065-MCW
Case No: 2:16-bk-13066-MCW
Case No. 2:16-bk-13067-EPB
(Jointly Administered)

20 In re:
21
22 PARADISE MEDSPA & WELLNESS, PLLC,
23
24 Debtors.

**JOINT DISCLOSURE STATEMENT FOR
PARADISE MEDSPA, PLLC, PARADISE
MEDSPA & WELLNESS, PLLC AND
PARADISE PROPERTY MANAGEMENT,
LLC'S CHAPTER 11 PLAN OF
REORGANIZATION**

25 In re:
26
27 PARADISE PROPERTY MANAGEMENT,
28
29 LLC,
30
31 Debtors.

**NO REPRESENTATIONS CONCERNING THE DEBTORS OR THE PLAN OF
REORGANIZATION ARE AUTHORIZED BY THE DEBTORS OTHER THAN THOSE
STATED HEREIN. YOU SHOULD NOT RELY ON ANY REPRESENTATIONS OR
INDUCEMENTS CONCERNING THE PLAN OTHER THAN THOSE CONTAINED IN
THIS DISCLOSURE STATEMENT.**

**AN ACCOUNTANT HAS NOT REVIEWED THE INFORMATION CONTAINED IN THIS
DISCLOSURE STATEMENT OR ITS EXHIBITS. THE DEBTORS CANNOT WARRANT
OR REPRESENT THAT THE INFORMATION IS WITHOUT ANY ERROR.
HOWEVER, THE INFORMATION IS ACCURATE TO THE BEST OF THE DEBTORS'
KNOWLEDGE AND BELIEF.**

1 **ARTICLE I**
2 **INTRODUCTION TO THE DISCLOSURE STATEMENT AND VOTING**

3 **1.1 Purpose of the Disclosure Statement.**

4 This Joint Disclosure Statement (“Disclosure Statement”) is submitted by the Debtors-in-
5 Possession Paradise Medspa, PLLC (“PMP”), Paradise Medspa & Wellness, PLLC (“PMW”) and
6 Paradise Property Management, LLC (“PPM”) (collectively, “Debtors”) pursuant to 11 U.S.C. §
7 1125. Its purpose is to provide Creditors with the information necessary to enable them to arrive at
8 an informed decision for voting on the Debtors’ Plans of Reorganization (“Plan”), which are on file
9 at the Bankruptcy Court. A copy of the Plan is attached to this Disclosure Statement as **Exhibit A**.
10 This Disclosure Statement incorporates defined terms set forth in Section 2 of the Plan. As a
11 Creditor, your acceptance of the Plan is important. Acceptance of the Plan by a Class of Creditors
12 requires a vote by at least two-thirds in Claim amount and more than fifty percent in number of the
13 Allowed Claims in the Class that actually cast votes. Failure to vote on the Plan does not count as
14 either an acceptance or rejection of the Plan.

15 **1.2 Definitions.**

16 Unless a word is otherwise defined in this Disclosure Statement, it has the meaning given
17 to it in the U.S. Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Rules of
18 Bankruptcy Procedure for the District of Arizona or the Definition section in the Plan.

19 **1.3 Authorized Representations.**

20 This Disclosure Statement is the only document authorized by the Bankruptcy Court to be
21 used in connection with the solicitation of votes on the Plan.

22 **1.4 Voting Procedures.**

23 To be entitled to vote, a Creditor must have an Allowed Claim that is impaired under the
24 Plan. The Bankruptcy Code defines whether a Claim is impaired in 11 U.S.C. § 1124. Summarily,
25 a Claim is impaired if the Plan modifies the legal, equitable or contractual rights of the Claimant,
26 or if the Plan does not cure and reinstate the legal rights of the Claimant upon default. A Creditor
27 in a Class that will not, under any circumstances, receive any distributions under the Plan, is not
28 entitled to vote because the Class of which it is a member is deemed to have rejected the Plan. If a

1 Creditor holds more than one Claim in one Class, all of the Claims in such Class will be aggregated
2 and the Creditor will be entitled to one vote in the amount of all aggregated Claims in that Class.

3 **All Creditors or Parties in interest entitled to vote on the Plan may cast their votes for**
4 **or against the Plan by completing, dating, and signing the ballot, which will be mailed to all**
5 **Creditors in the event the Court approves this Disclosure Statement.**

6 In order for the ballot to be considered, the original ballot must be mailed to the attorneys
7 for the Plan proponents. Upon approval of this Disclosure Statement, the Court will issue an order
8 requiring that all votes for the acceptance or rejection of the Plan be received by the close of
9 business on the date set by the Court. The ballots should be sent as follows:

10 The original to:

11 Randy Nussbaum, Esq.
12 Dean M. Dinner, Esq.
13 Nussbaum Gillis & Dinner, P.C.
14 14850 N. Scottsdale Rd., Suite 450
15 Scottsdale, AZ 85254

16 **Your ballot will not be counted if the Debtors' counsel receives it after such deadline.**

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

19 **1.5 Confirmation of the Plan.**

20 In order for the Plan to be effective, it has to be confirmed. Confirmation of the Plan means
21 that the Court has approved the Plan. For the Plan to be confirmed, votes by each impaired Class
22 representing at least two-thirds in amount of the Allowed Claims voting in each Class and greater
23 than one-half in number of individual Creditors for such Class (of those actually casting votes)
24 must be submitted in favor of acceptance of the Debtors' Plan. If the requisite acceptances are not
25 obtained from one or more impaired Classes, the Court may nonetheless confirm the Debtors' Plan
26 pursuant to 11 U.S.C. § 1129(b). If one impaired Class accepts the Plan and the Court finds that
27 the Debtors' Plan provides, among other things, fair and equitable treatment of the Classes rejecting
28 the Plan and that Creditors receive as much or more under the Plan than they would receive in a
Chapter 7 liquidation (discussed more fully below), the Court may confirm the Plan. When

1 confirmed by the Bankruptcy Court, this Plan will bind all holders of Claims or equity interests in
2 the Debtors, whether or not they are entitled to vote, or did vote, on the Plan, and whether or not
3 they received or retained any distributions of property under the Plan. A more thorough analysis
4 on voting procedures and confirmation is outlined in Article XII below.

5 **ARTICLE II**
6 **INFORMATION ABOUT THE DEBTORS**

7 **2.1 Pre-Bankruptcy Filing Factual Background.**

8 PMP was formed in 2007 by Dr. Rebecca Weiss. Also in 2007, the Debtors formed a
9 separate entity, PMW. Dr. Rebecca Weiss is the sole member of PMP and PMP is the sole member
10 of PMW. PMP formed PMW to serve as a party to a joint venture with Paradise Wellness, PLLC
11 (“PW”), a separate entity not affiliated with PMP or PMP’s member, Dr. Rebecca Weiss. PW
12 provides wellness services to complement PMP’s offering of medspa services. PMP opened for
13 business in 2008 and has been operating since that time. The joint venture between PMP and PW,
14 through PMW, does business as Paradise Medspa & Wellness. The Debtors continues to serve as
15 the member for PMW.

16 Dr. Weiss also formed a third entity, PPM, in 2007 to purchase the medical suite located at
17 2060 West Whispering Wind Drive, #170, Phoenix, AZ 85085 (the “Building”) where PMP
18 operates. PMW and PPM both filed for Chapter 11 relief in conjunction with the Debtors’ Chapter
19 filing and the three case were administratively consolidated on November 29, 2016 (Dkt. No. 36).
20 All assets used by PMW for operating the Medspa are owned by the PMP and all operating expenses
21 are run through PMP’s accounts.

22 The vision of the Debtors was to help patient’s look and feel their very best. The Debtors’
23 general goal is to provide safe and effective cosmetic and wellness services with an eye on
24 outstanding customer service. Over the past eight years, the Debtors has built a successful practice
25 with a very loyal clientele. The Debtors have an excellent reputation in Phoenix and the
26 surrounding areas and have successfully helped thousands of patients achieve their cosmetic and
27 wellness-related goals.

1 As of the Petition Date, the PMP employed ten staff members but that number has since
2 been reduced to seven. In 2014, due to space constraints in the Building, it became obvious to the
3 PMP that it needed to expand its practice to a new facility. Due to an existing SBA loan entered
4 into by the PMP and PPM, and because of the collapse of the real estate market in 2008, PPM was
5 unable to sell the office condominium in an effort to relocate to a larger medical facility. As a
6 result, the Debtors made the decision to expand its business by forming a second office location in
7 Scottsdale. In doing so, Rebecca Weiss formed The Manor Medical Spa, PLLC (“MMS”).
8 Rebecca Weiss is the sole member of MMS.

9 Unfortunately, expansion into another part of town (through MMS) proved difficult on the
10 Debtors’ business resulting in division of the operations and dilution of the PMP and PMW’s
11 brands. Rebecca Weiss, saw an increasing demand upon her time as a medical provider and business
12 owner. She was unable to address the competing priorities between the businesses, which resulted
13 in the Scottsdale office failing after two years. The Debtors (along with PMW and PPM) sought
14 Chapter 11 relief to reorganize their business affairs and focus on improving operations at the
15 Phoenix location. In addition, a major goal is to reorganize the Debtors’ obligations owed to
16 secured creditors related to various medical devices and the Building.

17 **2.2 Post-Bankruptcy Filing Events.**

18 2.2.1 Retention of Professionals

19 The Debtors retained Nussbaum Gillis & Dinner, P.C. (“NGD”) to act as its bankruptcy
20 counsel. The Court signed an Order approving the retention on November 29, 2016 (Dkt. No. 35)
21 (the “NGD Employment Order”).

22 2.2.2 Creditors’ Meeting

23 The Initial Meeting of Creditors, pursuant to 11 U.S.C. § 341, was conducted and concluded
24 on December 20, 2016.

25 2.2.3 Creditors’ Committee

26 Pursuant to the US Trustee’s Office’s notice on January 12, 2017, a Creditors’ Committee
27 has not been appointed.

28

1 2.2.4 Cash Collateral

2 An Interim Order Approving Cash Collateral was entered on November 22, 2016 and that
3 Order became final on December 17, 2016 after the Court’s objection period ran and no objections
4 were filed.

5 **2.3 Financial Information About the Debtors.**

6 The Debtors’ assets and liabilities are fully disclosed in the Debtors’ Schedules and
7 Statement of Financial Affairs and any Amendments to the Debtors’ Schedules and Statement of
8 Financial Affairs filed in this case. During the course of this bankruptcy case, the Debtors have
9 filed all Monthly Operating Reports required by the Office of the U.S. Trustee and by the
10 Bankruptcy Code and Rules, and the Debtors have paid all quarterly fees that have come due. The
11 Debtors do not intend to incur any non-ordinary course of business expenses or conduct non-
12 ordinary course financial affairs post-petition debt. Copies of two recent operating reports are
13 attached hereto as Exhibit “B”. During the past six months, the Debtors have averaged
14 approximately \$117,000/month in gross revenue.

15 **ARTICLE III**
16 **DESCRIPTION OF THE REORGANIZATION PLAN/DEEMED CONSOLIDATION**

17 The Debtors will retain control of their asset(s) and use net income from operations to make
18 Plan payments as set forth in Article IX of the Plan. All funds remaining in the Plan Fund shall be
19 turned over to the Debtors upon payment of all Allowed Claims in full or to the duly appointed and
20 acting Chapter 7 Trustee if this Case is converted to Chapter 7. The Plan anticipates treating PMP,
21 PMW and PPM as having been deemed substantively consolidated for purposes of the plan since
22 all three entities operations are interdependent on one another, there is cross collateralizations of
23 the Debtors assets and the books and records have treated them as one entity.

24 **ARTICLE IV**
25 **CLASSIFICATION AND TREATMENT OF CLAIMS**

26 As required by § 1122 of the Bankruptcy Code, Creditors are divided into Classes, each of
27 which includes Creditors who are similarly situated with the other Creditors in the Class.
28 Subclasses have been designated for convenience. For purposes of voting on the Plan, each

1 subclass will be treated as a separate Class. The Classes provided for by the Plan and their treatment
2 under the Plan are as follows:

3 **4.1 Class 1 – Administrative Claims**

4 Class 1(a) consists of all allowed Administrative Claims for actual and necessary costs and
5 expenses of administration entitled to priority under §§ 503(b) and 507(a)(2) of the Bankruptcy
6 Code for PMP, PMW and PPM. This Class includes, without limitation, post-petition tax Claims,
7 the Debtors' attorneys' fees, approved accounting fees, and fees due the United States Trustee, if
8 any. The holders of Allowed Class 1 Claims shall be paid, in full, on the Effective Date of the Plan
9 of Reorganization or upon such other terms as the Debtors and the holders of Allowed Class 1
10 Claims agree.

11 **4.1.1 Class 1(a) – Nussbaum Gillis & Dinner, P.C.**

12 The Debtors estimate that the Class 1(a) claim for attorneys' fees and costs for its Chapter
13 11 counsel will total \$30,000. Following approval of a final fee application, the Class 1(a) Claim
14 will be satisfied on the Effective Date of the Plan of Reorganization or upon such other terms as
15 the Debtors and the Class 1(a) Claimant agree. **Class 1(a) is unimpaired.**

16 **4.2 Class 2 – 11 U.S.C. § 507(a)(8) Priority Claims**

17 The Class 2 Claims consist of all Claims of which are entitled to priority treatment pursuant
18 to 11 U.S.C. § 507(a)(8) PMP, PMW and PPM. The Debtors believe that there are no claims
19 entitled to priority treatment under 11 U.S.C. § 507(a)(8).

20 **4.3 Class 3 – Priority (Non-Tax) Claim**

21 Class 3 consists of those claims which are entitled to priority under §§ 507(a)(3) through
22 507(a)(10) of the Bankruptcy Code. **The Debtors do not believe any Class 3 Claims exist.**

23 **4.4 Class 4 – Partially Secured Claim of Direct Capital (Ulthera laser)**

24 Class 4 consists of the partially secured claim of Direct Capital related to Account # 021-
25 0024272-001). The Class 4 Claimant's collateral consists of an Ulthera laser ("Class 4 Collateral").
26 The Debtors have surrendered the Class 4 Collateral. The Class 4 Claimant can seek to enforce its
27 security agreement and liquidate the Class 4 Collateral to the extent permitted by law. In the event
28

1 that the Class 4 Claimant is unable to satisfy its Claim after disposition of the Class 4 Collateral,
2 the Class 4 Claimant will hold a Class 13 Deficiency Unsecured Claim for any remaining balance
3 owed on its Claim following liquidation of the Class 4 Collateral. Pursuant to Section 5.1 of the
4 Disclosure Statement, all Class 13 Deficiency Unsecured Claims must be filed within ninety (90)
5 days of the Effective Date in order to share in a pro-rata distribution with other Class 13 General
6 Unsecured Claims. **Class 4 is impaired.**

7
8 **4.5 Class 5 – Partially Secured Claim of Direct Capital (Liposonix and**
9 **Clear/Brilliant laser)**

10 Class 5 consists of the partially secured claim of Direct Capital related to Account # 001-
11 0024272-000). The Class 5 Claimant’s collateral consists of a Liposonix machine and a
12 Clear/Brilliant laser (“Class 5 Collateral”). Prior to the Petition Date, the Liposonix machine
13 became non-functional and the Debtors sold the Liposonix machine. The Debtors alerted the Class
14 5 Claimant concerning the disposition of the Liposonix machine and after discussion with the Class
15 5 Claimant, the Debtors proposed to pay \$8,800.00 to the Class 5 Claimant, which represents the
16 estimated replacement value of the machine. The Debtors will be retaining the Clear/Brilliant laser
17 and will continue to make payments to the Class 5 Claimant based on the terms of the pre-petition
18 contract between the parties. To the extent any of the Class 5 Collateral is surrendered prior to
19 confirmation of the Plan, the Class 5 Claimant can seek to enforce its security agreement and
20 liquidate the Class 5 Collateral to the extent permitted by law. In the event that the Class 5 Claimant
21 is unable to satisfy its Claim after disposition of the Class 5 Collateral, the Class 5 Claimant will
22 hold a Class 13 Deficiency Unsecured Claim for any remaining balance owed on its Claim
23 following liquidation of the Class 5 Collateral. Pursuant to Section 5.1 of the Disclosure Statement,
24 all Class 13 Deficiency Unsecured Claims must be filed within ninety (90) days of the Effective
25 Date in order to share in a pro-rata distribution with other Class 13 Deficiency Unsecured Claims
26 and Class 14 General Unsecured Claims. **Class 5 is impaired.**

27 **4.6 Class 6 - Partially Secured Claim of Direct Capital (Cynosure Icon and**
28 **Revlite lasers)**

1 Class 6 consists of the partially secured claim of Direct Capital related to Account # 001-
2 0024272-003). The Class 6 Claimant's collateral consists of a Cynosure Icon laser and Revlite
3 laser (the "Class 6 Collateral"). The Debtors will be retaining the Cynosure Icon laser and have
4 surrendered the Revlite laser. The Debtors will continue to make payments to the Class 6 Claimant
5 for the Cynosure laser (only) based on the terms of the pre-petition contract terms between the
6 parties. Based on the terms of the pre-petition contract, payments for the Cynosure Icon laser will
7 be \$1,506 per month and continue until December 2020. As to any Class 6 Collateral surrendered
8 prior to confirmation of the Plan, the Class 6 Claimant can seek to enforce its security agreement
9 and liquidate the Class 6 Collateral to the extent permitted by law. In the event that the Class 6
10 Claimant is unable to satisfy its Claim after disposition of the Class 6 Collateral, the Class 6
11 Claimant will hold a Class 13 Deficiency Unsecured Claim for any remaining balance owed on its
12 Claim following liquidation of the Class 6 Collateral. Pursuant to Section 5.1 of the Disclosure
13 Statement, all Class 13 Deficiency Unsecured Claims must be filed within ninety (90) days of the
14 Effective Date in order to share in a pro-rata distribution with other Class 13 Deficiency Unsecured
15 Claims and Class 14 General Unsecured Claims. **Class 6 is impaired.**

16 **4.7 Class 7 – Partially Secured Claim of Ready Cap Lending (SBA loan)**

17 Ready Cap Lending is the servicer for a Small Business Administration loan provided to
18 the Debtors. Ready Cap Lending holds a blanket lien on all of the Debtors' assets, subject to senior
19 liens, pursuant to a UCC-1 financing statement recorded with the Arizona Secretary of State. In
20 addition, Ready Cap holds a first position lien against the Building (located at 2060 West
21 Whispering Wind Drive, #170, Phoenix, AZ 85085) which is owned by Debtors PPM. Ready Cap's
22 lien on the Building is evidenced by a Deed of Trust recorded on October 16, 2007 in favor of CIT
23 Small Business Lending Corporation, as assignor to Ready Cap Lending, with the Office of the
24 Official Recorder of Maricopa County, Arizona, Document Number 2007-1126384 ("Ready Cap
25 Lien").

26 Deteriorating market conditions over the last few years have reduced the fair market value
27 of the Building and as a result, the Ready Cap Lien is partially secured. The estimated value of
28

1 the Building, based on average price of recent comparables sold, pursuant to 11 U.S.C. § 506(a)(1)
2 is \$400,000.00 (the “Fair Market Value”). The Building is valued at \$250,000 by the County
3 Recorder. This price estimate was calculated based on comparable office suites for sale in the
4 same complex and the current price per square foot that those units are listed. Debtors are
5 obtaining a broker price opinion by Cunningham & Associates, Court-approved professionals, to
6 more accurately determine the value. The Ready Cap Lien total’s approximately \$910,133.00,
7 and the estimated value of Ready Cap Lending’s other collateral, including tangible and intangible
8 business assets other than the building, excluding the assets that are being returned to creditors
9 under the plan is being appraised by the court appointed professional, Cunningham & Associates.
10 Ready Cap Lending has estimated the value of the business tangible estimates to be worth
11 \$300,000 albeit Debtors haven’t seen Ready Cap’s appraisal. The Disclosure statement will be
12 supplemented to set forth the fair market valuation of Ready Caps’ collateral upon obtaining the
13 BPO and appraisal. It is believed that Ready Cap Lending is substantially undersecured.

14 Ready Cap Lending will be treated according to one of the following two payment
15 alternatives, if it so chooses:

16 ***A. Bifurcated Claim***

17 In the event that Ready Cap Lending does not elect, in writing prior to approval of this
18 Disclosure Statement, to exercise its election under 11 U.S.C. § 1111(b)(2) (see, Alternative “B”
19 below) to have its entire Claim treated as secured, then any portion of Ready Cap Lending’s Class
20 7 Claim which is above the § 506 secured value will be treated as a Class 13 Deficiency Unsecured
21 Claim. The principal and interest on the Allowed Class 7 Claim will be paid as set forth in this
22 subsection if Ready Cap Lending chooses to bifurcate its Claim into an Allowed Class 7 Claim
23 and an Allowed Class 13 Deficiency Unsecured Claim.

24 i. Interest on the Allowed Secured Class 7 Claim

25 The Allowed Class 7 Secured Claim will accrue interest at the rate of 4.5% per annum.
26 Interest will begin to accrue as of the Effective Date of the Plan. The interest rate will be fixed for
27 the duration of the Plan. Interest will not be assessed to the unpaid, accrued interest.
28

1 ii. Payments on the Allowed Secured Class 7 Claim

2 The Debtors estimate that Ready Cap Lending’s Allowed Secured Class 7 Claim will equal
3 the amount determined by Cunningham & Associates, agreed to by the parties or determined by
4 the Court. Any remaining difference between the Allowed Secured Class 7 Claim and the
5 Claimant’s proof of claim is unsecured and the Claimant will hold a Class 13 Deficiency
6 Unsecured Claim. The Debtors will commence making equal monthly payments to Ready Cap
7 Lending based on the Allowed Secured Class 7 Claim on the Effective Date (the “Modified Ready
8 Cap Lending Payment”). The Modified Ready Cap Lending Payment will be the product of the
9 Allowed Secured Class 7 Claim, amortized over 20 years, not including tax and insurance
10 impounds, at a fixed interest rate of 4.5% that will begin to accrue on the Effective Date. The
11 Debtors estimate that this payment will be \$2,531/mo. All outstanding principal and interest will
12 be paid by the 20th anniversary of the Effective Date. Debtors will make the Modified Ready Cap
13 Lending Payment utilizing revenues received from Debtors ongoing business operations. Full or
14 partial payment towards satisfaction of the Ready Cap Lending Lien may be made at anytime
15 without penalty.

16 ***B. Alternative Treatment - § 1111(b) Election (Fully Secured Treatment)***

17 In the event that Ready Cap Lending elects to be “fully secured” by asserting an election
18 to be treated under 11 U.S.C. § 1111(b), then Ready Cap Lending shall receive the alternative
19 treatment set forth in this subsection. Ready Cap Lending’s Class 7 Claim will receive the same
20 payments and treatment set forth above, except the following modifications shall apply:

21 1. No deficiency claim

22 a. Ready Cap Lending will forego and waive any unsecured deficiency
23 claim and shall have no Class 13 Unsecured Claim.

24 2. Extended Term

25 a. Under the § 1111(b) election, Ready Cap Lending’s Class 7 Claim
26 (\$910,133.00) will be treated as fully secured and amortized over thirty
27 (30) years, not including taxes and insurance, at a fixed interest rate of
28

1 .25%. Debtors believe that these monthly payments will be \$2,624 and
2 this payment stream exceeds the present value of Ready Cap Lending's
3 collateral. Any outstanding amounts owed on the principal and interest
4 will be made on the thirtieth anniversary of the Effective Date.

5 3. Final Payoff

- 6 a. Under the § 1111(b) election, the Class 7 Secured Claim will be deemed
7 satisfied in full when the gross amount of distributions made to Ready
8 Cap Lending under the Plan equals Ready Cap Lending's § 1111(b)
9 Secured Claim.

10 ***C. Miscellaneous issues concerning the Allowed Class 7 Claim***

11 Under any of the foregoing provisions, the Allowed Class 7 Claim shall not include any
12 default interest, prepayment penalties, yield maintenance premiums, late charges, amounts due
13 under any penalty rate provision or penalty provision of the Ready Cap Lending Loan, or
14 attorneys' fees or costs that accrued or arise after the Filing Date. After the Effective Date, the
15 holder of the Class 7 Allowed Secured Claim may not seek reimbursement or add to the amount
16 of the Class 7 Claim any appraisal fees, titles costs, charges, attorneys' fees or other amounts
17 unless there has been a default by the [Reorganized] Debtors with respect to the payments required
18 under the Plan. Any and all costs, fees, late fees or charges arising or relating to events occurring
19 prior to the Effective Date are deemed waived as of the Effective Date and are forever released
20 unless previously agreed upon by the Parties and included as part of the Allowed Class 7 Claim.

21 On the Effective Date, any and all documents evidencing the Ready Cap Lending Loan,
22 including, without limitation, the Ready Cap Lending Deed of Trust, shall be deemed amended
23 such that the terms of the Plan will control. No additional conditions that existed prior to the
24 Effective Date, including the filing of this Case, shall serve as a basis for asserting a default under
25 the terms of such documents. **Class 7 is impaired.**

26 **4.8 Class 8 – Partially Secured Claim of Ascentium Capital (Account #x-3966)**

1 Class 8 consists of the partially secured claim of Ascentium Capital related to Account #
2 2123966). The Class 8 Claimant’s collateral consists of a VASER LIPO machine (the “Class 8
3 Collateral”). The Debtors will be retaining the VASER LIPO machine. The Debtors will continue
4 to make payments to the Class 8 Claimant for the VASER LIPO machine based on the terms of the
5 pre-petition contract terms between the parties. Based on the terms of the pre-petition contract,
6 payments for the VASER LIPO machine will be \$2,015 per month and continue until July 2017.
7 As to any Class 8 Collateral surrendered prior to confirmation of the Plan, the Class 8 Claimant can
8 seek to enforce its security agreement and liquidate the Class 8 Collateral to the extent permitted
9 by law. In the event that the Class 8 Claimant is unable to satisfy its Claim after disposition of the
10 Class 8 Collateral, the Class 8 Claimant will hold a Class 13 Deficiency Unsecured Claim for any
11 remaining balance owed on its Claim following liquidation of the Class 8 Collateral. Pursuant to
12 Section 5.1 of the Disclosure Statement, all Class 13 Deficiency Unsecured Claims must be filed
13 within ninety (90) days of the Effective Date in order to share in a pro-rata distribution with other
14 Class 13 Deficiency Unsecured Claims and Class 14 General Unsecured Claims. **Class 8 is**
15 **impaired.**

16 **4.9 Class 9 – Partially Secured Claim of Ascentium Capital (Account #x-7009)**

17 Class 9 consists of the partially secured claim of Ascentium Capital related to Account #
18 2137009). The Class 9 Claimant’s collateral consists of a EndyMed RF device (the “Class 9
19 Collateral”). The Debtors will be retaining the Class 9 Collateral. The Debtors will continue to
20 make payments to the Class 9 Claimant based on the terms of the pre-petition contract terms
21 between the parties. Based on the terms of the pre-petition contract, payments for Class 9 Collateral
22 will be \$753 per month and continue until January 2020. As to any Class 9 Collateral surrendered
23 prior to confirmation of the Plan, the Class 9 Claimant can seek to enforce its security agreement
24 and liquidate the Class 9 Collateral to the extent permitted by law. In the event that the Class 9
25 Claimant is unable to satisfy its Claim after disposition of the Class 9 Collateral, the Class 9
26 Claimant will hold a Class 13 General Unsecured Claim for any remaining balance owed on its
27 Claim following liquidation of the Class 9 Collateral. Pursuant to Section 5.1 of the Disclosure
28

1 Statement, all Class 13 General Unsecured Claims must be filed within ninety (90) days of the
2 Effective Date in order to share in a pro-rata distribution with other Class 13 Deficiency Unsecured
3 Claims and Class 14 General Unsecured Claims. **Class 9 is impaired.**

4 **4.10 Class 10 – Partially Secured Claim of Ascentium Capital (Account #x-6933)**

5 Class 10 consists of the partially secured claim of Ascentium Capital related to Account #
6 2156933). The Class 10 Claimant’s collateral consists of a EndyMed Intesif hand piece (the “Class
7 10 Collateral”). The Debtors will be retaining the Class 10 Collateral. The Debtors will continue
8 to make payments to the Class 10 Claimant based on the terms of the pre-petition contract terms
9 between the parties. Based on the terms of the pre-petition contract, payments for the Class 10
10 Collateral will be \$485.44 per month and continue until January 2020. As to any Class 10 Collateral
11 surrendered prior to confirmation of the Plan, the Class 10 Claimant can seek to enforce its security
12 agreement and liquidate the Class 10 Collateral to the extent permitted by law. In the event that
13 the Class 10 Claimant is unable to satisfy its Claim after disposition of the Class 10 Collateral, the
14 Class 10 Claimant will hold a Class 13 Deficiency Unsecured Claim for any remaining balance
15 owed on its Claim following liquidation of the Class 10 Collateral. Pursuant to Section 5.1 of the
16 Disclosure Statement, all Class 13 Deficiency Claims must be filed within ninety (90) days of the
17 Effective Date in order to share in a pro-rata distribution with other Class 13 Deficiency Unsecured
18 Claims and Class 14 General Unsecured Claims. **Class 10 is impaired.**

19 **4.11 Class 11 – Partially Secured Claim of CIT as successor to Ascentium Capital**
20 **(Account #x-5967)**

21 Class 11 consists of the partially secured claim of Ascentium Capital related to Account #
22 2135967). CIT Finance is the current assignee of the Class 11 Claim. The Class 11 Claimant’s
23 collateral consists of Zeltiq Coolsculpting device (the “Class 11 Collateral”). The Debtors have
24 surrendered the Class 11 Collateral and the Class 11 Claimant has received relief from the automatic
25 stay and can seek to enforce its security agreement and liquidate the Class 11 Collateral to the
26 extent permitted by law. In the event that the Class 11 Claimant is unable to satisfy its Claim after
27 disposition of the Class 11 Collateral, the Class 11 Claimant will hold a Class 13 Deficiency
28

1 Unsecured Claim for any remaining balance owed on its Claim following liquidation of the Class
2 11 Collateral. Pursuant to Section 5.1 of the Disclosure Statement, all Class 13 General Unsecured
3 Claims must be filed within ninety (90) days of the Effective Date in order to share in a pro-rata
4 distribution with other Class 13 Deficiency Unsecured Claims and Class 14 General Unsecured
5 Claims. **Class 11 is impaired.**

6 **4.12 Class 12 - Unsecured Claims arising from a Personal Guaranty**

7 Class 12 consists of all Claims arising out of a personal guaranty signed by Debtors Paradise
8 Medspa, including to BNC Bank for Manor Medical Spa, LLC. Any Allowed Class 12 Claims will
9 share pro-rata with distributions being made to Class 14 General Unsecured Claims and be paid
10 pursuant to the terms set forth in Class 14. **Class 12 is impaired.**

11 **4.13 Class 13 – Deficiency Unsecured Claims**

12 Class 13 consists of all Deficiency under Classes 4 through 11 of the Plan. Pursuant to the
13 terms of Classes 4, 5, 6, 7, 8, 9, 10, and 11, certain Claimants in those classes may hold General
14 Unsecured Claim arising from deficiencies following liquidation of certain collateral. Any such
15 Claims will be treated pursuant to the terms of the applicable sections related to their secured
16 claims. The holders of Allowed Class 13 Claims will be paid pro rata with Class 12 and 14
17 Claimants. The Class 13 Claims shall not include any interest charges, fees, or other costs incurred
18 or accrued. **Class 13 is impaired.**

19 **4.14 Class 14 – General Unsecured Claims**

20 Class 14 consists of all remaining Unsecured Claims not specifically set forth in the
21 Disclosure Statement and Plan. The holders of Allowed Class 14 Claims will be paid pro rata prior
22 to month sixty (60) of the Plan, with payments to be made starting on the first anniversary of the
23 Effective Date and being made each anniversary thereafter through the fourth anniversary of the
24 Effective Date. The Class 14 Claims shall not include any interest charges, fees, or other costs
25 incurred or assessed after the Petition Date through and including the Effective Date and thereafter.
26 Class 14 Claimants will share pro rata with Class 12 and 13 Claimants, if any. **Class 14 is**
27 **impaired.**

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1 **4.15 Class 15 – Equity Claims**

2 Class 15 consists of Dr. Rebecca Weiss’ equity interest in the Debtors. Dr. Weiss shall make
3 new capital contributions to the Reorganized Debtors of \$30,000, which she is borrowing from a
4 third party, on or before the Effective Date to assist the Debtors in paying obligations to secured
5 creditors and to assist the Debtors in making payments required under the Plan. Dr. Weiss shall
6 retain her equity interest in the Debtors. **Class 15 is unimpaired.**

7
8 **ARTICLE V**
9 **IMPLEMENTATION AND FUNDING OF THE DEBTORS’ PLAN**

10 **5.1 Plan Fund**

11 A bank account (“Plan Account”) will be established for the deposit of all funds (“Plan
12 Fund”) to be received as a result of payments from the Debtors in an amount necessary to satisfy
13 the terms of the Plan. The Plan Account will be a combined money market checking/savings
14 account which will accrue some interest on the deposited funds without significant risk, and will
15 be in an FDIC insured institution listed as a qualified financial depository for Debtors-in-possession
16 funds by the Office of the U.S. Trustee.

17 The Debtors will make payments to Unsecured Creditor Classes as set forth in the
18 accompanying Disclosure Statement. The Debtors will continue to service secured obligations
19 pursuant to terms contained in this Plan and the accompanying Disclosure Statement. The Plan
20 will be funded with the Debtors’ new value contribution and post-confirmation earnings during the
21 life of the Plan. The Debtors has prepared projections of income, expenses and distributions
22 (“Projections”) setting forth its anticipated income, operational expenses and net income it
23 anticipates during the course of the Plan. A copy of the Projections attached hereto as **Exhibit “C”**
24 and is incorporated herein by reference.

25 The Plan will be funded by the Debtors’ post-petition earnings and a new value contribution
26 of **\$30,000** being provided by the Debtors’ member. The \$30,000 new value contribution shall be
27 made on or before the Effective Date. The Debtors shall act as the Disbursing Agent under the
28 Plan.

1 The Debtors estimates that Class 1 Claims will be approximately **\$30,000**. The Debtors
2 will pay its General Unsecured Creditors the equivalent of \$82,000 (\$1,367 x 60 months) from
3 future revenues and the new value contribution being committed by Dr. Rebecca Weiss, the
4 Debtors' member, which exceeds the amount set forth in the Debtors' liquidation analysis after
5 payments to Administrative and Priority Claims if this Case were converted to a Chapter 7
6 proceeding.

7 In the event the Debtors' Administrative Claims are greater than the estimated amounts
8 contained in this Plan, the Debtors will pay all approved Class 1 Claims first before making a
9 distribution to Classes 12, 13 and 14. In no event will the amount paid to Classes 12, 13, and 14
10 be less than \$72,000. Accordingly, the Debtors will pay approximately **\$82,000** to unsecured
11 creditors over the life of the Plan in addition to the outstanding secured claimant obligations.

12 Payments will be distributed on the Effective Date to Class 1 Claims or as agreed upon
13 between the Debtors and the Class 1 Claimants. Payments to Classes 4, 5, 6, 7, 8, 9, 10 and 11 will
14 be paid as set forth herein or as agreed upon by the Parties through a future stipulation for treatment
15 under the Plan, which is approved by the Court.

16 In the event any entity which possesses an Allowed Secured Claim, or any other lien in any
17 of the Debtors' property for which the Plan requires the execution of any documents to implement
18 or incorporate the terms of the Plan, and such entity fails to provide a release of its lien or execute
19 the necessary documents to satisfy the requirements of the Plan, the Debtors may record a copy of
20 this Plan and the Confirmation Order with the appropriate governmental agency, and such
21 recordation shall constitute the lien release and creation of the necessary new liens to satisfy the
22 terms of the Plan. If the Debtors deems advisable, it may obtain a further order from the Court,
23 which may be recorded in order to implement the terms of the Plan.

24 **5.2 Disbursing Agent.**

25 The Debtors shall act as the Disbursing Agent under this Plan. All payments on Allowed
26 Secured Claims will be made by the Debtors. All payments on all other Allowed Claims from the
27 Plan Fund shall be made by the Debtors.

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1 **5.3 *De Minimis* Distributions and Returned Payments.**

2 No distributions of cash shall be made under the Plan in an amount less than \$10. All cash
3 not distributed pursuant to this provision shall vest in the Debtors free of any Claim.

4 All distributions under the Plan which are returned by the Post Office undelivered or which
5 cannot be delivered due to the lack of a current address will be retained by the Debtors in trust for
6 the distribute. The unclaimed distributions will vest in the Debtors, free of any claim, on the one
7 hundred and eighty-first (181st) day following receipt by the Debtors of any returned payment.

8 In the event any entity which possesses an Allowed Secured Claim, or any other lien on the
9 Debtors’ Property for which the Plan requires the execution of any documents to implement or
10 incorporate the terms of the Plan, and such entity fails to provide a release of its lien or execute the
11 necessary documents to satisfy the requirements of the Plan, the Debtors may record a copy of its
12 Plan and the Confirmation Order with the appropriate governmental agency, and such recordation
13 shall constitute the lien release and creation of the necessary new liens to satisfy the terms of the
14 Plan. If the Debtors deem advisable, it may obtain a future order from the Court, which may be
15 recorded in order to implement the terms of the Plan.

16 **ARTICLE VI**
17 **ADDITIONAL PLAN PROVISIONS**

18 In addition to the provisions outlined in Articles III, IV and V above, there may be additional
19 provisions and details contained in the Plan which should be reviewed before voting. This Article
20 outlines some of the additional provisions of the Plan.

21 **6.1 Effect of Confirmation and Deemed Substantive Consolidation**

22 Except as otherwise provided in the Plan or in the Court’s order confirming the Plan (the
23 “Confirmation Order”), the Confirmation Order will act as a discharge upon the **Effective Date**, of
24 any and all debts of the Debtors that arose at any time before the entry of the Confirmation Order,
25 including, but not limited to, all principal and any and all interest accrued thereon, pursuant to 11
26 U.S.C. § 1141(d)(1). **As set forth in certain subsection of Section IV above, the Debtors have**
27 **or will surrender certain collateral and the deadline for liquidating any such collateral and**

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1 **filing a Class 13 General Unsecured Claim is ninety (90) days from the Effective Date.** The
2 discharge of the Debtors shall be effective as to each Claim, regardless of whether a Proof of Claim
3 was filed, whether the Claim is an Allowed Claim or whether the holder thereof votes to accept the
4 Plan. Any stipulation for treatment under the Plan entered into between the Debtors and a Creditor
5 is hereby incorporated into the Plan and deemed effective upon entry of the Confirmation Order or
6 such earlier date as set forth in any Court-approved stipulation.

7 In addition, any pre-Confirmation obligations of the Debtors dealt with in this Plan shall be
8 considered New Obligations of the Debtors, and these New Obligations shall not be considered in
9 default unless and until the Debtors defaults on the New Obligations pursuant to the terms of the
10 Plan. The New Obligations provided for in the Plan shall be in the place of, and completely
11 substitute for, any pre-Confirmation obligations of the Debtors and, once the Plan is confirmed, the
12 only obligations of the Debtors shall be such New Obligations as provided for under the Plan.

13 Under the Plan Debtors will be deemed substantively consolidated for purposes of
14 the plan since all three entities operations are interdependent on one another, there is cross
15 collateralization of the Debtors assets and the books and records have treated them as one entity.

16 **6.2 Revesting**

17 Except as provided for in the Plan or in the Confirmation Order, on the Effective Date the
18 Debtors shall be vested with all of the property of the estate free and clear of all Claims, Liens,
19 Charges and other Interests of Creditors arising prior to the filing date. Following the Effective
20 Date, the Debtors may transfer and dispose of any such property free of any restrictions imposed
21 by the Bankruptcy Code or the Bankruptcy Rules and without further approval of the Bankruptcy
22 Court or notice to Creditors, except as may otherwise be required under the Plan or the
23 Confirmation Order.

24 **6.3 Limitation of Liability**

25 The Exculpated Parties (“Exculpated Parties” means the Debtors and each of their agents,
26 advisors, accountants, attorneys, and representatives and their respective property) will neither have
27 nor incur any liability to any entity for any action in good faith taken or omitted to be taken after
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1 the Petition Date in connection with or related to the Chapter 11 Cases or the formulation,
2 preparation, dissemination, implementation, Confirmation, or consummation of the Plan, the
3 Disclosure Statement, or any agreement created or entered into in connection with the Plan;
4 provided, however, that this limitation will not affect or modify the obligations created under this
5 Plan, or the rights of any holder of an Allowed Claim to enforce its rights under the Plan, and shall
6 not release any action (or inaction) constituting willful misconduct, fraud, or gross negligence (in
7 each case subject to determination of such by final order of a court of competent jurisdiction);
8 provided that any Exculpated Party shall be entitled to reasonably rely upon the advice of counsel
9 with respect to its duties and responsibilities (if any) under this Plan, and such reasonable reliance
10 shall form an absolute defense to any such claim, cause of action, or liability. Without limiting the
11 generality of the foregoing, each Exculpated Party shall be entitled to and granted the protections
12 of Section 1125(e) of the Bankruptcy Code.

13 **6.4 Injunction**

14 In implementation of the Plan, except as otherwise expressly provided in the Confirmation
15 Order or the Plan, and except in connection with the enforcement of the terms of the Plan or any
16 documents provided for or contemplated in the Plan, all entities who have held, hold or may hold
17 Claims against or Interests in the Debtors, or the Estates that arose prior to the Effective Date are
18 permanently enjoined from: (a) commencing or continuing in any manner, directly or indirectly,
19 any action or other proceeding of any kind against the Debtors, the Estates, or any property of the
20 Debtors, or the Estates with respect to any such Claim or Interest; (b) the enforcement, attachment,
21 collection, or recovery by any manner or means, directly or indirectly, of any judgment, award,
22 decree, or order against the Debtors, the Estates, or any property of the he Debtors, or the Estate
23 with respect to any such Claim or Interest; (c) creating, perfecting, or enforcing, directly or
24 indirectly, any Lien or encumbrance of any kind against the Debtors, the Estates, or any property
25 of the Debtors, or the Estates with respect to any such Claim or Interest; and (d) any act, in any
26 manner, in any place whatsoever, that does not conform to or comply with the provisions of the
27 Plan with respect to such Claim or Interest. Nothing contained in this Section shall prohibit the
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1 holder of a timely-filed Proof of Claim from litigating its right to seek to have such Claim declared
2 an Allowed Claim and paid in accordance with the distribution provisions of this Plan, or enjoin or
3 prohibit the interpretation or enforcement by the Claimant of any of the obligations of the Debtors
4 under this Plan.

5 **6.5 Executory Contracts and Unexpired Leases**

6 Upon Confirmation of the Plan, all executory contracts of the Debtors will be rejected, with
7 the exception of any executive contracts listed on Schedule G or any Amendment to Schedule G
8 pursuant to the provisions of §§ 365 and 1123 of the Bankruptcy Code, or any other subsequent
9 assumption made by the Debtors. This Plan provision does not alter in any way orders of the
10 Bankruptcy Court approving the assumption of executory contracts and leases. All such orders are
11 reaffirmed without modification and incorporated fully in the Plan so that the Plan complies with
12 those orders.

13 **6.6 Modification Of The Plan**

14 In addition to their modification rights under § 1127 of the Bankruptcy Code, the Debtors
15 may amend or modify this Plan at any time prior to Confirmation without leave of the Court. The
16 Debtors may propose amendments and/or modifications of this Plan at any time subsequent to
17 Confirmation with leave of the Court and upon notice to Creditors. After Confirmation of the Plan,
18 the Debtors may, with approval of the Court, as long as it does not materially or adversely affect
19 the interests of Creditors, remedy any defect or omission or reconcile any inconsistencies of the
20 Plan, or in the Confirmation Order, if any may be necessary to carry out the purposes and intent of
21 this Plan.

22 **6.7 Default**

23 If the Debtors is unable to perform the terms and conditions of this Plan, then it will be in
24 default. Any Creditor may seek to enforce the Plan. Before doing so, however, a Creditor must
25 first provide notice to the Debtors specifying the nature of the alleged default and providing the
26 Debtors a 30-day period to cure such default. Any such notice shall be in writing and sent via
27
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1 certified mail to the Debtors at the address on file with the Clerk of the Court and with a copy sent
2 via certified mail to:

3 Randy Nussbaum, Esq.
4 Dean M. Dinner
5 Nussbaum Gillis & Dinner, P.C.
6 14850 N. Scottsdale Rd., Suite 450
7 Scottsdale, AZ 85254

8 **6.8 Retention of Jurisdiction.**

9 Notwithstanding confirmation of this Plan, the Bankruptcy Court shall retain its jurisdiction
10 of this bankruptcy to the full extent allowed by law, including for the following purposes:

- 11 1. Determination of Claims and Interests upon objection to such Claims by the Debtors
12 or by any other party-in-interest;
- 13 2. Determination of requests for payment of Claims entitled to priority under §
14 507(a)(2) of the Bankruptcy Code, including compensation of parties entitled
15 thereto;
- 16 3. Resolution of controversies and disputes regarding the interpretation or enforcement
17 of the terms of the Plan;
- 18 4. Implementation of the provisions of the Plan and entry of orders in aid of
19 Confirmation of the Plan, including, without limitation, appropriate orders to protect
20 the Debtors;
- 21 5. Entry of an administrative order closing this case while Plan payments are made;
- 22 6. Entry of a Final Decree closing the case.

23 **ARTICLE VII**
24 **FEASIBILITY OF THE PLAN AND FINANCIAL PROJECTIONS**

25 The Debtors believe that the proposed Plan is feasible and is unlikely to be followed by the
26 liquidation or need for further financial reorganization of the Debtors except as proposed in the
27 Plan.

28 **ARTICLE VIII**
LIQUIDATION ANALYSIS

The following is a Liquidation Analysis indicating what the Debtors believe Creditors would receive in the event of liquidation. The figures for “market value” and “liquidation value” is the Debtors best estimate on what these assets are worth on a market or liquidation basis.

Asset	Scheduled Value	Liquidation Value (estimate)	Exemption	Secured Claim(s)	Liquidation Equity
Cash on hand	\$200.00	\$200.00	N/A	910,133.00	\$0.00
Checking #6758	\$6,800.00	\$6,800.00	N/A	SBA Lien – ReadyCap	\$0.00
Checking #6839	\$22,000.00	\$22,000.00	N/A	SBA Lien – ReadyCap	\$0.00
Equity interest in PMW, LLC	Unknown	Unknown	N/A	SBA Lien – ReadyCap	\$0.00
Rent deposit	Unknown	Unknown	N/A	SBA Lien – ReadyCap	\$0.00
Retail skin care products	\$5,900	Unknown	N/A	SBA Lien – ReadyCap	\$0.00
Medical supplies	2,000	Unknown	N/A	SBA Lien – ReadyCap	\$0.00
Injectable medical supplies	10,000	Unknown	N/A	SBA Lien – ReadyCap	\$0.00
Spa furnishings	10,000	Unknown	N/A	SBA Lien – ReadyCap	\$0.00
Medical equipment (Cynosure Smart Lipo, Two Hyrdafacials, Two DermaPens, Cynosure SmartSkin, Visia Camera System, Cynosure Elite laser)	30,500	Unknown	N/A	Lender lien	\$0.00
Office equipment	2,000	\$250.00	N/A	SBA Lien – ReadyCap	\$0.00
Ulthera laser	\$25,000	Unknown	N/A	Secured creditor lien	\$0.00
Liposonix and Clear Brilliant laser	\$10,000	Unknown	N/A	Secured creditor lien	\$0.00
Cynosure Icon and Revlite laser	\$70,000	Unknown	N/A	Secured creditor lien	\$0.00

1	Feel Pretty trademark	\$0.00	Unknown	N/A	SBA Lien – ReadyCap	\$0.00
2	Internet domains	\$100.00	Unknown	N/A	SBA Lien – ReadyCap	\$0.00
3	Customer lists	Unknown	Unknown	N/A	Unknown	Unknown
4	Building	\$380,000	\$300,000	N/A	SBA Lien – ReadyCap	\$0.00
5						
6	Total Liquidation Value					<u>\$0.00</u>

7 Creditors should note that on a liquidation basis, full market value for assets cannot be
8 obtained. Further, there are costs associated with a liquidation of assets that must be paid out of
9 any sale proceeds. The liquidation analysis does not contain an estimation of any tax liability,
10 which could be associated with the liquidation. This would lessen the recovery to Creditors.
11 **Creditors should note that after payment of Administrative Claims and Priority Claims there**
12 **is \$0.00 in non-exempt property available to be distributed for the benefit of General**
13 **Unsecured Claims.** This analysis is provided for informational purposes only, given that the
14 Debtors' Plan does not contemplate a liquidation in this fashion. The importance of the analysis is
15 to illustrate that even if the Debtors' Estate were liquidated, values would lessen significantly and
16 Creditors may receive nothing. The Debtors' Plan not only calls for the commencement of
17 immediate payment to all Creditors that will receive a distribution, it also proposes to pay Creditors
18 a greater amount more quickly.

19 **ARTICLE IX**
POST-CONFIRMATION MANAGEMENT

20 The Debtors' member, Dr. Rebecca Weiss, will continue to manage the affairs of the
21 Debtors following confirmation of the Debtors' Plan. She will be paid a salary of \$8,000/month,
22 which may increase by not more than 3% a year during the five-year term of plan payments to
23 unsecured creditors.

24
25 **ARTICLE X**
TAX CONSEQUENCES

1 The Debtors has not obtained a tax opinion as to the tax consequences of the Plan as to any
2 Claim, interest, or Creditor. However, payment of indebtedness and discharge of debt may have
3 significant tax consequences for Creditors. The Creditors are advised to see their tax advisor for
4 information concerning the tax consequences of the Plan.

5 **BECAUSE THE DEBTORS EXPRESSES NO TAX OPINION AND GIVES NO TAX**
6 **ADVICE, IN NO EVENT WILL THE DEBTORS OR ITS PROFESSIONAL ADVISORS**
7 **BE LIABLE IF THE TAX CONSEQUENCES OF THE PLAN ARE NOT AS**
8 **ANTICIPATED. CREDITORS MUST LOOK SOLELY TO, AND RELY SOLELY ON,**
9 **THEIR OWN ADVISORS AS TO THE TAX CONSEQUENCES OF THE PLAN.**

10 **ARTICLE XI**
11 **NON-ALLOWANCE OF PENALTIES AND FINES**

12 Except as otherwise provided herein, no distribution shall be made under this Plan on
13 account of, and no Allowed Claim, whether Secured, Unsecured, Priority, or Administrative, shall
14 include any fine, penalty, exemplary or punitive damages, late charges or other monetary charge
15 relating to or arising from any default or breach by Debtors, and any Claim on account thereof shall
16 be deemed disallowed whether or not an objection to it is filed.

17 **ARTICLE XII**
18 **VOTING PROCEDURE**

19 The Plan divides the Claims of Creditors into separate Classes. All Classes of Claimants
20 are encouraged to vote but only the vote of holders of Claims that are impaired by the Plan will
21 have a significant impact upon the Confirmation process. Generally, this includes Creditors who,
22 under the Plan, will receive less than payment in full of their Claims on the Effective Date of the
23 Plan.

24 All Creditors entitled to vote on the Plan must cast their vote by completing, dating and
25 signing the ballot, which has been mailed to them together with a Disclosure Statement and Plan
26 approved by the Court after notice and hearing. The ballot contains instructions concerning the
27 deadline for submitting the ballot and to what address the ballot should be mailed.

1 This Disclosure Statement has been provided to each person whose Claim or Interest has
2 been scheduled by the Debtors, or who has filed a Proof of Claim or interest with respect to the
3 Debtors, each known equity interest holder and other parties-in-interest known to the Debtors. The
4 Disclosure Statement is intended to assist Creditors in evaluating the Plan and in determining
5 whether to accept the Plan. In determining acceptances of the Plan, votes of Creditors will only be
6 counted if submitted by a Creditor whose Claim is duly scheduled by the Debtors as undisputed,
7 non-contingent and liquidated, or who has timely filed an Allowed Proof of Claim or proof of
8 interest with the Court.

9 The Bankruptcy Court will schedule a hearing to determine whether the requirements for
10 Confirmation under the Bankruptcy Code have been met and whether the Plan has been accepted
11 by each impaired Class and by the requisite number of Creditors in such Class. Under § 1126 of
12 the Code, an impaired Class is deemed to have accepted the Plan upon a favorable vote of at least
13 two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of
14 Class members actually voting on the Plan. Further, unless there is unanimous acceptance of the
15 Plan by an impaired Class, the Court must also determine that Class members will receive at least
16 as much as they would if the Debtors were liquidated under Chapter 7 of the Code.

17 As stated above, the Debtors propose to pay General Unsecured Creditors approximately
18 **\$82,000**, which represents more than what the General Unsecured Creditor Classes would receive
19 in a Chapter 7 proceeding. To the extent a Creditor objects to the proposed Plan and to the extent
20 it is determined that an impaired Class exists, the Debtors will pursue confirmation through the
21 voting procedure set forth under Chapter 11 of Title 11 of the United States Code. Pursuant to 11
22 U.S.C. § 1129(b), the Debtors intend to request the Bankruptcy Court to confirm the Plan even if a
23 Class of Claims or Interests does not accept the Plan. To do so, the Bankruptcy Court must find
24 that the Plan is fair and equitable with respect to each Class of Claims or Interests that is impaired
25 and has not accepted the Plan. The Debtors believe that the Plan will satisfy the fair and equitable
26 requirements of the Bankruptcy Code to the extent such requirements are applicable based upon
27 the vote of Creditors on the Plan.

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1. Fair and Equitable Treatment of Secured Claims.

With respect to a Class of Secured Claims that does not accept the Plan, the Bankruptcy Code's "fair and equitable" standard includes a requirement that the holders of the Claims either (i) retain their liens on the collateral and receive cash payments, on the Effective Date or in installments, of a value equal to the amount of the Secured Claim, or (ii) receive the realization of the indubitable equivalent of the Secured Claim. The Debtors believe that this standard is satisfied by the Plan, which provides that each holder of a Secured Claim will receive payment based on its election for Plan treatment, or in accordance with the terms of its agreement with the Debtors, and the secured Creditor will retain the lien on its collateral to secure payment of the amounts specified by the Plan.

2. Fair and Equitable Treatment of Unsecured Claims.

With respect to an unsecured, non-accepting Class of Claims, the Bankruptcy Code's "fair and equitable" standard includes a requirement that either (i) the holders of the Claims receive cash payments, on the Effective Date or in installments, of a value equal to the amount of the Claim, or (ii) no Class of junior Claims or Interests receives anything on account of such junior Claim or Interest. The Debtors believe that this standard is satisfied by the Plan, because all Administrative, Priority (which the Debtors believes there are none), and Secured Claims will be satisfied pursuant to the terms of the Plan and Unsecured Claims will receive a sum that exceeds the Debtors' liquidation analysis.

The failure of each Class to accept the Plan could very well result in a conversion of this case to a Chapter 7 or dismissal of the Chapter 11.

**ARTICLE XIII
ALLOWANCE AND ESTIMATION OF CLAIMS**

13.1 Categorization of Claims

A Claim shall be an Allowed Claim, a Reserved-For Claim, or a Disallowed Claim, based on the following provisions:

13.1.1 Allowed Claims

1 A Claim shall be an Allowed Claim only if, and to the extent, the Claim has been
2 Timely Submitted and Allowable in accordance with the following:

3 13.1.1.1 Timely Submission. A Claim shall be considered Timely Submitted
4 if at least one of the following applies to such Claim;

5 13.1.1.2 Listed. The Claim is listed on the Schedules, is not listed as
6 contingent, unliquidated or disputed, and is not included within a Proof of Claim;

7 13.1.1.3 Proof of Claim. The Claim is reflected in a Proof of Claim filed
8 by the Bar Date applicable to Claims; or

9 13.1.1.4 Otherwise Timely Submitted. The Claim has been determined, by
10 Final Order of the Bankruptcy Court, to be otherwise timely submitted; to be the
11 subject of a timely “Informal Proof of Claim;” or to be deemed timely submitted
12 without a Proof of Claim.

13 **13.1.2 Allowable Claims.**

14 A Claim shall be considered Allowable if at least one of the following applies to
15 such Claim:

16 13.1.2.1 No Objection. The Claim is Timely Submitted and is not the
17 subject of a Timely Objection; or

18 13.1.2.2 Sustained Claim. The Claim has been allowed, after consideration
19 of all Timely Objections, by Final Order of the Bankruptcy Court.

20 **13.1.3 Disallowed Claims.**

21 A Claim shall be a Disallowed Claim if the Claim was not Timely Submitted, or has
22 been disallowed by Final Order of the Bankruptcy Court.

23 **13.1.4 Reserved-For Claims.**

24 A Claim shall be a Reserved-For Claim if the Claim is not an Allowed Claim or a
25 Disallowed Claim. Each Reserved-For Claim shall be considered, for purposes of establishing
26 reserves therefore, to be in an amount equal to (i) the amount listed on the Schedules, if no Proof
27 of Claim has been filed, or (ii) the amount listed on a Proof of Claim.

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13.1.5 Aggregation of Multiple Claims.

Multiple Proofs of Claim within the same Class filed by one Claimant, to the extent not duplicative, shall be aggregated and shall constitute a single Allowed Claim.

13.1.6 Objections and Bar Date for Filing Objections.

Except as provided above, an objection to a Claim shall be a Timely Objection if filed with the Bankruptcy Court and served upon the holder of such Claim pursuant to the Bankruptcy Code and Bankruptcy Rules, no later than thirty (30) days after the Effective Date. The primary responsibility for objecting to Claims shall be with the Disbursing Agent.

13.1.7 Settlement of Claims.

Settlement of any objection to a Claim shall be permitted on the twenty-first (21st) day after notice of the settlement has been provided to the Disbursing Agent, the settling party, and other persons specifically requesting such notice, and if, on such date, there is no written objection filed, such settlement shall be deemed approved. In the event a written objection to the settlement is timely filed, the settlement must be approved by the Bankruptcy Court on notice to the objecting party at a regularly scheduled hearing conducted pursuant to the Bankruptcy Rules.

13.1.8 Distributions on Account of Disputed Claims.

No Distributions shall be made on account of a Disallowed Claim or a Reserved-For Claim.

13.1.9 Effect on Distributions of Reserved-For Claims.

If this Plan provides for a distribution *pro rata* to holders of Claims in a particular Class, when Reserved-For Claims remain in such Class, the Disbursing Agent shall calculate the amount distributable to each holder of a Claim on a *pro-rata* basis considering Reserved-For Claims as Allowed Claims. Notwithstanding such calculation, the Disbursing Agent shall retain the funds pro-rated on account of Reserved for Claims until such Claim becomes Allowed or Disallowed. Any funds held by the Disbursing Agent in accordance with this section shall be disbursed by the Disbursing Agent upon the entry of a Final Order resolving such Claim, and, if the Reserved-For Claim is Disallowed or Allowed in an amount less than the amount of the Reserved-For Claim, the Disbursing Agent shall recalculate the amount distributable to the holders of Allowed Claims.

1 **13.1.10 Penalties and Fines.**

2 Except as specifically provided by Final Order of the Bankruptcy Court, no distribution
3 shall be made on account of, any fine, penalty, exemplary or punitive damages, late charges or other
4 monetary charge relating to or arising from any default or breach by the Debtors, and any Claim on
5 account thereof shall be treated hereunder as such and disallowed to the extent of such fine, penalty,
6 exemplary or punitive damages, late charges or other default-related charge, whether or not an
7 objection is filed to it.

8 **ARTICLE XIV**
9 **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

10 All executory contracts and unexpired leases of the Debtors existing as of the Petition Date
11 are rejected, with the exception of all executory contracts set forth in the Debtors' Schedules (and
12 any accompanying Amendment to the Debtors' Schedules), pursuant to the provisions of §§ 365
13 and 1123 of the Bankruptcy Code. This Plan provision does not alter in any way orders of the
14 Bankruptcy Court approving the assumption of executory contracts and leases. All such orders are
15 reaffirmed without modification and incorporated fully in the Plan so that the Plan is in compliance
16 with those orders.

17 **ARTICLE XV**
18 **CLOSING THE CASE**

19 If the Court does not close this case on its own motion, the Debtors will move the Court to
20 administratively close this case once the Plan is deemed substantially consummated or move for a
21 final decree, as permitted. Until substantial consummation, the Debtors will be responsible for
22 filing pre- and post-confirmation reports required by the United States Trustee and paying the
23 quarterly post-confirmation fees of the United States Trustee, in cash, pursuant to 28 U.S.C. § 1930,
24 as amended. Pursuant to 11 U.S.C. § 1129(a)(12), all fees payable under § 1930 of Title 28, as
25 determined by the Court at the hearing on Confirmation of the Plan, will be paid, in cash, on the
26 Effective Date.

27 **ARTICLE XVI**
28 **DISCLAIMER**

 Court approval of this Disclosure Statement and the accompanying Plan of Reorganization,
including exhibits, is not a certification of the accuracy of the contents thereof. Furthermore, Court

1 approval of these documents does not constitute the Court's opinion as to whether the Plan should
2 be approved and disapproved.

3 **ARTICLE XVII**
4 **RESERVATION OF RIGHTS**

5 Neither the filing of the Plan nor any statement or provision contained in the Plan or in the
6 Disclosure Statement, nor the taking by any party in interest of any action with respect to the Plan
7 shall: (a) be or be deemed to be an admission against interest, and (b) until the Effective Date, be
8 or be deemed to be a waiver of any rights any party in interest may have (i) against any other party
9 in interest, or (ii) in any of the assets of any other party in interest, and, until the Effective Date, all
10 such rights are specifically reserved. In the event that the Plan is not confirmed or fails to become
11 effective, neither the Plan nor the Disclosure Statement nor any statement contained in the Plan or
12 in the Disclosure Statement may be used or relied upon in any manner in any suit, action,
13 proceeding, or controversy within or without these Chapter 11 Cases involving the Trustee or the
14 Debtors, except with respect to Confirmation of the Plan.

15 **ARTICLE XVIII**
16 **MISCELLANEOUS PROVISIONS**

17 **18.1 Correction of defects, omissions, or inconsistency**

18 The Debtors may, with the approval of the Bankruptcy Court and without notice to all
19 holders of Claims or Interests, insofar as it does not materially and adversely affect holders of
20 Claims, correct any defect, omission, or inconsistency in the Plan in such manner and to such extent
21 as may be necessary or desirable to expedite the execution of the Plan. The Plan may be altered or
22 amended before or after Confirmation as provided in Section 1127 of the Bankruptcy Code if, in
23 the opinion of the Bankruptcy Court, the modification does not materially and adversely affect the
24 interests of holders of Claims, so long as the Plan, as modified, complies with Sections 1122 and
25 1123 of the Bankruptcy Code and the Trustee has complied with Section 1125 of the Bankruptcy
26 Code. The Plan may be altered or amended before or after the Confirmation Date but, prior to
27 substantial consummation, in a manner which, in the opinion of the Bankruptcy Court, materially
28 and adversely affects holders of Claims, so long as the Plan, as modified, complies with Bankruptcy

1 Code Sections 1122 and 1123, the Debtors have complied with Bankruptcy Code Section 1125 and,
2 after notice and a hearing, the Bankruptcy Court confirms such Plan, as modified, under Bankruptcy
3 Code Section 1129.

4 **18.2 Filing of Additional Documents**

5 The Debtors shall file with the Bankruptcy Court such agreements, instruments, pleadings,
6 orders, papers, or other documents as may be necessary or appropriate to effectuate and further
7 evidence the terms and conditions of the Plan.

8 **18.3 Successors and Assigns**

9 The rights, benefits, and obligations of any entity named or referred to in this Plan shall be binding
10 on, and shall inure to the benefit of, the heirs, executors, administrators, successors, and/or assigns
11 of such entity.

12 **18.4 Setoffs and Recoupments**

13 The Liquidating Trust may, but shall not be required to, set off against or recoup from the payments
14 to be made pursuant to this Plan in respect of a Claim, any claim of any nature whatsoever that the
15 Debtors, the Trustee, the Liquidating Trust, or the Estates, as applicable, may have against the
16 Holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder
17 shall constitute a waiver or release of any such claim by the Debtors, the Trustee, the Liquidating
18 Trust, or the Estates, against such Holder.

19 **18.5 Implementation**

20 Upon Confirmation, the Debtors shall be authorized to take all steps and execute all
21 documents necessary to effectuate the provisions contained in the Plan.

22 **ARTICLE XIX**
23 **RISKS**

24 The risk of the Plan lies essentially with the Debtors' ability to maintain its operational
25 structure and continue generating net income which is reflective of the financial disclosures
26 incorporated in this Disclosure Statement.

27 **ARTICLE XX**
28 **RECOMMENDATION OF THE DEBTORS**

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The Debtors recommend that all Creditors entitled to vote for the Plan file a ballot. The alternatives to Confirmation of the Plan would be either conversion of this Case to a case under Chapter 7 of the Bankruptcy Code or its dismissal.

Conversion will result in the appointment of a Chapter 7 trustee and, most likely, the hiring of an attorney by the trustee. Expenses incurred in administering the Chapter 7 case will take priority in the right to payment over allowed, administrative expenses incurred in the Chapter 11 case. Both Chapter 7 and Chapter 11 administrative expenses take priority over the payment of Unsecured Claims. In other words, conversion would likely decrease the net amount available to pay currently existing Creditors. Based upon the liquidation analysis the unsecured creditors are unlikely to receive any return under a chapter 7 proceeding.

In addition, conversion could substantially delay any distribution to Creditors beyond the time period for distribution defined in the Plan. A Chapter 7 trustee is not limited to specific deadlines for closing a case and distributing assets to Creditors. It is not unusual for distributions in Chapter 7 cases to be delayed for years. Moreover, the return on the assets of the estate a trustee is likely to obtain through a standard Chapter 7 liquidation could be less than the return the Plan will generate.

Dismissal of this Case would leave all Creditors holding Unsecured Claims in the position of having to institute legal proceedings to collect the debts. Moreover, outside the context of a bankruptcy case, the first Creditor to collect may collect all non-exempt property, leaving nothing to be paid to remaining Creditors. In addition, dismissal of this case would open the door for the Debtors to file a new bankruptcy case, which could further delay or reduce funds available to pay creditors. For all these reasons, the Debtors urge you to vote to accept the Plan and to return your ballot in time to be counted.

NO REPRESENTATIONS CONCERNING THE DEBTORS OR THE PLAN ARE AUTHORIZED OTHER THAN THOSE STATED HEREIN. YOU SHOULD NOT RELY ON ANY REPRESENTATIONS OR INDUCEMENTS CONCERNING THE PLAN OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT.

THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A CERTIFICATION OR RULING BY THE

1 **COURT REGARDING THE COMPLETENESS OR ACCURACY OF ANY**
2 **STATEMENTS CONTAINED HEREIN.**

3 **AN ACCOUNTANT HAS NOT REVIEWED THE INFORMATION CONTAINED**
4 **IN THIS DISCLOSURE STATEMENT OR ITS EXHIBITS. THE DEBTORS CANNOT**
5 **WARRANT OR REPRESENT THAT THE INFORMATION IS WITHOUT ANY ERROR.**
6 **HOWEVER, THE INFORMATION IS ACCURATE TO THE BEST OF THEIR**
7 **KNOWLEDGE AND BELIEF.**

8 This Disclosure Statement is not the Plan. This Disclosure Statement, together with the
9 Plan, attached hereto as Exhibit A, should be read in its entirety before you vote on the Plan. The
10 Plan is summarized in this Disclosure Statement, but the Plan is controlling.

11 Dated: June 7, 2017.

12 **NUSSBAUM GILLIS & DINNER, P.C.**

13 */s/ Dean M. Dinner*
14 _____
15 Dean M. Dinner
16 *Attorneys for the Debtors-in-Possession*

17 */s/ Rebecca Weiss*
18 _____
19 Dr. Rebecca Weiss
20 Member of the Debtors