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UNITED STATES BANKRUPTCY COURT

DISTRICT OF ARIZONA

In re:

PRECISE CORPORATE STAGING,
LLC, ■

DEDICATED STAGING, LLC, ■

DAVMAR INVESTMENTS, LLC, ■

Debtors.

Chapter 11 Proceedings

Case No. 2:16-bk-14281-PS

Case No. 2:16-bk-14283-PS

Case No. 2:16-bk-14284-PS

(Jointly Administered)

This filing applies to:

All Debtors

Precise Corporate Staging, LLC

**CHAPTER 11 DEBTORS' DISCLOSURE STATEMENT FOR PLAN OF
LIQUIDATION DATED APRIL 19, 2017**

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EXHIBITS

EXHIBIT A Plan of Liquidation

EXHIBIT B Disclosure Statement Order

1 Precise Corporate Staging, L.L.C. (“**Precise Staging**”), Dedicated Staging, L.L.C.
2 (“**Dedicated Staging**”), and DavMar Investments, LLC (“**DavMar**” and collectively, the
3 “**Debtors**”), hereby submit the following Chapter 11 Debtors’ Disclosure Statement For
4 Plan of Liquidation Dated April 19, 2017 (the “**Disclosure Statement**”) in connection
5 with the Chapter 11 Debtors’ Plan of Liquidation dated April 19, 2017 (the “**Plan**”).
6

7 **I. Introduction**

8 **A. Executive Summary**

9
10 The Debtors collectively own and manage an audio/visual staging business that
11 coordinates and provides lighting, audio, and visual for conferences, concerts, and similar
12 events in Arizona and across the United States. The Debtors engaged Smith & Smith,
13 PLLC as chapter 11 counsel to facilitate a liquidation or reorganization. Towards this end,
14 the Debtors submit the Plan of Liquidation, a copy of which is attached to this Disclosure
15 Statement as **Exhibit A**. In brief, the Debtors propose that their assets be liquidated in an
16 orderly fashion in two primary steps. Video West, Inc. (“**Video West**”) will purchase all
17 of the Debtors’ assets for \$1,500,000, subject to Western State Bank’s (“**WSB**”) right to
18 credit bid. The Debtors will also market and sell the real property located at 1530 W. 10th
19 Place Tempe, AZ 85281 (the “**Property**”).
20
21

22 **B. General Information**

23
24 The Debtors hereby submit this Disclosure Statement to holders of Claims against
25 and Interests in the Debtors for the purpose of soliciting acceptance of the Plan.
26
27
28

1 The Debtors believe this Disclosure Statement contains the material, important, and
2 necessary information for creditors to arrive at an informed decision in exercising their
3 right to vote for acceptance or rejection of the Plan.
4

5 Most words or phrases in this Disclosure Statement have their usual and customary
6 meanings. Certain capitalized terms have the same meaning as defined in the Plan. If not
7 otherwise defined, certain terms in this Disclosure Statement have the meaning provided
8 in the Bankruptcy Code or Bankruptcy Rules.
9

10 Unless otherwise noted, those portions of the Plan and this Disclosure Statement
11 providing factual information concerning the Debtors, including assets and liabilities, have
12 been prepared from information submitted by the Debtors and professionals retained by
13 the Debtors. Debtors' counsel, and other professionals employed by the Debtors, have
14 used all relevant, non-privileged information in the possession of the Debtors in preparing
15 this Disclosure Statement and Plan.
16

17 The financial information contained in this Disclosure Statement has not been
18 subjected to an audit by an independent certified public accountant. For that reason, the
19 Debtors are not able to warrant or represent that the information contained in this
20 Disclosure Statement is without any inaccuracy. To the extent practicable, the information
21 has been prepared from the Debtors' financial books and records and effort has been made
22 to ensure that all such information is accurate.
23
24

25 The Disclosure Statement and the Plan will classify all creditors into Classes. The
26 treatment of each class of creditors will be set forth in this Disclosure Statement and in the
27
28

1 Plan. You should carefully examine the treatment of the Class to which your claim will be
2 assigned.

3
4 This Disclosure Statement requires approval by the Bankruptcy Court after notice
5 and a hearing pursuant to Section 1125(b). Once approved, the Disclosure Statement will
6 be distributed with the proposed Plan. Approval of the Disclosure Statement by the
7 Bankruptcy Court does not constitute either certification or approval of the Debtors' Plan
8 by the Bankruptcy Court or that the Disclosure Statement is without any inaccuracy.
9
10 Creditors may vote on the Plan once the Disclosure Statement is approved by the
11 Bankruptcy Court. An approved Disclosure Statement and Ballot will be mailed to
12 holders of claims and interests. The Disclosure Statement Order, attached to this
13 Disclosure Statement as **Exhibit B**, provides in detail the deadlines, procedures, and
14 instructions for voting to accept or reject the Plan of Reorganization, and to object to
15 confirmation.
16

17 Finally, no representations concerning the Debtors or the Plan are authorized other
18 than as set forth in this Disclosure Statement.
19

20 C. Classification of Claims and Interests

21 The following table designates the Classes of Claims and Interests in the Debtors,
22 and specifies the Classes that are impaired by the Plan and entitled to vote to accept or
23 reject the Plan. A detailed description of the Classes of Claims and Interests is provided in
24 Section VI below.
25

26 ///

27 ///

Class	Designation	Impairment	Entitled to Vote
1	Western State Bank (WSB)	Yes	Yes
2	JPMorgan Chase	Yes	Yes
3	Toyota Motor Credit Corporation	Yes	Yes
4	Western Equipment Finance	Yes	Yes
5	Maricopa County Treasurer	Yes	Yes
6	General Unsecured Claimants	Yes	Yes
7	Ownership Interest	Yes	No

D. Voting

As a creditor, your vote is important. All holders of Claims are encouraged to vote. All creditors entitled to vote must cast their vote by completing, dating, and signing the ballot mailed to them with the Disclosure Statement once it is approved. The ballot will contain instructions concerning the deadline for submitting the ballot and the address where the ballot should be mailed.

The Court will confirm the Plan if the requirements of Section 1129 are met. The Court must determine whether the Plan has been accepted by each impaired class entitled to vote. Impaired classes entitled to vote are those classes of claims and interests whose legal, equitable or contractual rights are altered, as defined by Section 1124. In determining acceptance, only those votes submitted by a creditor with a claim listed as undisputed, non-contingent, and liquidated, or who has timely filed a proof of claim or proof of interest, will be counted.

Pursuant to Section 1126(c), for a class of claims to accept the Plan, there must be acceptance by holders of: (a) at least two-thirds of the dollar amount of the Allowed Claims of such class that actually vote on the Plan; and (b) more than one-half in number of the Allowed Claims of such class that actually vote on the Plan. An impaired class of

1 interests is deemed to have accepted the Plan if the Plan has been accepted by at least two-
2 thirds in amount of the allowed interests who vote on the Plan. Failure to vote does not
3 constitute either an acceptance or a rejection of the Plan.
4

5 The Plan may be confirmed under Section 1129(b) even if each class of creditors
6 does not accept the Plan, so long as one impaired class of creditors accepts the Plan. Only
7 the votes of creditors or interested parties whose ballots are timely received will be
8 counted in determining acceptance of the Plan. Ballots must be received by counsel for
9 the Chapter 11 Debtors no later than 5:00 p.m., Arizona time, on _____, 2017 at
10 the following address:
11

12 Gerald K. Smith and John C. Smith Law Offices, PLLC
13 6720 E. Camino Principal, Suite 203
14 Tucson, AZ 85715

15 E. Confirmation Hearing

16 In accordance with Section 1128 and Bankruptcy Rule 3017(c), a hearing will be
17 held before the Honorable Paul Sala, United States Bankruptcy Court, 230 N. First Ave.
18 #101, Phoenix, AZ 85003, at a time and date to be set by this Court and noticed out to all
19 interested parties, to consider whether the requirements for confirmation have been met
20 and whether the Plan has received the requisite acceptance, or whether the Plan can be
21 confirmed pursuant to Section 1129(b). At the Confirmation Hearing, the Debtors will
22 request confirmation of the Plan, as it may be modified.
23
24

25 **II. Overview of the Debtors**

26 Debtors are limited liability companies in good standing organized under the laws
27 of the State of Arizona. Dedicated Staging and Precise Staging were formed in 2000.
28

1 DavMar was formed in 2005. Mr. David Stern is the manager and president of Dedicated
2 Staging and Precise Corporate Staging and the members of Precise Corporate Staging and
3 Dedicated Staging are David Stern and Marla Stern. The members of DavMar are David
4 and Marla Stern.
5

6 The primary business of Precise Staging and Dedicated Staging is the logistics,
7 coordination, and provision of audio, lighting, and visual services for concerts, corporate
8 events and similar occasions. A second revenue stream for the Debtors is subleasing of
9 their equipment to private parties. The Debtors operate from the Property owned by
10 DavMar. Dedicated Staging owns the personal property the Debtors use in their business,
11 which consists primarily of audio, lighting, and visual equipment. Precise Staging is the
12 entity that interacts with clients and services their needs.
13
14

15 The principals of the Debtors, David and Marla Stern, have been the operators of
16 the Debtors since their formation. David Stern maintains client relationships and
17 connections with industry representatives and is the Debtors' sole salesperson. Marla
18 Stern is the bookkeeper of the Debtors and manages the logistics of Debtors, including
19 accounts payable/receivable, payroll, and HR issues. Further, Ms. Stern handles all of the
20 details relating to subleases, purchasing supplies, and trucking and shipping for events.
21
22

23 **III. Events Precipitating the Chapter 11 Petition**

24 Debtors filed their bankruptcy petitions in response to defaults on indebtedness
25 with WSB. Following the 2009 recession, in 2013, the Debtors refinanced two existing
26
27
28

1 loans with WSB, and a third loan in 2015.¹ Each loan is secured against the personal
2 property of the Debtors and each loan contains cross-collateralization and cross-default
3 provisions. The Sterns also personally guaranteed these loans. WSB filed UCC-1
4 Financing Statements in the Arizona Secretary of State's Office. The total amount loaned
5 by WSB is \$4,825,900 based on a valuation of the fair market value of equipment of the
6 Debtors at \$8,600,819. *See* [DE 139-2, at 8].
7

8
9 Through 2013 and 2014, Mr. Stern encountered health problems and was unable to
10 work for part of those years, causing a decrease in business. As a result, in June 2016, the
11 Debtors failed to make a debt service payment and failed to satisfy one loan on its maturity
12 date.
13

14 On December 1, 2016, WSB filed suit in Maricopa County Superior Court
15 CV2016-017587 naming as defendants Dedicated Staging, Precise Corporate Staging,
16 DavMar Investments, David Stern and Marla Stern. The complaint requested the
17 appointment of a receiver, foreclosure of security interest, replevin, and alleged breach of
18 contract and breach of guaranty. The Maricopa County Superior Court granted
19 provisional remedies to WSB in the form of pre-judgment garnishment on the bank
20 accounts of David Stern and Marla Stern.
21

22 Once negotiations relating to a possible forbearance agreement proved fruitless, the
23 Debtors filed for relief under Chapter 11 of the Bankruptcy Code.
24
25
26

27 ¹ Loan No. 5250528 was extended to Debtors on April 30, 2013 in the principal amount of
28 \$830,700. Loan No. 6109435003 was extended on April 30, 2013 in the principal amount
of \$3,015,200. Loan No. 5250809 was extended to Debtors on October 7, 2015 in the
principal amount of \$980,000.00,

1 **IV. Significant Events During the Chapter 11**

2 On December 20, 2016, Debtors filed three voluntary petitions commencing Case
3 Nos. 2:16-bk-14281-PS (Precise Corporate Staging), 2:16-bk-14284-PS (DavMar
4 Investments), and 2:16-bk-14283-PS (Dedicated Staging). On December 21, 2016, the
5 Court entered an order directing joint administration, transfer of assignment of cases to
6 one judge, and use of a consolidated caption. [2:16-bk-14281-PS DE 13]. The Debtors
7 also filed various first day motions. [See 2:16-bk-14281-PS DE 15, 17, 18]. The Debtors
8 filed their schedules and statement of financial affairs on January 17, 2017 [2:16-bk-
9 14281-PS DE 64, 65], [2:16-bk-14284-PS DE 17, 18], [2:16-bk-14283-PS DE 18, 19].
10 The Section 341 meeting of creditors was held on January 24, 2017, and Debtors were
11 examined by WSB and JP Morgan Chase (“Chase”).
12
13
14

15 Precise Staging, Dedicated Staging and WSB agreed to a stipulated cash collateral
16 order, which the Court entered on March 22, 2017. [2:16-bk-14281-PS DE 147]. DavMar
17 entered into a cash collateral stipulation with DavMar’s mortgage lender, Chase, on March
18 6, 2017. [2:16-bk-14281-PS DE 134].
19

20 The Debtors currently have pending an adversary complaint and a motion
21 requesting that the Court enjoin action against the guarantors during the pendency of the
22 Debtors’ cases. [2:16-bk-14281-PS DE 83], [2:17-ap-00120-PS DE 1]. Also still pending
23 is WSB’s motion for relief from the automatic stay, which it filed on February 6, 2017.
24 [2:16-bk-14281-PS DE 97-98], and Chase’s motion for relief from the automatic stay
25 [2:16-bk-14281-PS DE 168].
26

27 Debtors have filed operating reports for January, February, and March 2017.
28

1 **V. Description of Assets**

2 A. Real Property

3 DavMar owns the Property located in Maricopa County, Arizona commonly known
4 as 1530 W. 10th Place, Tempe, AZ 85281. The Property is legally described as follows:

5 Lots 7 and 8, Jack-Pack Industrial Park, according to Book 174 of Maps, page
6 17 records of Maricopa County Arizona; EXCEPT the West 2 feet of said Lot
7 7; and Except the East 185 feet of said Lot 8.

8 The Property is approximately 34,000 square feet and contains the building where the
9 Debtors primarily operate from and where the Debtors' equipment is stored. DavMar has
10 granted Chase a first and second priority Deed of Trust in the Property, which provide that
11 Chase is entitled to any rents, issues, profits, and income derived from the Property. The
12 first Deed of Trust secures a promissory note executed by DavMar in September 2010 in
13 the original principal amount of \$2,000,000. As of the Petition Date, there remained
14 \$1,668,364.43 of principal outstanding, \$1,317.73 of unpaid accrued interest, and
15 \$1,500.00 of late charges relating to the first Deed of Trust. Also on September 10, 2010,
16 DavMar executed a second promissory note secured by the Deeds of Trust in the original
17 principal amount of \$900,000.00. As of the Petition Date, there was \$625,141.33 of
18 principal outstanding, \$ 971.28 of unpaid accrued interest, and a \$250 late charge relating
19 to the second Deed of Trust.

20 Though Debtors have not conducted an appraisal of the Property since the
21 JPMorgan Chase promissory notes were executed, the Debtors believe that there is value
22 above the current encumbrances relative to the Property.
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1 Dedicated Staging and Precise Staging do not own real property. Both entities are
2 tenants of DavMar which collects rents from them, and in turn, pays Chase. Dedicated
3 Staging and Precise Staging have made one rental payment to DavMar, which in turn
4 made a mortgage payment to Chase, during the pendency of this Bankruptcy Case.
5

6 **B. Personal Property**

7 All personal property owned by the Debtors is described in detail in their
8 Schedules.
9

10 1. Cash in Bank Accounts: Debtors have three debtor-in-possession
11 bank accounts with BNC National Bank. As of April 19, 2017, Debtors had a combined
12 total of \$28,987.67.
13

14 2. Liquidated Debts: As of March 31, 2017, Debtors are owed
15 \$213,038.16 as accounts receivable from operation of its business.
16

17 3. Lighting Audio and Visual Equipment: Debtors' own approximately
18 33,000 pieces of lighting, audio, and visual equipment. While the Debtors do not know
19 the exact value of the equipment at this time, Video West has made an offer to purchase
20 the equipment for \$1.5 million, and the scheduled estimated book value of the collateral is
21 \$610,376.50. Western Equipment Finance has a lien on certain equipment identified as
22 grandma 2 full size 16 universe lighting control console, 2 flight case for grandma, 2 full
23 including wheels, 1 network processing unit 19 in rack mount. Western Equipment
24 Finance filed a claim in the amount of \$53,088.22.
25

26 4. Office equipment, furniture, fixtures, equipment, and automobile:
27 The total estimated value of Debtors' equipment, furniture, and fixtures is not known at
28

1 this time, but is likely *de minimis*. The Debtors own a 2013 Lexus subject to a secured
2 claim of Toyota Motor Credit Corporation; in Toyota Motor Credit Corporation's proof of
3 claim it scheduled the value of the vehicle as \$30,150.00 and its secured claim as
4 \$18,013.26.

5
6 5. Other personal property: The Debtors also own intangibles including
7 its trade names, websites, and goodwill.

8 9 **VI. Summary of the Plan**

10 **THE FOLLOWING IS ONLY A SUMMARY OF THE PLAN OF**
11 **REORGANIZATION. IN THE EVENT OF ANY INCONSISTENCY, THE**
12 **EXPRESS TERMS OF THE PLAN ITSELF SHALL GOVERN.**

13 14 A. Overview

15 The goal of the Plan is to pay creditors to the fullest extent possible through the
16 liquidation of the assets of the Debtors. The Debtors will conduct a sale of their lighting,
17 audio, and visual equipment pursuant to Section 363 and have identified a stalking horse
18 bidder in Video West. If the sale of the equipment concludes with Video West purchasing
19 the equipment, WSB will receive the proceeds from the sale of the equipment. The
20 Debtors will sell the Property through the employment of a commercial real estate broker.
21 The proceeds from the sale of the Property will be distributed to the Creditors of the
22 Debtors in accordance with the priority scheme under the Bankruptcy Code.

23 24 B. Classification and Treatment of Claims and Interests

25 All claims and interests, except administrative expense and priority tax claims, are
26 placed into classes as set forth below. A claim or interest is placed in a particular class,
27
28

1 only to the extent that the claim or interest falls within the description of that class, and is
2 classified in all other classes to the extent that any portion of the claim or interest falls
3 within the description of such other class.
4

5 A claim or interest is placed into a particular class for all purposes, including voting
6 on this Plan, confirmation, and receiving distributions pursuant to this Plan, only to the
7 extent that such claim or interest is an Allowed Claim in that class, and such claim has not
8 been paid, released, or otherwise settled prior to the Effective Date. The establishment of
9 particular Classes or categories of Unclassified Priority Claims does not mean or imply
10 that there are any Allowed Claims that fall into each such Class or category, and the Plan
11 Trustee, as the successor to the Debtors, may later contend there are no such Allowed
12 Claims in any given Class or category.
13
14

15 Although the following is not a substitute for a careful reading of the Plan, it is a
16 general discussion of the treatment of Allowed Claims and Interests under the Plan.
17 Through the Plan, the Debtors intend to allow for payments to allowed prepetition claims
18 based on the value received for the liquidation of Debtors' assets.
19

20 1. Unclassified Claims

21 Pursuant to Section 1123(a)(1), Administrative Expenses pursuant to Section
22 507(a)(2) and Priority Tax Claims pursuant to Section 507(a)(8) are not classified under
23 the Plan. These Claims are not considered impaired and holders of such Claims do not
24 vote on the Plan. They may, however, object if, in their view, their treatment under the
25 Plan does not comply with that required by the Code.
26

27 //

1 **Administrative Expenses**

2 Administrative Expenses are costs or expenses of administering the Chapter 11 case
3 that are allowed under Section 507(a)(2). The holders of Administrative Expenses shall
4 receive cash on account and in the amount of such Administrative Expenses. At the option
5 of the Debtors, payment of Administrative Expenses shall be made in cash: (a) on the
6 Effective Date; or (b) when due in accordance with the terms of any agreement between
7 the Debtors and the holder of the administrative claim. Professionals employed at the
8 expense of the Estate and entities who may be entitled to reimbursement or the allowance
9 of fees and expenses from the Estate pursuant to Section 503(b)(2)-(6) shall receive cash
10 in the amount awarded to such professionals and entities at such times and only in
11 accordance with a Final Order entered pursuant to Sections 330 or 503(b)(2)-(6). Any
12 Administrative Expenses unpaid on the Effective Date will accrue interest at a rate of 5%
13 until paid in full.

14 Any application for payment of an Administrative Expense shall be filed within 60
15 days of the Effective Date (the “**Administrative Expenses Bar Date**”), or shall be forever
16 barred.

17 The anticipated Administrative Expenses on the Effective Date include the Debtors’
18 counsel’s outstanding fees in the approximate amount of \$131,245.00 and costs in the
19 approximate amount \$2,487.50. The anticipated Administrative Expenses are an estimate
20 and the Debtors reserve all rights to submit additional Administrative Expenses to the
21 Court for approval for, among other reasons, work that will be done between the filing of
22 the Plan and Disclosure Statement and the Confirmation Hearing. Post-confirmation, the
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1 Plan Trustee and its counsel will continue to incur fees, and it is anticipated an accountant
2 will be employed and will incur fees related to tax accounting.
3

4 Notwithstanding any provision in the Plan to the contrary, all fees and charges
5 assessed against the Estate pursuant to 28 U.S.C. § 1930 shall be paid on or before the
6 Effective Date.

7 **Priority Tax Claims**

8
9 As provided by Section 1129(a)(9)(C), priority tax claims under Section 507(a)(8)
10 shall be paid in accordance with the negotiations of the parties, in cash with interest at the
11 statutory rate from the Petition Date. After the Debtors have liquidated their assets, both
12 real and personal, Debtors will pay all claimants holding a priority tax claim from any
13 surplus. Following a sale of the Property, the Debtors shall tender payment to any holder
14 of a priority tax claim within 60 days of closing.
15

16 The Maricopa County Treasurer has filed a Proof of Claim for real property taxes in
17 the amount of \$85,431.97 [2:16-bk-14284-PS Claim 3], but does not assert its claim is
18 entitled to priority. The Maricopa County Treasurer has a valid tax lien perfected pursuant
19 to A.R.S. § 42-17153. In the Maricopa County Treasurer's Claim, it states that it is not
20 entitled to priority. Any real property taxes determined to be owed will be paid in
21 accordance with the priority tax claim treatment described above.
22
23

24 2. Classified Claims

25 **Class 1 – Secured Claim of WSB**

26 The Allowed Claim of WSB, secured by certain personal property, namely
27 Debtors' lighting, audio, and visual equipment, shall remain secured after the Effective
28

1 Date in the same priority as it was on the Petition Date. The Allowed Class 1 Claim shall
2 be secured to the extent of the funds received in a sale of the collateral. The scheduled
3 estimated book value of the collateral is \$610,376.50. Video West has made an offer to
4 purchase the equipment for \$1.5 million. According to the filed Proof of Claim by WSB,
5 excluding late charges, the amount of the claim is “at least \$3,598,960,”² leaving an
6 unsecured balance of the difference between the purchase price of the equipment and
7
8 \$3,598,960, the amount of the claim.
9

10 WSB’s collateral will be sold pursuant to Section 363 under the Plan. The holder
11 of an Allowed Class 1 Claim may not elect to have its claim treated pursuant to Section
12 1111 because such property will be sold pursuant to Section 363 and the Plan. Within 60
13 days of the sale of WSB’s collateral, the Debtors will release the proceeds to WSB. Any
14 outstanding amounts owed by Debtors to WSB will be treated as a Class 5 general
15 unsecured claim. Class 1 will retain its lien and payments will be made until the collateral
16 securing the Claim is sold or the Claim is paid off.
17

18 - Class 1 is impaired.
19

20 **Class 2 - JPMorgan Chase**

21 The Allowed Claim of Chase, secured by the Property, shall remain secured after
22 the Effective Date in the same priority as it was on the Petition Date. The Allowed Class 2
23 Claim shall be secured to the extent of the funds received in a sale of the collateral. The
24 outstanding indebtedness owed to Chase is \$2,296,544.77. The scheduled net book value
25
26

27
28 ² WSB filed claims in each case based on the same debt. *Compare* [2:16-bk-14284-PS Claim 1], *with* [2:16-bk-14283-PS Claim 1], *and with* [2:16-bk-14281-PS Claim 3].

1 of the Property is \$3,150,318.01. Debtors estimate that there is equity above the total
2 outstanding indebtedness owed to Chase.

3
4 The Property will be sold under the Plan. The holder of an Allowed Class 2 Claim
5 will be paid interest on the principal balance of its allowed Secured Claim in the amount of
6 6%, which will start accruing on the Effective Date until the Property is sold under the
7 Plan through the employment of a qualified real estate broker. The holder of an Allowed
8 Class 2 Claim may not elect to have its claim treated pursuant to Section 1111 because
9 such property will be sold pursuant to Section 363 and the Plan. Within 60 days of the
10 sale of the Property, unless otherwise agreed by the parties, the Debtors will release the
11 proceeds to Chase. Any surplus amount will be paid in accordance with the priority
12 scheme under the Bankruptcy Code, first to administrative claims, then to any priority
13 claims, and last to general unsecured claims. Class 2 will retain its lien and payments will
14 be made until the Property securing the Claim is sold or the Claim is paid off.
15
16

17 - Class 2 is impaired.

18
19 **Class 3 – Toyota Motor Credit Corporation**

20 The Allowed Claim of Toyota Motor Credit Corporation, secured by Debtors' 2013
21 Lexus, shall remain secured after the Effective Date in the same priority as it was on the
22 Petition Date. The Allowed Class 2 Claim shall be secured to the extent of the funds
23 received in a sale of the collateral. Toyota Motor Credit Corporation scheduled its claim
24 as \$18,013.26 and listed the value of the vehicle as \$30,150.00. The Debtors estimate that
25 the vehicle is valued at approximately \$27,581 per Kelly Blue Book, assuming a private
26 party sale, 36,000 miles, and vehicle is in good condition.
27
28

1 The vehicle will be sold under the Plan through an online auction service, *e.g.*, E-
2 Bay. The holder of an Allowed Class 3 Claim will be paid interest on the principal
3 balance of its allowed Secured Claim in the amount of 6%, which will start accruing on
4 the Effective Date until Toyota Motor Credit Corporation's collateral is sold. The holder
5 of an Allowed Class 3 Claim may not elect to have its claim treated pursuant Section 1111
6 because such property will be sold under the Plan. Within 60 days of the sale of Toyota
7 Motor Credit Corporation's collateral, the Debtors will release the proceeds to Toyota
8 Motor Credit Corporation. Any outstanding amounts owed by Debtors to Toyota Motor
9 Credit Corporation will be treated as a Class 5 deficiency claim. Any surplus amount will
10 first be paid to administrative claims, then to any priority claims, and last to general
11 unsecured claims. Class 3 will retain its lien and payments will be made until the
12 collateral securing the Claim is sold or the Claim is paid off.

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15
16 - Class 3 is impaired.

17 **Class 4 – Western Equipment Finance**

18 The Allowed Claim of Western Equipment Finance against Dedicated Staging is
19 secured by certain equipment, including equipment identified as grandma 2 full size 16
20 universe lighting control console, 2 flight case for grandma, 2 full including wheels, 1
21 network processing unit 19 in rack mount. The Allowed Class 3 Claim shall be secured to
22 the extent of the funds received in a sale of the equipment as contemplated in the Section
23 363 sale in this Plan. Western Equipment Finance scheduled its claim as \$53,088.22, and
24 during this case the Debtors have made payments to Western Equipment Finance in total
25 of \$12,054.84. Western Equipment Finance also filed an unsecured claim against Precise
26
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1 Staging. For purposes of the Plan, because Western Equipment Finance will be paid off
2 through the sale of the equipment, and it is being considered a separate secured claim in
3 Class 4.
4

5 Western Equipment Finances' collateral will be sold under the Plan. The holder of
6 the Allowed Class 4 Claim will be paid interest on the principal balance of its allowed
7 Secured Claim in the amount of 6%, which will start accruing on the Effective Date until
8 Western Equipment Finance's equipment is sold. It is contemplated that the secured
9 equipment will be sold at the sale at the Confirmation Hearing. The holder of an Allowed
10 Class 4 Claim may not elect to have its claim treated pursuant Section 1111 because such
11 property will be sold pursuant to Section 363 or the Plan. Within 60 days of the sale of
12 Western Equipment Finance's collateral, the Debtors will release the proceeds to Western
13 Equipment Finance. While the Debtors do not anticipate it, any outstanding amounts
14 owed by Debtors to Western Equipment Finance will be treated as a Class 4 deficiency
15 claim. Any surplus amount will first be paid to administrative claims, then to any priority
16 claims, and last to general unsecured claims. Class 4 will retain its lien and payments will
17 be made until the collateral securing the Claim is sold or the Claim is paid off.
18
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21 - Class 4 is impaired.

22 **Class 5 – Maricopa County Treasurer**

23 Class 5 consists of all Allowed Claims of the Maricopa County Treasurer that are
24 secured to the Property. The Maricopa County Treasurer has filed a secured proof of
25 claim in the amount of \$85,431.97 based on statutory tax liens for 2015 and 2016.
26 Allowed Class 5 claims shall be paid from the proceeds of the sale of the Property. Within
27
28

1 sixty (60) days of the sale of the Property, the Debtors will release the proceeds to the
2 Maricopa County Treasurer in satisfaction of its claim. Class 5 will retain its lien and
3 payment will be made until the Property is sold or the Claim is paid off.
4

5 - Class 5 is impaired.

6 **Class 6 – General Unsecured Claims**

7 Class 6 consists of all Allowed Claims that are not secured and do not have
8 statutory priority, including any unsecured portion of an otherwise secured claim. The
9 following is a table of the estimated unsecured claims and their amounts.
10

11

Creditor	Claim Amount	Debtors' Estimate of Claim Amount
SRP (Precise - Claim 1)	\$912.73	\$912.73
American Express (Precise - Claim 2)	\$12,451.13	\$12,451.13
Scheduled Unsecured Claims (less American Express, Claim 2, and claim of Toyota Motor Credit Company)	\$92,826.86	\$92,826.86
Unsecured Balance of Class 1 Creditor	-	-
Unsecured Balance of Class 2 Creditor	-	-
Unsecured Balance of Class 3 Creditor	-	-
Unsecured Balance of Class 4 Creditor	-	-
Total:	\$106,190.72	\$106,190.72

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19 Holders of Allowed Class 6 Claims shall be paid ratably together with Class 5
20 Claims from any surplus from the sale of the Property and the Debtors' vehicle.
21

22 - Class 6 is impaired.

23 **Class 7 – Ownership Interests**

24 This Class consists of all Allowed Interests in Debtors. No holder of an Allowed
25 Interest will receive payment or retain their ownership interest in Debtors unless all other
26 classes have been paid in full.
27

28 - Class 7 is impaired.

1 **VII. Executory Contracts and Unexpired Leases**

2 All executory contracts and unexpired leases shall be rejected.

3
4 However, any individual or entity that is a party to an executory contract or
5 unexpired lease assumed pursuant to the Plan who objects to such assumption must file
6 with the Court a written statement stating the basis for the objection. This statement must
7 be filed and served within the deadline for objecting to the confirmation of the Plan, unless
8 the Court has set an earlier time. Any individual or entity that fails to file timely and serve
9 such a statement will be deemed to have waived any objection to the proposed assumption.
10

11 **VIII. Means for Executing and Implementing the Plan**

12 **A. Means of Funding the Plan**

13
14 The Debtors will conduct three sales to generate proceeds to fund the Plan. The
15 Debtors will (1) sell the Debtors' lighting, audio, and visual equipment currently subject to
16 WSB's lien pursuant to Section 363; (2) the Debtors will sell the Debtors' vehicle subject
17 to Toyota Motor Credit Corporation's lien, and (3) Debtors will employ a broker to sell the
18 Property subject to the liens of Chase and the Maricopa County Treasurer.
19

20 Video West, a third-party, will provide a "stalking horse" bid ensuring that there is
21 a bidder for the Debtors' lighting, audio, and visual equipment. As a result, Video West
22 will provide a floor price. Video West will provide an initial bid of \$1,500,000 for the
23 Debtors' lighting, audio, and visual equipment. WSB will retain its right to credit-bid
24 pursuant to Section 363(k). As discussed below, any interested party may contact by
25 email Grant L. Cartwright (grant@smithandsmithpllc.com) or John C. Smith
26
27
28

1 (john@smithandsmithpllc.com) for detailed information on the equipment for sale. The
2 bidding procedures shall be:

- 3 • Sale Hearing: The Sale Hearing will be held at the same date and time as the
4 Confirmation Hearing.
- 5 • Qualified Bidder: To participate in the bidding process, to obtain access to
6 the due diligence materials, and to have a bid considered by the Debtors, a
7 potential bidder must deliver, unless otherwise set by the Court, within one
8 (1) week following the date of the approval by the Bankruptcy Court of the
9 Disclosure Statement to counsel for the Debtors: (1) an executed
10 confidentiality agreement in form and substance acceptable to the Debtors
11 and their counsel, and (2) preliminary written proof by the potential bidder
12 of its financial capacity to close the proposed transaction satisfactory to the
13 Debtors and their counsel, and (4) written evidence of firm commitment or
14 other satisfactory evidence of any required debt or equity financing. Within
15 three (3) business days after a potential bidder delivers the preliminary bid
16 documents, Debtors' counsel shall determine and notify the potential bidder
17 whether such potential bidder has submitted acceptable preliminary bid
18 documents. The Debtors' counsel will work with potential bidders during
19 the three (3) day period to attempt to correct or cure any deficiencies. Only
20 Qualified Bidders may conduct a due diligence review. Video West shall be
21 deemed a Qualified Bidder and its bid of \$1.5 million is a Qualified Bid.
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1 WSB is a Qualified Bidder, and, if it chooses to credit bid, its credit bid is a
2 Qualified Bid.

- 3
4 • Due Diligence: Following approval as a Qualified Bidder, unless otherwise
5 set by the Court, a party shall have ten (10) days to conduct due diligence.
6 The Debtors will provide a list of the equipment to the Qualified Bidder
7 within one (1) day of a party becoming a Qualified Bidder. The Debtors will
8 work with the Qualified Bidder to conduct a physical review of the
9 equipment at the Property.
- 10
11 • Qualified Bid: The bid must (1) identify the bidder, (2) contain a signed Bid
12 APA (as discussed below) substantially in the form of the Bid APA
13 distributed to the Qualified Bidder and (i) be in form and substance
14 satisfactory to the Debtors, (ii) clearly designate the intent to acquire the
15 equipment, (iii) provide for a purchase price in accordance with the
16 paragraph below, (iv) provide that the Qualified Bidder will forfeit the Sale
17 Deposit, as liquidated damages if the Qualified Bidder defaults under the Bid
18 APA, (v) identify an authorized officer or employee to appear and act on
19 behalf of the Qualified Bidder at the Confirmation Hearing, and (vi) not be
20 subject to any conditions precedent other than the Bankruptcy Court's
21 confirmation of the Plan.
- 22
23 • Bid Deadline: Unless otherwise set by the Court, a potential bidder that
24 seeks to bid shall deliver its bid with the required information (described
25 below) by email to Grant L. Cartwright (grant@smithandsmithllc.com),
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1 John C. Smith (john@smithandsmithpllc.com), Smith & Smith, PLLC, 6720
2 E. Camino Principal Ste. 203, Tucson, AZ 85715, so as to actually be
3 received on or before seven (7) days prior to the Confirmation Hearing at
4 5:00 p.m. prevailing Mountain Standard Time.
5

- 6 • Purchase Price: The bid must include an amount at least equal to \$1.5
7 million plus an overbid of \$50,000 (the “**Overbid**”), plus break-up fee to
8 Video West of \$50,000 to cover Video West’s reasonable out of pocket
9 expenses (the “**Break-Up Fee**”).
10
- 11 • Sale Deposit: The bid must include a deposit in the amount of \$100,000 in
12 the form of a wire transfer to an account specified by the Debtors or a
13 certified check. The Sale Deposit shall be held in escrow pending the
14 Effective Date of the Plan. The full amount of the Sale Deposit shall be
15 forfeited as liquidated damages if the Qualified Bidder is the successful
16 purchaser and fails to close the transaction because of a breach or failure to
17 perform on the part of the Successful Purchaser. The Sale Deposit shall,
18 upon the Effective Date, be credited to the purchase price of the Successful
19 Bidder. The Sale Deposit of any successful Qualified Bidder shall be
20 returned to such unsuccessful Qualified Bidder within two (2) days of the
21 Confirmation Hearing.
22
- 23 • Bid APA: The bid must include in the form of an executed asset purchase
24 agreement (the “**Bid APA**”) and offer to purchase the Debtors’ equipment in
25 full, as referenced above in paragraph (B)(3). Video West and the Debtors
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1 will negotiate the APA prior to the Disclosure Statement Hearing. The Bid
2 APA will be distributed to Qualified Bidders upon Debtors' counsel's
3 determination that a bidder constitutes a Qualified Bidder.
4

- 5 • Irrevocable Bid: The bid must include a signed writing that the potential
6 Qualified Bidder's offer is irrevocable until the selection of the successful
7 bidder, and the offer shall remain irrevocable until the Effective Date.
8
- 9 • Auction: If more than one Qualified Bid is received, the Debtors shall
10 conduct an auction for the sale of the equipment three (3) business days prior
11 to the Sale Hearing at the Property.
12
- 13 • Auction Procedures: The Auction will be conducted in accordance with the
14 following procedures: (1) The Qualified Bidders shall appear in person
15 through an authorized representative; (2) only Qualified Bidders, including
16 Video West, shall be entitled to bid at the Auction; (3) bidding shall begin at
17 the highest or otherwise best Qualified Bid, as determined and announced by
18 the Debtors; (4) subsequent bids at the Auction shall be made in \$50,000
19 increments, or as otherwise agreed by all of the Bidders and the Debtors; (5)
20 all bidding will be open and transparent to all parties permitted to attend the
21 Auction; (6) the bidding may be transcribed by a certified court reporter to
22 ensure an accurate recording of the auction; (7) each Qualified Bidder will
23 be required to confirm on the date of the Auction that it has not colluded
24 with any other person with respect to bidding or the sale; and (8) the Auction
25 shall be governed by such other procedures as may be announced by the
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1 Debtors or counsel from time to time at the Auction; provided that they are
2 not inconsistent with a Court order related to the Plan in these cases.

- 3
4 • Successful Bid: Upon the conclusion of the Auction (if the Auction is
5 conducted), the Debtors, in the exercise of the Debtors' reasonable, good-
6 faith business judgment, shall identify the highest or otherwise best bid (the
7 "**Successful Bid**"). The Qualified Bidder having submitted the Successful
8 Bid will be deemed the "Successful Purchaser." The Successful Purchaser
9 and the Debtors shall, prior to the Confirmation Hearing, complete and sign
10 all agreements, contracts, instruments or other documents evidencing and
11 containing the terms upon which the Successful Bid was made. The Debtors
12 will present the results of the Auction to the Bankruptcy Court at the
13 Confirmation Hearing, at which certain findings will be sought from the
14 Court regarding the Auction, including, among other things, that (1) the
15 Auction was conducted, and the Successful Purchaser was selected, in
16 accordance with these Bid Procedures, (2) the Auction was fair in substance
17 and procedure, (3) the Successful Bid was a Qualified Bid, and (4)
18 consummation of the Sale contemplated by the Successful Bid is in the best
19 interests of the bankruptcy estates. If an Auction is held, the Debtors shall
20 be deemed to have accepted a Qualified Bid only when (1) such bid is
21 declared the Successful Bid at the Auction or by the Court, and (2) definitive
22 documentation has been executed in respect thereof. Such acceptance is
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1 conditioned on approval by the Court of the Successful Bid and the entry of
2 an Order approving such Successful Bid.

- 3
4 • Designation of Back-Up Bidder: Upon the conclusion of the Auction and
5 the selection of the Successful Purchaser, the Debtors shall select the person
6 submitting the next highest or otherwise best bid (the “**Back-Up Bidder**”).
7 The bid of the Back-Up Bidder shall remain open until the day before the
8 Confirmation Hearing. If for any reason the Successful Purchaser is unable
9 or unwilling to consummate an approved Sale because of breach or failure to
10 perform on the part of the Successful Purchaser, (1) it will forfeit its Sale
11 Deposit to the Debtors as liquidated damages in lieu of any other damages
12 with respect to such breach, and (2) the Back-Up Bidder shall be deemed to
13 be the Successful Purchaser. The purchase price shall be the amount of such
14 Back-Up Bidder’s last bid.
- 15
16 • Break-Up Fee: At the closing of the Sale to the Successful Purchaser, if the
17 Successful Purchaser is not Video West, the Debtors shall cause the closing
18 agent to pay a Break-Up Fee of \$50,000 to Video West by
19 wire transfer in immediately available funds to an account designated by
20 Video West.
- 21
22 • Reservation of Rights to Modify Bid Procedures: The Debtors reserve the
23 right to modify these Bid Procedures in any manner that will best promote
24 the goals of the bidding process and may impose, at or prior to the Auction,
25 additional customary terms and conditions on the Sale, including, without
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1 limitation, extending the deadlines set forth in these Bid Procedures, and
2 adjourning the Auction at the Auction. Such modification shall constitute a
3 non-adverse modification of the Plan and be in compliance with the local
4 rules of bankruptcy procedure and the judicial procedures of the Hon. Paul
5 Sala.
6

7 Debtors will sell the vehicle subject to Toyota Motor Credit Corporation's lien via
8 an auto auctioning company, such as E-Bay.
9

10 Debtors will employ a broker, promptly upon filing of the Disclosure Statement and
11 Plan, who will market and sell the Property subject to the liens of Chase and the Maricopa
12 County Treasurer. Should the Debtors receive an offer to purchase the Property prior to
13 the Confirmation Hearing, the Debtors will present the offer and related documents at the
14 Confirmation Hearing for approval with the Plan.
15

16 B. Causes of Action

17 Pursuant to Section 1123(b)(3), the Debtors shall retain all of Debtors' Causes of
18 Action, including any avoidance causes of action relating to or in connection with
19 payments made or transfers to insiders or affiliates of the Debtors and violations of the
20 automatic stay. Further, the Debtors shall retain all rights to collect and distribute any
21 recovery under a pre-petition judgment under which Debtors are the judgment creditors, or
22 for which a judgment creditor's rights have been assigned to Debtors.
23
24

25 The Debtors are currently unaware of any causes of action of value to the Estate.
26 The Plan Trustee (as discussed below) shall become the authorized representative of the
27 Estate, which shall retain all claims, rights or causes of actions, suits, and proceedings,
28

1 whether in law or in equity, whether known or unknown, that the Debtors or the Estate
2 may hold against any person or entity. The Plan Trustee may pursue such retained
3 Litigation Claims, as appropriate, in accordance with the best interests of creditors and the
4 Debtors.
5

6 C. Management

7 On the Effective Date, John C. Smith, of the Law Offices of Gerald K. Smith &
8 John C. Smith, shall serve as the Plan Trustee and continue to manage the Debtors and
9 oversee the liquidation of the Debtors' assets in accordance with the terms of the Plan
10 during the Plan Period. After the Confirmation Date, the Debtors will cease operations
11 and begin the process of winding up their business. The Plan Trustee will operate free of
12 bankruptcy restrictions and will be able to enter into and terminate contracts, purchase and
13 sell assets, pay and incur debts, and proceed with other business operations, both within
14 and outside the ordinary course, without Court authorization except as expressly required
15 by the Plan or the Confirmation Order. The Plan Trustee will be paid in the ordinary
16 course of business with ordinary hourly rates, billed on a monthly basis, and without
17 Bankruptcy Court oversight.
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21 D. Objections to Claims and Interests

22 At any time before the expiration of sixty (60) days after the Effective Date, the
23 Plan Trustee or any other party in interest may object to any Claim that was not scheduled,
24 or was scheduled as disputed, contingent, or unliquidated, that has not been allowed by a
25 Final Order of the Bankruptcy Court. Any Claim that was not scheduled and for which no
26 Proof of Claim was filed will be disallowed.
27
28

1 Except in regards to Administrative Expenses, objections to Claims and Interests
2 shall be filed and served upon the holder of such Claim or Interest no later than the Claims
3 Objection Bar Date.
4

5 There shall be no distribution to the holder of a Disputed Claim until the Objection
6 to the Claim has been resolved by a Final Order of the Bankruptcy Court and the Claim
7 has become an Allowed Claim. Payments and distributions on account of each Disputed
8 Claim that is Allowed shall be made in accordance with the provisions of the Plan relating
9 to the class of creditors to which the holder belongs.
10

11 E. Tax Compliance

12 The Debtors will comply with all tax withholding and reporting requirements,
13 including with regard to all distributions and receipts pursuant to this Plan, as applicable.
14 All holders of Allowed Claims and Interests shall have sole responsibility for any tax
15 obligation imposed by any governmental unit pursuant to a distribution received under the
16 Plan.
17

18 F. Vesting

19 Except as provided for in the Plan or Confirmation Order, on the Effective Date, the
20 Debtors shall be vested with the remaining property or assets from the Estate, free and
21 clear of all claims, liens, charges, and other interests of creditors arising prior to the filing
22 date, except as provided by the Plan, to be liquidated in the ordinary course of business.
23

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1 **IX. Distributions Under the Plan**

2 A. Plan Trustee

3
4 The Plan provides for the appointment of a Plan Trustee to collect, administer and
5 distribute in accordance with the terms of the Plan: (i) income and cash proceeds, (ii) any
6 assets to be sold under a Purchase Agreement or the Plan, and (iii) facilitate the winding
7 up of Debtors' business. The Plan Trustee shall be the successor to the Debtors.
8 Whenever the Plan or a Purchase Agreement entered into by the Plan Trustee post-
9 confirmation requires or permits notice to the Debtors after the Effective Date, such
10 notice shall be effective only when given to the Plan Trustee and the Plan Trustee shall
11 have the right to take all actions that the Debtors would have had the right to take.
12

13
14 John C. Smith shall be the Plan Trustee. The Plan Trustee will initially be
15 appointed by the Court in the Confirmation Order. The Plan Trustee will act as the
16 Estate's representative for all purposes, and will be responsible for (i) controlling and
17 managing the consideration received from purchasers of assets, (ii) filing, prosecuting
18 and settling claim objections, (iii) administering the disputed claim reserve, (iv)
19 prosecuting and settling Estate causes of action, (vi) making distributions in accordance
20 with the terms of the Plan, and (vii) winding up and closing the Estate.
21

22
23 The Plan Trustee's compensation will be approved by the Court under the
24 Confirmation Order without the need for compliance post-confirmation under the
25 applicable Sections of the Bankruptcy Code. The compensation will be from the sale of
26 the Property, unless otherwise agreed by the Plan Trustee. At the Confirmation Hearing,
27 the Plan Trustee will represent to the Court the estimate of fees for post-confirmation
28

1 work, and the amount will be worked into the Confirmation Order. John C. Smith has an
2 hourly rate of \$350.00. Any successor Plan Trustee will be selected by the Plan Trustee,
3 subject to approval by the Bankruptcy Court. The Plan Trustee will be authorized to
4 employ legal and accounting professionals employed by the Debtors pre-confirmation, as
5 well as such other professionals as may be approved by the Bankruptcy Court including,
6 without limitation, employment of professionals on a contingent fee basis for the purpose
7 of prosecuting causes of action transferred to the Trust, although this is not expected to
8 occur. Such professionals will be compensated according to their standard terms separate
9 and apart from the Debtors' compensation.
10
11

12
13 Nothing contained herein shall limit the right of the Plan Trustee to seek authority
14 to surrender Collateral to any holder of a valid, enforceable, perfected Lien on that
15 Collateral, and nothing shall limit the rights of any Secured Creditor to request either a
16 vacation of any applicable injunction against the enforcement of its rights against
17 Collateral in the possession of the Plan Trustee or object to the Plan Trustee's proposed
18 use or sale of Collateral or the right of the Plan Trustee to oppose any such request. The
19 provisions of Code Sections 361, 363 and 364 shall apply to the Plan Trustee's use or
20 sale of Collateral hereunder.
21
22

23 The Plan Trustee will exercise independent business judgment with respect to the
24 administration of the Estate. The Plan Trustee may settle claims held by the Estate or use
25 or transfer any interests in assets owned by the Estate subject to obtaining a Final Order of
26 the Bankruptcy Court authorizing the Plan Trustee to take such actions. Except as
27 provided herein, any request for Bankruptcy Court authority to use or transfer Estate
28

1 property or settle any significant causes of action shall be governed by Section 363
2 (including Section 363(f) with respect to any sale free and clear of Liens and the right of
3 each Creditor holding a valid and enforceable Lien to adequate protection of that Lien).
4

5 **B. Manner of Payments**

6 All distributions will be made in the form of cash payments and checks to entities
7 holding Allowed Claims at the addresses listed on the Proof of Claim filed by such entity,
8 as the address where payments are to be sent, unless other instructions are received in
9 writing by the Plan Trustee.
10

11 **C. No Distributions to Holders of Disputed Claims**

12 No payments or distributions of any kind will be made on account of any claim
13 listed as disputed, contingent, or unliquidated, until such claim becomes an Allowed
14 Claim, and only to the extent such claim is Allowed. The Debtors anticipate objections to
15 claims will be filed. If any Disputed Claim becomes an Allowed Claim after the Effective
16 Date and after a distribution is made to other holders of Allowed Claims in its Class, such
17 claim will receive payment within fourteen (14) days after the Disputed Claim becomes an
18 Allowed Claim and the Order allowing the Claim is final.
19
20

21 **D. Claims Bar Date and Administrative Expenses Bar Date**

22 The Claims Bar Date shall be set for 60 days after the filing of the Plan and
23 Disclosure Statement. Any Claim filed after the Claims Bar Date, or any claim for
24 Administrative Expenses filed after the Administrative Expenses Bar Date, shall not be
25 recognized and will be disallowed automatically without further objection from the
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1 Debtors, unless such Claim is recognized pursuant to a filed and approved stipulation with
2 the Debtors or by Order of the Court.

3
4 E. Post-Petition Interest, Fees, and Costs

5 Interest on and fees and expenses, if any, with respect to any Allowed Secured
6 Claim, including but not limited to unpaid professional fees due the holders of such
7 Claims, shall be paid only to the extent permitted by Section 506(b) from the proceeds of
8 the Collateral securing such Claims. Allowance thereof shall be determined separately
9 for each Class and each subclass. Any interest, fees and expenses paid during the
10 pendency of these Cases to the holder of any Allowed Secured Claim that are not
11 allowable pursuant to Section 506(b) of the Bankruptcy Code shall be credited against
12 and shall reduce the principal amount of any such Allowed Secured Claim.

13
14
15 Except as otherwise provided in the Plan, or in an order of the Bankruptcy Court,
16 no holder of an Allowed Claim shall be entitled to the accrual of post-petition interest or
17 the payment by the Debtors of post-petition interest or professional fees on account of
18 such Claim for any purpose.

19
20 **X. Effect of Plan on Claims**

21 A. Effect of Confirmation

22 Except for continuing liens, claims, rights, and interests of the secured creditors
23 against the Debtors, the Estate, and the Property as provided for in the Plan, or in the
24 confirmation order, the confirmation of the Plan is a discharge, on the Effective Date, of
25 any and all debts of the Debtors that arose at any time prior to confirmation, including, but
26 not limited to, all principal and all interest accrued thereon, pursuant to Section 1141 of
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1 the Bankruptcy Code. Such discharge shall be effective as to each claim, regardless of
2 whether a proof of claim thereof was filed, whether the claim is an allowed claim or
3 whether the holder thereof votes to accept the Plan.
4

5 Holders of claims against the Debtors may not receive any payment or distribution
6 except as otherwise provided for in the Plan, and may not seek any recourse against
7 Debtors or their assets except as provided for in the Plan. After the Confirmation Date, all
8 holders of claims will be forever enjoined from taking any action against the Debtors or its
9 property on account of such claim; including the commencement or continuation of any
10 proceeding; enforcing any judgment or award; creating, perfecting, or enforcing any lien;
11 or any other action inconsistent with the terms of the Plan.
12

13
14 The Plan Trustee will move the Court to close the case once the Plan has been
15 substantially consummated. Until substantial consummation, the Plan Trustee will be
16 responsible for filing pre- and post-confirmation reports required by the United States
17 Trustee and paying the quarterly post-confirmation fees of the United States Trustee.
18 Alternatively, the Court may enter a final decree closing the case on its own motion.
19

20 B. Plan Trustee's Authority to Compromise and Settle

21 Pursuant to Bankruptcy Rule 9019(a), the Plan Trustee may compromise or settle
22 any Claim or Interest, or any cause of action against the Debtors or brought by the Debtors
23 upon notice and a hearing.
24

25 C. Right of Setoff

26 The Debtors may set off against any payment or distribution made pursuant to an
27 Allowed Claim a claim of any kind that it may have against the holder of such an Allowed
28

1 Claim, but the Debtors will not be required to do so. The failure to utilize the right of
2 setoff does not constitute a waiver or release of any claim Debtors have against a holder of
3 an Allowed Claim.
4

5 **XI. Liquidation Analysis**

6 Pursuant to Section 1129(a)(7), the Plan must provide that creditors not accepting
7 the Plan will receive at least as much under the Plan as they would receive in a liquidation
8 of the Debtor under Chapter 7 of the Bankruptcy Code. Because Debtors' plan liquidates
9 all of their assets, Creditors receive what they would have had in a Chapter 7 in addition to
10 the additional funds that have been earned by the Debtors through their continued
11 operation during the immediate future in the pendency of their cases. Further, Creditors
12 receive the added benefit of the Debtors having identified a stalking horse bidder for a
13 purchase of WSB's collateral.
14
15

16 **XII. Risk Analysis**

17 **A. General**

18 There is little risk associated with the Debtors' Plan. The success of the Plan turns
19 on the effective marketing and sale of the assets of the Debtors. The risk related to the
20 sale of WSB's collateral is low because the Debtors have identified a potential purchaser
21 of said assets. The risk associated with the sale of the Property is slightly higher because
22 (1) no prospective buyers have yet been located, (2) the value of the Property is subject to
23 market conditions, and (3) the time it will take for the real estate broker employed under
24 the Plan to sell the Property is unknown. The risk associated with selling the Debtors'
25 vehicle is limited because (1) the robust used-vehicle market, and (2) the value of the
26
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1 vehicle can be ascertained with some predictability due to trade publications such as Kelly
2 Blue Book and NADA Guides.

3
4 The risks in the Plan are lesser than a standard chapter 11 reorganization. The
5 success of Debtors' Plan does not turn on their continued operation of the business, but
6 only on the successful marketing and sale of the Debtors' assets. Although the risk
7 associated with Debtors' Plan is low, it is extremely doubtful that Debtors' proposed Plan
8 will provide general unsecured creditors with full payment.
9

10 B. Alternatives to the Confirmation of the Plan

11 If the Plan is not confirmed, there are several possible alternatives. First is to
12 convert the Case to Chapter 7, have a Chapter 7 Trustee appointed, and the Estate
13 liquidated. The Debtors do not believe this is a suitable alternative. Considerable
14 investigation, time, and effort have been put into evaluating the assets of Debtors and
15 determining the best course of action. It would be time-intensive for a Chapter 7 Trustee
16 to become familiar with the case, causing substantial delay and expense in the payment of
17 creditors. The second alternative is to dismiss the case with prejudice, leaving creditors to
18 resort to state law collection procedures.
19
20

21 **XIII. Tax Consequences**

22 Pursuant to Section 1125(a)(1), the Disclosure Statement is to provide a discussion
23 of the possible material tax consequences of the Plan to the Debtors, any successor to the
24 Debtors and a hypothetical investor typical of the holders of claims or interests in the case,
25 such that would enable such investor to make an informed judgment about the Plan. The
26 Debtors have not obtained a tax opinion and do not express any opinion as to the tax
27
28

1 consequences to the creditors or equity security holders. Interested parties are encouraged
2 to obtain their own professional counsel to determine the tax consequences of the Plan. In
3 particular, to the extent any creditor is not paid in full on its Allowed Claim, such creditor
4 should consult with a tax advisor concerning the potential for any write off of such claim.
5 It is generally anticipated that any discharge of debt will not have to be recognized as
6 income for the Debtors for income tax purposes.
7

8
9 **Because the Debtors do not express any tax advice, in no event will the**
10 **Debtors, their counsel, or the professional advisors of the Debtors be liable for any**
11 **tax consequences of the Plan. Creditors and Equity Interest Holders must look solely**
12 **to and rely solely upon their own advisors as to the tax consequences of this Plan.**
13

14 **XIV. Confirmation Process**

15 The Plan may be corrected or modified, prior or subsequent to Confirmation, or
16 prior to consummation, after notice to interested parties and by Court order as provided by
17 law. The Debtors further retain all rights to modify the Plan prior to Confirmation as
18 permitted by Section 1127. The Plan may be amended or modified prior to Confirmation
19 without leave of Court, so long as notice is provided to Creditors. After Confirmation and
20 with approval of the Court and upon notice to creditors, the Plan Trustee may remedy any
21 defect or omission, or may reconcile any inconsistencies in the Plan or Confirmation
22 Order, so long as such modification does not materially alter or adversely affect the
23 interests of Creditors, to the extent it may be necessary to carry out the purposes and intent
24 of the Plan.
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1 The Court will be asked to confirm the Plan as to any class of claims or interests
2 that does not accept the Plan. In order to do so, the Court must find (1) that the Plan is fair
3 and equitable to each class of claims or interests that is impaired and has not accepted the
4 Plan and that the classification of claims is not discriminatory; and (2) that each claimant
5 or interest holder receives, under the Plan, property of a value as of the Effective Date that
6 is not less than what would be received or retained if the Property were liquidated pursuant
7 to Chapter 7 of the Bankruptcy Code.
8
9

10 The first requirement is satisfied with respect to any class that might not accept the
11 Plan because the classification has not been designed in a discriminatory manner and any
12 similar claims classified separately have been treated in this manner because they are
13 either an administrative classification or arise from a substantially different economic
14 basis. The second requirement is satisfied as demonstrated by the Liquidation Analysis
15 provided.
16

17 If a class of secured claims does not accept the Plan, the Code provides that the fair
18 and equitable requirement is satisfied if the class retains its lien and receives deferred cash
19 payments of a present value equal to the value of the claimant's secured interest in the
20 collateral. This requirement may be satisfied as to each class treated as a secured claim
21 because the Plan provides for them to receive the value of their interest in their collateral
22 together with interest.
23
24

25 If a class of unsecured claims does not accept the Plan, the fair and equitable rule
26 requires that (1) each impaired unsecured creditor receives or retains, under the plan,
27 property of a value equal to the amount of its allowed claim; or (2) the holders of claims
28

1 and interests that are junior to the claims of the dissenting class will not receive any
2 property under the plan if claims in the dissenting class are not paid in full.

3
4 The Debtor recommends that the Plan and Disclosure Statement be approved as it is
5 in the best interests of the Estate and all creditors. The alternatives to confirmation of the
6 Plan include dismissal or conversion to Chapter 7 liquidation. Dismissal would result in
7 creditors having to resort to other legal proceedings to collect debts, and Chapter 7
8 liquidation would delay distributions. For these reasons, the Debtors recommend all
9 creditors accept the Plan and return ballots timely so that the votes can be counted.
10

11 RESPECTFULLY SUBMITTED this 19th day of April, 2017.
12

13
14 **CHAPTER 11 DEBTORS**

15
16 By /s/ David Stern
David Stern

17
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s/ Liza D. Taylor
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