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6 *Attorneys for the Debtors*

7 **IN THE UNITED STATES BANKRUPTCY COURT**  
8 **FOR THE DISTRICT OF ARIZONA**

9 In re:

10 SPA 810, LLC,

11 Debtor,

12 Joint Administration with:

13 PHOENIX GLOBAL CONSULTING  
14 GROUP, INC.

15 Debtor.

16 This filing applies to:

17 All Debtors  
18  
19  
20

Chapter 11 Proceedings

Case No. 2:18-bk-06718-DPC

Jointly Administered with

Case No. 2:18-bk-06719-BKM

21 **SECOND AMENDED DISCLOSURE STATEMENT IN SUPPORT OF DEBTORS'**  
22 **JOINT CHAPTER 11 PLAN OF REORGANIZATION**  
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**ARTICLE I**  
**INTRODUCTION**

**1.1. Plan Proponents**

This *Second Amended Disclosure Statement in Support of Debtors' Joint Chapter 11 Plan of Reorganization* (“**Disclosure Statement**” and “**Plan**”) is submitted by SPA 810, LLC (“**SPA 810**”) and its affiliate Phoenix Global Consulting Group, Inc. (“**PGCI**”) (together the “**Debtors**” in this Chapter 11 proceeding. The Debtors are the Proponents of the Plan, a copy of which is attached to this Disclosure Statement as **Exhibit A**. The Plan sets forth the means by which the Debtors will be reorganized under Title 11 of the United States Code (“**Bankruptcy Code**”). This Disclosure Statement is amended to incorporate additional disclosures requested by the joint committee of unsecured creditors (the “**Committee**”) appointed in these chapter 11 cases.

**1.2. Purpose of the Plan and Disclosure Statement**

A Chapter 11 bankruptcy case such as this one culminates with the Bankruptcy Court’s approval of a plan of reorganization. This is the document that sets forth how the Debtors will restructure, pay their Creditors, and treat Interests in the Debtors. The Plan in this case sets forth the means for payments and other distributions and describes the structure and management of the so-called “**Reorganized Debtor**” when it emerges from bankruptcy. Readers are specifically directed to Article VII of this Disclosure Statement that describes how the Plan will be implemented. Creditors are classified according to, among other things, the nature of their Claims, i.e., whether they are secured or unsecured, and Interest Holders are classified according to their treatment under the Plan. The Plan will be sent to Creditors and Interest Holders. Plan approval by the Bankruptcy Court, called “**Confirmation**,” creates a binding contract between the Debtors and its Creditors and Interest Holders on the “**Effective Date**” of the Plan. The Plan is the controlling document.

The Debtors as Plan Proponents must provide Creditors and Interest Holders with a

1 Disclosure Statement approved by the Bankruptcy Court. This is a document which  
2 describes the Plan in detail to provide meaningful information. The Disclosure Statement  
3 contains a history of the Debtors, the factors leading to bankruptcy, the major events in the  
4 bankruptcy proceedings, a description of the Creditors and the amount of the Claims they  
5 are asserting, a description of the Interest Holders and their Interests in the Debtors, and  
6 other information to support the proposed restructure and the treatment of Creditors and  
7 Interest Holders contemplated by the Plan. A hearing has been held by the Bankruptcy  
8 Court to determine whether the Disclosure Statement contains sufficient information to  
9 allow Creditors to vote on the Plan. The Court has entered its Order approving the  
10 Disclosure Statement.

11 **1.3. Classes Entitled to Vote: Deadline**

12 Classes of Creditors and Interests that are impaired (i.e. their rights to payment are  
13 altered in any way) under the Plan are entitled to vote to accept or reject the Plan. In this  
14 case, Classes 3, 4, and 5 are impaired and will be solicited for their vote on the Plan. Classes  
15 1 and 2 are unimpaired, are deemed to have accepted the Plan and will not be solicited for  
16 their vote on the Plan. Classes 6 and 7 are deemed to have rejected the Plan and will not be  
17 solicited for its vote on the Plan.

18 **The deadline for voting on the Plan has been established as 5:00 p.m. Phoenix**  
19 **Time on December 3, 2018.**

20 **1.4. Definitions**

21 The terms used in this Disclosure Statement have the same meaning as those defined  
22 in **Exhibit B** to this Disclosure Statement or in the Bankruptcy Code, Rules, or otherwise  
23 defined in this Disclosure Statement.

24 **1.5. Representations Limited**

25 The Debtors do not make any representations concerning the Debtors or the  
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1 Reorganized Debtor particularly regarding future business operations or the value of any  
2 assets or equity interests. The information in this Disclosure Statement is derived from the  
3 Debtors' books and records and is accurate to the best of the Debtors' belief and knowledge.  
4 You should not rely on any other representations or inducements proffered to you to secure  
5 your acceptance in arriving at your decision in voting on the Plan. Any Person making  
6 representations or inducements concerning acceptance or rejection of the Plan should be  
7 reported to counsel for the Debtors and to the United States Trustee. The United States  
8 Trustee may be reached at (602) 682-2600. Further, some of the information contained in  
9 the Disclosure Statement may consist of projections of future performance of uncertain  
10 business operations or projected property values. The Debtors do not undertake to certify or  
11 warrant the accuracy of the projections and other information contained in this Disclosure  
12 Statement and actual results could differ materially from those projections.

13 The Bankruptcy Court has not verified the accuracy of the information contained  
14 herein. The Bankruptcy Court's approval of the Disclosure Statement does not imply that  
15 the Bankruptcy Court endorses or approves the Plan, but only that the Disclosure Statement  
16 contains adequate information for creditors and interest holders to make an informed  
17 decision to approve or reject the Plan.

18 **1.6. Exhibits to this Disclosure Statement**

- 19 A. Plan of Reorganization  
20 B. Definitions  
21 C. SPA 810 Funding Efforts  
22 D. Plan Trustee Resume  
23 E. Executory Contracts  
24 F. Liquidation Analysis  
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**ARTICLE II**

**STRUCTURE OF THE DEBTOR, ASSETS, AND LIABILITIES**

**2.1 The History of the Debtor and its Operations**

**Corporate Structure**

SPA 810 is an Arizona limited liability company formed in 2012 to provide cosmetic laser and skin services and sell related products and services through a franchise system. The members of SPA 810 are PGCI that owns an 81 percent (81%) interest and David Struck (“**Struck**”) who owns a 19 percent interest (19%). Debtor PGCI is an Arizona corporation formed in 2007. It provides management services to SPA 810 but otherwise does not conduct business operations.

The sole shareholder of PGCI is 100 percent (100%) owned by Ivan Dunatov who also serves as its President. John Dunatov is the member manager of SPA 810 and the sole director of PGCI. Mr. Dunatov has managed the operations of the Debtors until shortly before the bankruptcy filing when SPA 810 employed Timothy Shaffer as its chief restructuring officer to serve throughout the bankruptcy proceedings as the principal officer and representative of the Debtors.

**Franchise Structure**

SPA 810 operates its business as a franchisor, offering two types of Franchise opportunities: 1) an Individual Business Franchise through which the franchisee provides the SPA 810 products and services to its customers and 2) an Area Representative Franchise through which a franchisee obtains the exclusive right in a designated region to develop additional Individual Business Franchises.

Each Franchise is governed by a separate franchise agreement. For Individual Business Franchisees, the agreement provides for the right to use SPA 810’s trademarks, business systems, trade secrets and confidential information; initial and ongoing training;

1 assistance with certain pre-opening tasks such as site selection; and ongoing advertising and  
2 marketing support and services.

3 The Area Representative Franchise agreement provides the franchisee with the  
4 ability to solicit, screen, recruit, develop, service and support Individual Business  
5 Franchises within its region and to own and operate its own Individual Business  
6 Franchise(s).

7 To date, Spa 810 has 20 Area Representative Franchisees and 13 individual Business  
8 Franchisees. There are 16 Individual Business Franchisees open and operating, providing  
9 services as described above. Spa 810 has designated sixty regions within the United States  
10 that are available for Area Representative Franchises and 30 have been sold. Franchise unit  
11 locations include Arkansas, Nevada, Colorado, Florida, Georgia, Kentucky, Minnesota,  
12 Oklahoma, Texas and Arizona.

## 13 **2.2 Franchise Disclosure Document (the “FDDs”) and State Registrations**

14 Pursuant to Federal and state law, SPA 810 must have current FDDs for the  
15 Individual Business Franchisees and Area Representative Franchisees. The FDDs are the  
16 legal disclosure documents that must be given to individuals interested in buying a franchise  
17 as part of the pre-sale due diligence process. The FDDs contain information necessary for a  
18 potential franchisee to make an informed decision prior to entering into a franchise  
19 relationship. In addition, some states also require a franchisor to register the franchise  
20 offering prior to making any offers or sales in the state.

21 SPA 810 has issued new FDD’s effective on September 13, 2018. (SPA 810 has been  
22 registered in Illinois, Minnesota, California, Wisconsin, Michigan, New York and Virginia  
23 and will seek to re-register such registrations if expired.

24 Prior to the issuance of the new FDDs, SPA 810 was able to close a few sales  
25 solicited before SPA 810’s previous FDDs expired. These included  
26

1           •       June 2018: Receipt of partial payment from a franchisee in Minnesota that  
2 initiated negotiations prior to the Expiration Date (Current FDD not required because initial  
3 negotiations initiated prior to the Expiration Date) (\$30,750)

4           •       July 2018: Sale of an operating Arkansas spa to a third party who will not  
5 operate as a Spa 810 franchise (Current FDD not required because will not be operated as a  
6 Spa 810 franchise) (\$50,000).

7           •       July 2018: Closing of a franchise agreement with a franchisee in Florida that  
8 initiated negotiations prior to the Expiration Date (Current FDD not required because initial  
9 negotiations initiated prior to the Expiration Date) (\$45,000).

10          •       August 2018: Sale of an operating Houston spa to a third party who will not  
11 operate as a Spa 810 franchise (Current FDD not required because will not be operated as a  
12 Spa 810 franchise) (\$100,000).

13                 Since the issuance of the new FDDs, SPA 810 has re-commenced sales and as of the  
14 date of this Disclosure Statement has obtained a number of leads that are anticipated to  
15 close by year-end.

16 **2.3    Income Structure**

17                 SPA 810's primary income is from two sources: 1) initial license and/or development  
18 fees paid by the Franchisees, and, 2) royalties based on the gross revenue of each Individual  
19 Business Franchise. Additional income is derived from real estate broker referral fees, from  
20 the Franchisees for additional training or transfer fees, and from equipment referral fees  
21 from the manufacturer when equipment is sold to Franchisees.

22                 The Individual Business Franchise license fee is \$45,000 and this amount (less any  
23 commission) is divided equally between Spa 810 and the Area Representative. In general,  
24 each Individual Business Franchisee is required to pay a monthly royalty of 8 percent (8%)  
25 of gross revenues which fees are divided 2.5 percent (2.5%) to the Area Representative, 4.5  
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1 percent (4.5%) to Spa 810, and 1 percent (1%) to Spa 810 for national marketing. However,  
2 fee arrangements have been modified on an individual basis.

3 An Area Representative Franchisee pays a development fee in order to obtain the  
4 rights to a desired region. The development fee is \$10,000 per Individual Business  
5 Franchise in the region with a minimum of five and a maximum of 40.

6 Total revenues for 2017 were \$1,365,104.74 and gross profit was \$1,364,095.65.  
7 Expenses for 2017 were \$1,107,298.76 leaving net income of \$256,796.89.

#### 8 **2.4 Assets and Liabilities.**

9 As of the Petition Date, Spa 810's principal assets consist of its established franchise  
10 system, including the licenses for individual Business and Area Representative Franchisees,  
11 and the Franchise Agreements and the rights accorded thereby. The value is unknown.  
12 Other assets include accounts receivable of approximately \$265,000 and miscellaneous  
13 deposits, leasehold improvements, signage, office furniture, and computer equipment  
14 believed to be worth approximately \$16,500.

15 Debtors may hold Avoidance Actions pursuant to Section 544, 547 and 548 of the  
16 Bankruptcy Code. Debtors' analysis of potential Avoidance Actions is ongoing. Spa 810  
17 has filed an adversary complaint against Dickinson & Wheelock, P.C., Jeffery W.  
18 Wheelock, Angela Henry, Jerome Malone, Secured Legacy Franchise Development, Inc.,  
19 and Sagemont Developers, Inc. to recover a pre-petition payment of \$37,500 made within  
20 90 days of the Petition Date.

21 The Committee believes that potential Avoidance Actions exist against Spa 810  
22 Management, LLC and Mr. John Dunatov, among other parties.

23 PGCI's assets consist solely of its membership interest in SPA 810 and a \$1,100  
24 lease deposit.

25 SPA 810's sole secured creditor is Princeton Franchise Partners, LLC ("**Princeton**")  
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1 by virtue of a line of credit secured by all of SPA 810's assets. As of the Petition Date, the  
2 amount owed is approximately \$157,000. The remainder of SPA 810 debt is unsecured and  
3 consists principally of promissory notes, settlement agreement payments, the unsecured  
4 portion of wage claims, and disputed amounts arising from various lawsuits. The total is  
5 approximately \$2.4 million not including potential rejection damages.

6 PGC's liabilities include approximately \$680,000 owed as a co-borrower with SPA  
7 810 on a promissory note and purportedly secured by PGC's membership interest in SPA  
8 810. Unsecured debt is approximately \$4,100.

9 **2.5 Current Management and Employees**

10 As indicated above, Timothy Shaffer as CRO manages all aspects of the Debtors'  
11 business with the consultation and advice of Mr. Dunatov. Specifically, Mr. Shaffer  
12 authorizes all expenditures, oversees the business operations including supervising  
13 employees, and interfaces with Debtor's counsel on all bankruptcy and franchise issues. Mr.  
14 Dunatov remains in the critical role of daily operations and franchisee relations including  
15 on-going consulting. He oversees daily operational aspects of the business regarding Area  
16 Representative Franchises, Individual Business Franchises, new franchise prospect  
17 development, development of existing new Individual Business Franchisees assisting with  
18 training, location selection, landlord negotiations, oversight of construction and oversight of  
19 pre-opening operations.

20 In addition, SPA 810 employs three additional employees who serve in the roles of  
21 Director of Franchise Support, Vice-President of Operations and Director of Training. Doris  
22 Dunatov currently serves as the Director of Franchise Support with a monthly salary of  
23 \$4,000, Nycole Gonsalves serves as the Vice-President of Operations with a monthly salary  
24 of \$4,717. The Director of Training position is temporarily vacant, however Debtor expects  
25 to hire a new Director of Training in the near future and the monthly salary for this position  
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1 will be \$4,166.

2 These three employees provide support to the franchisee network in the areas of  
3 assisting franchisees in obtaining proposals for insurance, professional equipment, opening  
4 new products, identifying required local licenses and permits, developing reporting  
5 protocols, track unit level performance metrics, monitor Medical Director Agreements,  
6 develop training and service deliverables, monitor compliance of franchisee agreements,  
7 and support consistent training throughout the franchisee network. Standard business  
8 functions such as invoicing, collecting, payment of obligations, and general accounting are  
9 provided by the contract bookkeeper. SPA 810 hires bookkeeping services on a contract  
10 basis. SPA 810 has also employed a CPA to assist the company in general accounting, tax  
11 preparation, and support to any auditing process.

### 12 **ARTICLE III**

#### 13 **FACTORS LEADING TO DEBTOR'S BANKRUPTCY AND OTHER**

#### 14 **PRE-PETITION EVENTS**

15 SPA 810 began to struggle financially in 2016 when several franchisees were  
16 terminated for failure to pay royalties when due and several others were unable to pay. This  
17 reduction in income was compounded by undercapitalized growth and disputes with  
18 creditors that drained cash.

19 As more thoroughly set forth in Part 3 of the SPA 810 Statement of Financial Affairs  
20 and in the amounts identified in Schedule E/F, Doc. No. 34, prior to the Petition Date a  
21 number of lawsuits were filed against SPA 810. In most cases, SPA 810 did not have funds  
22 to defend the lawsuits and default judgments were entered.

23 As of the Petition Date, pending lawsuits against Debtors had been filed by CH  
24 Retail Funds I/Dallas Greenville S&S L.P. and CJS Pinnacle, LLC and were stayed by the  
25 bankruptcy filing. Judgments had been entered against SPA 810 and in favor of Angela  
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1 Henry, Jerome Malone, Secured Legacy Franchise Development, Inc., and Sagemont  
2 Developers, Inc., American Business Alliance, Inc. and Bright Oak Studio LLC.

3 Judgment holders initiated judgment collection actions against SPA 810 and  
4 garnished the bank accounts of SPA 810 resulting in SPA 810's bank accounts having a  
5 negative balance. For a period prior to the Petition Date, SPA 810 used the bank accounts of  
6 its wholly owned entity SPA 810 Management, LLC ("**Management**"). Management is no  
7 longer operating and has no assets. The Committee alleges that recovery claims may exist  
8 against Management. Debtors do not believe that SPA 810 has any claims against  
9 Management as the monies deposited in the Management account were used for the  
10 ordinary operations of SPA 810.

11 Beginning in the summer of 2017, Mr. Dunatov recognized the need for SPA 810 to  
12 obtain a capital contribution or a loan in order to sustain operations. He contacted several  
13 lending institutions, private lenders and equity fund managers to obtain funding. He  
14 provided to several potential investors access to SPA 810's information for due diligence  
15 purposes. Although Mr. Dunatov had multiple meetings with potential investors including  
16 current franchisees and creditors of the company, he was unsuccessful at obtaining funds.  
17 The Committee believes that these negotiations resulted in or included investors willing to  
18 provide a greater investment in or value for SPA 810 than the Princeton proposal. The  
19 Debtors disagree.

20 In about November of 2017, the principal of Princeton contacted Mr. Dunatov to  
21 explore the possibility of investing in or acquiring SPA 810 as a going concern. Initial  
22 negotiations failed and were then reopened in March 2018. The negotiations culminated in  
23 the agreement for Princeton or its designee to provide necessary financing to sustain  
24 operations of SPA 810 and to fund a plan of reorganization in exchange for the membership  
25 interests in the company. In furtherance of the acquisition, the Debtors filed their Chapter  
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1 11 bankruptcies on June 11, 2018.

## 2 **ARTICLE IV**

### 3 **SIGNIFICANT BANKRUPTCY EVENTS**

#### 4 **4.1 Bankruptcy Filing**

5 The Debtors each filed a voluntary petition under Chapter 11 of the Bankruptcy Code  
6 on June 11, 2018 (the “**Petition Date**”). Since the Petition Date, Debtors have operated  
7 their business as a debtor-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy  
8 Code. On June 15, 2018, the Court entered its Order approving the joint administration of  
9 the bankruptcy cases. Doc. No. 23.

#### 10 **4.2 Employment of Professionals**

11 On June 11, 2018, the Debtors filed an Application for Order Authorizing Retention  
12 and Employment of Dickinson Wright, PLLC as general bankruptcy counsel. Doc. No. 4.  
13 The Court approved Dickinson Wright PLLC as the Debtors’ bankruptcy counsel. Doc. No.  
14 24.

15 On June 22, 2018, the United States Trustee appointed the Official Committee of  
16 Unsecured Creditors (the “**Committee**”) in these cases. Doc. No. 42. The Committee was  
17 initially represented by Christopher Kaup and Tiffany & Bosco, P.A. Doc. No. 46. The  
18 Debtors objected to the employment of Tiffany & Bosco, P.A. and the Court found that the  
19 employment did not meet the requirements of 11 U.S.C. § 1103(b). The Committee  
20 subsequently retained Alan Meda of Burch Cracchiolo PA whose employment was  
21 approved on July 17, 2018. Doc. No. 89.

22 Spa 810 retained Warshawsky Seltzer, PLLC (“**Warshawsky**”) as special franchise  
23 counsel with respect to all franchise matters and to prepare the new FDDs. Warshawsky’s  
24 employment was approved on July 22, 2018 Doc. No. 100. The Debtors retained Jonathon  
25 Miller, CPA (“**Miller**”) as their accountant. Miller’s employment was approved on July 27,  
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1 2018. Doc. No. 111. Finally, the Debtors retained Kezos & Dunlavy (“**Kezos**”) as the  
2 auditors to prepare financials for the new FDDs. Kezos’ employment was approved on  
3 August 22, 2018. Doc. No. 144.

4 The Committee applied to retain Jeffrey Wheelock of Dickinson Wheelock as its  
5 special franchise counsel, after objection by the Debtor this application was denied by the  
6 Court. The Committee applied to retain Nick Neonakis to market and sell the Debtors’  
7 assets. The Court approved the employment of Mr. Neonakis for the limited purpose of  
8 determining the value of the Debtors’ franchise assets; however, he did not perform any  
9 services for which compensation will be sought.

#### 10 **4.3 Debtor’s First-Day Motions**

11 On June 11 and 12, 2018, the Debtor filed the following motions providing for the  
12 immediate operational needs including the use of cash collateral (the “**First Day Motions**”):

13 • Motion for Joint Administration, Assignment of Cases to One Judge and  
14 Approval of a Consolidated Caption, Doc. No. 3.

15 • Emergency Motion for Interim and Final Orders Authorizing Post-Petition  
16 Financing and Granting Lien and Administrative Expense Priority (“**DIP Motion**”), Doc.  
17 No. 10.

18 • Emergency Motion for Entry of Stipulated Interim Order and Final Order  
19 Authorizing Debtor’s Use of Cash Collateral and Granting Adequate Protection (the “**Cash**  
20 **Collateral Motion**”), Doc. No. 11.

21 • Motion to Establish Interim Compensation and Reimbursement Procedures,  
22 Doc. No. 12.

23 • Motion to Set Claims Bar Date, Doc. No. 13.

24 An expedited hearing to consider the First Day Motions was held on June 13, 2018.  
25 Doc. No. 16. One limited objection was filed by creditor CJS Pinnacle, LLC. Doc. No. 20.  
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1 After the expedited hearing, the Court set a continued hearing on the Cash Collateral  
2 Motion and the DIP Motion for July 9, 2018 (the “**Final Hearing**”).

3 After the hearing, the Court entered the Order for Joint Administration, Doc. No. 23,  
4 the Order Granting Application to Employ Dickinson Wright PLLC, Doc. No. 24 and the  
5 Order setting July 31, 2018 as the last day to file proofs of claim. The Debtors and the  
6 Committee subsequently agreed to extend the last day to file proofs of claim to October 9,  
7 2018.

8 Prior to the Final Hearing, the Committee filed its Objection to the DIP Motion and  
9 to the Cash Collateral Motion. Doc. No. 66. At the Final Hearing, the Court considered the  
10 objection and, based on the record and the testimony of Timothy Shaffer, the Debtors’ Chief  
11 Restructuring Officer (“**CRO**”), it granted the Debtor’s request to use Cash Collateral and  
12 set a continued evidentiary hearing on the DIP Motion. The final Cash Collateral Order was  
13 entered on July 24, 2018. Doc. No. 106. The Order Granting Motion Authorizing Procedure  
14 for Interim Compensation and Reimbursement of Expenses of Professionals was entered on  
15 July 18, 2018. Doc. No. 94. On July 24, 2018, the Court entered the *Second Interim Order*  
16 *Authorizing Post-Petition Financing and Granting Lien and Administrative Expense* and  
17 has set a continued Final Hearing for November 27, 2018. Doc. No. 154. Notably, as of the  
18 date of this Disclosure Statement, the Debtors have not drawn on the line of credit provided  
19 by the DIP Motion and Order.

20 **4.4 Section 341 Meeting of Creditors**

21 On July 17, 2018, the first meeting of creditors was held pursuant to 11 U.S.C. §  
22 341(a) (“**Meeting of Creditors**”). The CRO and John Dunatov appeared and testified on  
23 behalf of the Debtors. The Meeting of Creditors was continued to August 9, 2018 at 10:00  
24 a.m. and was concluded on this date.

1 **4.5 Motion to Reject Executory Contracts**

2 On September 27, 2018, Spa 810 filed its *First Omnibus Motion for the Entry of an*  
3 *Order Authorizing the Rejection of Certain Executory Contracts* (Doc. No. 174) requesting  
4 the Court to approve the rejection of a number of the Individual Business and Area  
5 Representative franchise agreements that were overly burdensome to the Debtors. The  
6 Debtors anticipate the rejections will be approved.

7 **4.6 Motion to Extend Time to Assume or Reject Lease**

8 On October 5, 2018, the Debtors filed their *Motion to Extend Deadline to Assume or*  
9 *Reject Unexpired Non-Residential Real Property Leases* (Doc. No. 181) requesting the  
10 Court to grant an extension until January 7, 2019 for the Debtors to assume or reject their  
11 commercial lease with Scottsdale Investors, LLC. No objections have been filed and the  
12 Debtors believe the Motion will be granted.

13 **4.7 Objections to Claims**

14 The Debtors are in the process of objecting to a number of proofs of claim. The  
15 Debtors believe a large number of claims are duplicates, have been overstated, and/or  
16 cannot be substantiated.

17 **ARTICLE V**

18 **SUMMARY OF THE PLAN AND THE PLAN PROCESS**

19 **5.1 Summary of Plan**

20 As set forth in greater detail below in Article VII regarding Implementation of the  
21 Plan, the Plan provides for the issuance of interests in a new entity to Princeton in exchange  
22 for the Plan Contribution. Upon the consummation of the contemplated transaction, the  
23 emerging single company will become the Reorganized Debtor and will continue operations  
24 of the SPA 810 franchise.  
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1 **5.2 Why Princeton**

2 To begin, SPA 810 has an established brand with an established network of  
3 dedicated franchisees. What it has lacked is the strength of a knowledgeable franchisor that  
4 can provide the necessary capital for the enterprise to grow and prosper. Princeton provides  
5 both experience and capital.

6 By way of background, Princeton and its affiliates invest in market-leading growth  
7 companies. Its partners have experience successfully investing in and/or serving on the  
8 boards of over 30 businesses including Bankrate (acquired by Apax), European Wax  
9 Center, Facebook, Foldershare (acquired by Microsoft), Gerson Lehrman Group (recapped  
10 by Silver Lake), LinkedIn, Massage Envy (acquired by Roark Capital), MedAvante, Rosetta  
11 Stone, Salary.com (acquired by Kenexa), and The CORE Institute. Through its various  
12 investments, Princeton has extensive experience in franchising and in industries similar to  
13 SPA 810.

14 As noted above, prior to entering into negotiations with Princeton in November  
15 2017, SPA 810 spent the previous 17 months seeking financing, capital infusions and joint  
16 venture partners in an effort to solve its extreme cash flow problems. Specifically, as shown  
17 on **Exhibit C**, Spa 810 contacted at least 21 financing sources, many of whom proceeded  
18 past mere inquiries and engaged in the exchange of substantial information and term  
19 outlines. Only Princeton has been willing to provide funding to enable the Debtors to deal  
20 with their liabilities and emerge with a viable entity and strong brand. The Committee  
21 disputes this assertion.

22 **5.3 The Princeton Capitalization**

23 Princeton has demonstrated its commitment to acquire SPA 810 by funding critical  
24 pre-petition and post-petition financing to maintain operations including a sufficient staff to  
25 manage franchise relations, fulfill obligations to the franchisees and preserve the status of  
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1 the company as a going, saleable concern.

2         Princeton has committed to provide additional cash funding to ensure that the  
3 Debtors can provide some recovery for creditors and emerge from bankruptcy as a viable,  
4 stable going concern. Princeton has represented that its limit on cash funding is \$600,000,  
5 including monies advanced in the pre-petition loan and the DIP Loan.

6         In addition, and most important, Princeton has committed to inject capital to support  
7 SPA 810 until the franchisee network is developed and providing the franchisor with  
8 revenue in an amount to achieve positive Net Operating Income. Discussions have not  
9 focused on specific dollar amounts that would be required to relaunch SPA 810.  
10 Nevertheless, Princeton has indicated it can contribute additional capital to support its  
11 purchase of SPA 810, not only to maintain the current level of franchisees, but to expand  
12 the franchisee network. Supporting costs might fund the expense of a post-confirmation  
13 audit and renewed FDDs, internet retail marketing ramp up and launch, geographical  
14 franchise market research, technology connectivity for franchisor/franchisee integrations,  
15 expansion of training support and personnel, and expansion of products and services  
16 delivered to customers. Although Princeton has not formally offered an estimate of post  
17 confirmation recapitalization, the Debtor estimates that this capital injection could range  
18 between \$1.2 and \$1.5 million. This estimate is based on the historical financial  
19 performance of SPA 810. If these estimates are realistic, the total investment into SPA 810  
20 by Princeton would be in a range between \$1.7 and \$2.1 million. The Debtors believe this is  
21 the best alternative for all the stakeholders. SPA 810 has not been able to operate profitably  
22 solely from royalty income. If it is forced to rely on royalty income only, liquidation would  
23 become a certainty. SPA 810 is lacking capital to support the franchisee network and  
24 without a recapitalization from a strong committed owner, not only would the Debtor  
25 struggle mightily, but most of the franchisees would be in peril. Therefore, relying on future  
26

1 franchise fees for income is more than speculative.

2 This recapitalization commitment from Princeton will finance the cash burn inherent in  
3 the stabilization of SPA 810 and any future success. The value of SPA 810 is determined by  
4 its current cash collections and operational expenses. The question is whether SPA 810 can  
5 generate positive net operating income today even if it restructures its liabilities. If not, the  
6 value of its current assets is questionable. If SPA 810 is to have any future value, that future  
7 value will accrue to the future requisite capital injection, not to cash supported during the  
8 reorganization process.

9 The discussions between SPA 810 and Princeton have not only focused on the current  
10 and immediate needs of a cash starved debtor, but also in providing the franchise network  
11 with a knowable and financially committed franchisor.

#### 12 **5.4 The Effect of This Bankruptcy**

13 It is important to recognize the far-reaching ramifications of this bankruptcy that  
14 permeate the entire franchise system.

15 Each Individual Business Franchisee makes a significant financial commitment and  
16 investment. Apart from the initial franchise fee of \$45,000, the franchisee must raise an  
17 additional \$500,000 to \$900,000 just to open its location for business. The FDD outlines a  
18 detailed budget of build out and start up expenditures, which includes leases, TI's,  
19 equipment, permits, signage, POS systems, HR training, and pre-opening inventory. Many  
20 of the existing Franchisees have arranged for financing through the Small Business  
21 Administration, or other lending sources that require personal guarantees.

22 The Area Representative Franchisee must not only make the financial investment of  
23 an Individual Business Franchise as described above for a location within his or her  
24 territory, he or she must also be invested and committed to the development of the territory.  
25 Area Representative Franchise fees range from \$50,000 to \$400,000. Additional financial  
26

1 commitments would be required in order to fulfill the duties and obligations of an Area  
2 Representative. The FDD for Area Representatives outlines a detailed budget for the  
3 estimated initial investment. This additional investment ranges from \$68,000 to \$500,000.

4       Entering into an Area Representative Franchise or an Independent Business  
5 Franchisee commitment is an entrepreneurial effort in the truest sense and is no small  
6 matter. In order to fulfil the contractual obligations, the Franchisee must provide the “sweat  
7 equity” of site selection, lease acquisition, location build out, permits, signage, pre-opening  
8 site training, and advertising. The franchisee’s participation in daily management and  
9 staffing is the key factor in the success of the franchise.

10       By adding the cash investment, debt commitments for TI’s and equipment, etc., and  
11 the personal guarantees on the real estate obligations, the collective investment in the SPA  
12 810 brand from the Area Representative Franchisees and Independent Business Franchisees  
13 is in the tens of millions of dollars. From a Franchisees perspective, the SPA 810 brand  
14 lessens the risk of failure when opening a small business. The SPA 810 brand creates a  
15 network of locations providing consistent services and products with name recognition. The  
16 brand has value to the Franchisee as it provides the backbone and creativity in the  
17 development of products and service mix, marketing, and data analysis.

18       Franchisees pay the franchise fees, and royalties, to belong to a brand instead of  
19 being independent. Franchisees make the investment and indenture themselves into debt in  
20 order to belong to a brand. Failure of SPA 810 as a brand, potentially would trigger  
21 additional business failure throughout the SPA 810 franchisee network. Most likely,  
22 personal bankruptcies would follow from the nature of any personal guarantees associated  
23 with the business failure.

## 24 **5.5 Maximization for Creditors**

25       The Debtor’s decision to proceed with the Princeton transaction was not made lightly  
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1 or without consideration of other alternatives such as an auction of its assets. Under the  
2 present circumstances, the Debtor does not believe an auction is a viable choice for a  
3 number of reasons. First, an auction would not guarantee that a potential purchaser would  
4 be able to capitalize the business to ensure its continuity. Second, an auction would not  
5 provide for the protection of the brand in which the franchisees have invested. Third, for  
6 nearly a year and a half, the Debtors have engaged in significant attempts to market the  
7 business to potential purchasers and investors, all to no avail (see Exhibit C). The Debtors  
8 have no reason to believe that an auction will produce a greater return to creditors than that  
9 provided by the Princeton transaction and do not want to risk Princeton's withdrawal of its  
10 support. In order to promote the possibility that there might be a competing offer, the  
11 Debtor sent a letter and a copy of the Debtors' First Amended Disclosure Statement to all  
12 parties that had expressed an interest in acquiring or investing in the Debtors' assets. The  
13 letter encouraged parties to contact the CRO if they had further interest. There was no  
14 response.

#### 15 **5.6 Committee's Current Position on the Princeton Transaction**

16 The Committee's objections have been 1) that the proposed transaction with  
17 Princeton does not provide for fair value for the interests and assets of Debtors; 2) that the  
18 transaction does not provide for or permit an open auction sale of the interests or assets to  
19 determine if another party is willing to make a higher or better proposal; and 3) that the  
20 Princeton transaction includes a provisional agreement for employment and compensation  
21 with the Debtors' principal, John Dunatov.

22 After significant and intense negotiations with the Debtors and Princeton, the  
23 Committee believes it can support the Plan so long as the pool established for distribution to  
24 holders of Allowed Claims in Class 5 is at least \$490,000. The Debtors and Princeton  
25 believe this will be accomplished.  
26

1 **5.7 Summary of the Plan's Treatment of Creditors**

2 The Plan provides for the payment of administrative priority and secured claims in  
3 full and for a pro rata distribution to Allowed Unsecured Creditors from the Unsecured  
4 Creditor Pool.

5 **NOTE:** Any description of the Plan in this Disclosure Statement is for informational  
6 purposes only and does not purport to change or supersede any of the language of the Plan.  
7 Each holder of a Claim or Interest is urged to read the Plan carefully with respect to the  
8 proposed treatment of their respective Claim or Interest, and, is encouraged to consult with  
9 such person's legal counsel. If the Plan is confirmed, it will be binding upon the Debtors,  
10 their Creditors, and Interest Holders. **IN THE EVENT OF ANY INCONSISTENCY**  
11 **BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE PLAN**  
12 **WILL CONTROL.**

13 **ARTICLE VI**

14 **CLASSIFICATION OF CLAIMS AND INTERESTS**

15 Creditors and Interest Holders are grouped in Classes depending on the type of Claim  
16 or Interest they have. The following section describes how they will be treated in the Plan.  
17 Payments and distributions will be facilitated through a Plan Trust described in greater  
18 detail below.

19 **6.1 No Classification of Administrative Claims and Priority Tax Claims**

20 As provided in Section 1123(a)(1) of the Bankruptcy Code, Administrative Claims  
21 and Priority Tax Claims shall not be classified for purposes of voting on or receiving  
22 distributions under the Plan. All those Claims shall be treated separately as unclassified  
23 Claims on the terms set forth herein.

24 **6.2 Administrative Expenses**

25 Allowed Administrative Claims will be paid in full satisfaction of the Claim, unless  
26

1 previously approved and paid: (a) cash payment in the allowed amount of the Claim on the  
2 Effective Date or as soon thereafter as possible or after the claim is allowed if subject to  
3 Court approval; (b) Ordinary Course Claims as they mature; or (c) upon other less favorable  
4 terms as may be agreed upon in writing by the holder of the Claim and the Plan Trustee  
5 (described below), or as ordered by the Bankruptcy Court.

6 On the Effective Date, the Debtors believe the administrative claims to be paid will  
7 consist of the DIP Loan in the possible amount of \$250,000; unpaid Professional Fee  
8 Claims estimated at \$150,000; and Cure Claims estimated at \$25,000. Ordinary Course  
9 Claims and Cure Claims will be paid by the Reorganized Debtor. The DIP Loan and unpaid  
10 Professional Fees will be paid by the Plan Trustee.

### 11 **6.3 Priority Tax Claims**

12 Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less  
13 favorable treatment or treatment is ordered by the Bankruptcy Court, in full and final  
14 satisfaction, each holder shall be treated in accordance with the terms set forth in  
15 Bankruptcy Code section 1129(a)(9)(C). The Debtors believe there are no Allowed Priority  
16 Tax Claims.

### 17 **6.4 Classification and Treatment of Claims and Interests That Are Classified**

18 For purposes of voting, distributions, and all confirmation matters, except as otherwise  
19 provided herein all Allowed Claims and Interests shall be classified and treated as follows.

#### 20 **(1) Class 1 – Other Priority Claims**

21 To the extent there are any Allowed Other Priority Claims, they will be paid  
22 in full on the Effective Date or such other time as the claimant agrees. The Debtor does not  
23 believe there are any Claims in this class. To extent there are such Claims, Class 1 is  
24 unimpaired, is not entitled to vote on the Plan, and will not be solicited for voting.  
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1           **(2) Class 2 – Wage, Salary and Commission Claims**

2           Class 2 consists of the Allowed Claims of individuals not exceeding \$12,850  
3 for each individual or corporation earned within 180 days of the Petition Date for wages,  
4 salaries or commissions, including vacation, severance and sick leave pay. The Debtors  
5 believe the total claims in this class total approximately \$40,000. Class 2 is unimpaired, is  
6 not entitled to vote on the Plan, and will not be solicited for voting.

7           **(3) Class 3 -- Princeton**

8           Class 3 consists of the Allowed Secured Claim of Princeton in the  
9 approximate amount of \$157,000 secured by all of the assets of SPA 810. Such claim will  
10 accrue interest at a rate of 10 percent (10%) per annum from the Petition Date until the  
11 Effective Date and will be paid in full thirty (30) days after the Effective Date. Class 3 is  
12 impaired and is entitled to vote on the Plan.

13           **(4) Class 4–CJS Pinnacle**

14           Class 4 consists of the purported claim of CJS Pinnacle against PGCi secured  
15 by PGCi's membership Interest in SPA 810. Because the Interest will be cancelled on the  
16 Effective Date, the Interest has no value, it duplicates a claim asserted against SPA 810, and  
17 the Estates will be consolidated, this claim will be treated as an unsecured creditor in Class  
18 5.

19           **(5) Class 5 – General Unsecured Creditors**

20           Class 5 consists of the Allowed Unsecured Claims of general unsecured  
21 creditors of both Debtors not otherwise classified. Each holder of an Allowed Unsecured  
22 Claim in this class will be paid its pro rata share, without interest, of the Unsecured Creditor  
23 Pool sixty (60) days after the Effective Date. Debtors' schedules reflect claims in this Class  
24 of approximately \$2.4 million. The Committee believes actual claims will significantly  
25 exceed this amount. The distribution to Class 5 Creditors will vary based on the total  
26

1 amount of claims in this Class. This Class is impaired and is entitled to vote on the Plan.

2 **(6) Class 6 –Equity Interests of SPA 810**

3 Class 6 consists of the Interests in SPA 810 held by PGCI and Struck. The  
4 Allowed Interests will be cancelled as of the Effective Date and Interest Holders will  
5 receive no distribution under the Plan. This Class is deemed to have rejected the Plan and  
6 will not be solicited for voting.

7 **(7) Class 7 – Equity Interests of PGCI**

8 Class 7 consists of the Interests in PGCI held by Ivan Dunatov. Allowed  
9 Interest will be cancelled as of the Effective Date and the Interest Holder will receive no  
10 distribution under the Plan. This Class is deemed to have rejected the Plan and will not be  
11 solicited for voting.

12 **ARTICLE VII**

13 **MEANS FOR IMPLEMENTATION OF THE PLAN**

14 **7.1 Plan Funding**

15 On the Effective Date, Princeton will pay to the Plan Trustee the Plan Contribution to  
16 be used, along with the Plan Trust Assets, to fund the Debtor’s obligations under the Plan.

17 **7.2 Substantive Consolidation**

18 For all practical purposes, the Debtors have operated and held themselves out as a  
19 single entity. PGCI has no business operations, no assets, and only three unsecured  
20 creditors, the largest which has an identical claim against SPA 810 and the other two total  
21 \$4,100. Therefore, the creditors of each of the Debtors will not be harmed. On the Effective  
22 Date the two Estates will be substantively consolidated.

23 **7.3 Continued Corporate Existence**

24 After the Effective Date, the Reorganized Debtor may operate its business and use,  
25 acquire, and dispose of property without the supervision of the Bankruptcy Court, free of  
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1 any restrictions of the Bankruptcy Code or the Bankruptcy Rules.

2 **7.4 Corporate Governance**

3 On the Effective Date, the SPA 810 articles of organization and operating agreement  
4 shall be amended and restated pursuant to the Amended Articles and the Amended  
5 Operating Agreement, respectively, to reflect the transactions consummated by the Plan,  
6 including the issuance of all the Reorganized Debtor Interests to Princeton or its designee  
7 and the appointment of the managing member of the Reorganized Debtor.

8 The Amended Articles and the Amended Operating Agreement will be provided in  
9 the Plan Supplement. They will satisfy the provisions of the Plan and the Bankruptcy Code  
10 and shall include, among other things, pursuant to Bankruptcy Code § 1123(a)(6), a  
11 provision prohibiting the issuance of non-voting equity securities, but only to the extent  
12 required by Bankruptcy Code § 1123(a)(6).

13 After the Effective Date, the Reorganized Debtor may amend and restate the  
14 Amended Articles and the Amended Operating Agreement as permitted by applicable law.

15 **7.5 Management**

16 Subject to any requirement of Bankruptcy Court approval pursuant to Bankruptcy  
17 Code § 1129(a)(5), on the Effective Date, the new managing member and any other officers  
18 of the Reorganized Debtor will be appointed, with the identities of such persons to be  
19 disclosed in the Plan Supplement. Each such person will serve from and after the Effective  
20 Date in accordance with the Amended Articles, the Amended Operating Agreement, and  
21 other governance policies of the Reorganized Debtor, as the same may be amended from  
22 time to time.

23 In order to confirm the Plan, the Debtors, as the plan proponents, must disclose the  
24 identity of any insider that will be employed or retained by the reorganized debtor, and the  
25 nature of any compensation for such insider. 11 U.S.C. § 1129(a)(5)(B). The Debtors  
26

1 currently employ two insiders, John Dunatov and his daughter Doris Dunatov. Debtors  
2 believe that the continued employment of Mr. Dunatov and Ms. Dunatov is in the best  
3 interests of the Debtors and creditors of the estates as they have extensive knowledge of the  
4 Spa 810 brand and the operations of the Debtors. As discussed above, John Dunatov  
5 continues to close sales and create income for the Debtors, with the oversight of Mr. Shaffer  
6 and consistent with the requirements of applicable law.

7 Debtors expect that, on the Effective Date, the Reorganized Debtor or its designee  
8 will enter into an employment and/or consulting agreement with John Dunatov and may  
9 continue to employ Doris Dunatov. Any such agreement will be provided in the Plan  
10 Supplement.

#### 11 **7.6 Cancellation of Debtors' Equity Interests**

12 On the Effective Date, all outstanding Interests in the Debtors shall be cancelled and  
13 extinguished and all certificates (if any) representing Interests in the Debtors shall become  
14 void without the need for further action.

#### 15 **7.7 Creation of Plan Trust and Appointment of Trustee**

16 On the Effective Date a Plan Trust will be created pursuant to the Plan Trust  
17 Agreement (in a form to be provided in the Plan Supplement, the terms of which are  
18 incorporated by reference) to facilitate all distributions required by the Plan and other  
19 functions required to wind-down the Debtors' Estates. On the Effective Date, the Plan Trust  
20 Assets will be transferred to the Plan Trust and will be used to pay Allowed Claims and the  
21 costs of administering the Plan Trust. Administration of the Plan Trust will include the  
22 pursuance of the Plan Trust Causes of Action, claims objections, and the closing of the  
23 bankruptcy cases. The Plan Trustee will establish a Reserve for such administrative costs  
24 and fees, including the payment of UST fees.

25 The Plan Trustee will be Timothy Shaffer who has served as Debtors' CRO. Mr.  
26

1 Shaffer will be deemed appointed on the Effective Date, without further motion,  
2 application, notice, hearing or other order of the Court. Mr. Shaffer will be compensated as  
3 set forth in the Plan Trust Agreement. Mr. Shaffer's resume is attached as **Exhibit D.**

4 As more fully described in the Plan Trust Agreement, the Plan Trustee shall have the  
5 rights and powers of a debtor in possession under Bankruptcy Code section 1107, and such  
6 other rights, powers, and duties necessary, appropriate, prudent or advisable to effectuate  
7 the provisions of the Plan and the Plan Trust, including but not limited to objecting to  
8 claims and making distributions to creditors. The Plan Trustee shall not be required to  
9 obtain any approvals from the Court, any court or governmental body and/or provide any  
10 notices under any applicable laws to implement the terms of the Plan in accordance with the  
11 Plan and the Plan Trust Agreement except as expressly set forth in the Plan and the Plan  
12 Trust Agreement.

13 The Plan Trust may employ, without order of the Court such counsel (which may be  
14 the same counsel employed by the Debtors), advisors and other professionals selected by  
15 the Plan Trustee that are reasonably required to perform the Plan Trustee's responsibilities  
16 under the Plan. The Plan Trust's professionals shall be compensated at their respective  
17 standard hourly rates as agreed to by the Plan Trustee, without further motion, application  
18 notice, or other order of the Court. The fees and expenses of the Plan Trust's professionals  
19 shall be satisfied from the Plan Trust Assets.

20 **7.8 Effectuating Documents; Further Transactions**

21 Upon Confirmation, the Debtors are authorized to execute, deliver, file, or record  
22 such contracts, instruments, releases, indentures, and other agreements or documents and  
23 take such actions as may be necessary or appropriate to effectuate and further evidence the  
24 terms and conditions of the Plan.  
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1 **7.9 Exemption from Transfer Taxes**

2 Pursuant to Section 1146(a) of the Bankruptcy Code, the creation or transfer of any  
3 mortgage, deed of trust or other security interest, the making or assignment of any lease or  
4 sublease, or the making or delivery of any deed or other instrument of transfer under, in  
5 furtherance of or in connection with the Plan, and executed in connection with the  
6 liquidation of assets shall not be subject to any stamp tax, real estate tax or similar tax.

7 **7.10 Exemption from Securities Laws**

8 The issuance of the Reorganized Debtor Interests, and all other instruments,  
9 certificates, and other documents required to be issued or distributed pursuant to the Plan,  
10 (a) shall be authorized under Bankruptcy Code § 1145 as of the Effective Date without  
11 further act of action, except as may be required by the Amended Articles and the Amended  
12 Operating Agreement, and (b) shall be exempt pursuant to Bankruptcy Code § 1145 from  
13 registration under the Securities Act of 1933, as amended (and all rules and regulations  
14 promulgated thereunder), and under any state or local law (and all rules and regulations  
15 promulgated thereunder) requiring registration for offer or sale of a security or registration  
16 or licensing of an issuer of, underwriter of, or broker or dealer in, a security.

17 **ARTICLE VIII**

18 **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

19 Subject to the approval of the Bankruptcy Court, the Debtors have the power to  
20 assume or reject an unexpired lease or a contract that is deemed executory by the fact that  
21 performance is due by both parties to the contract. That is to say, the lease or contract can  
22 be accepted as written and the parties continue as if the bankruptcy never occurred. In such  
23 case the Debtors must cure any arrearages and give the counter party adequate assurance of  
24 performance. Conversely, the lease or contract can be rejected, in which case the Debtors  
25 are deemed to be in breach of the agreement, and practically speaking, the parties'  
26

1 obligations cease. The counter party may have a claim for damages as a consequence of the  
2 rejection.

3 In this case, the Debtors executory contracts and unexpired leases are identified on  
4 **Exhibit E**. Within 14 days prior to Confirmation, the Debtors will file with the Court and  
5 provide notice to any affected party (the “**Notice**”), a list of the executory contracts and  
6 leases it will assume and assign to Princeton along with any proposed Cure (the “**Assumed**  
7 **Contracts**”). All other executory contracts and leases shall be deemed rejected on Effective  
8 Date (the “**Rejected Contracts**”) unless earlier rejected by Bankruptcy Court order.

9 Each counter party to an Assumed or Rejected Contract shall have fourteen days (14)  
10 from the date of the Notice to file with the Bankruptcy Court a written objection to its  
11 treatment and its Cure if applicable. Failure to timely object will be deemed consent to the  
12 treatment and Cure. If a timely written objection is filed, the Debtors will request a hearing  
13 for the resolution of the counter party’s objection.

14 Unless it has done so previously, each counter party to a rejected lease or contract  
15 shall file on or before fourteen days after the Effective Date a proof of claim for any  
16 rejection damages. Failure to timely file such proof of claim will result in the establishment  
17 of the claim at zero dollars (-0-). The Plan Trustee reserves all rights to object to any proofs  
18 of claim.

## 19 **ARTICLE IX**

### 20 **CLAIMS, DISTRIBUTIONS, AND CLAIMS OBJECTIONS**

#### 21 **9.1 Deadline for Applications for Administrative Expenses**

22 Applications for Administrative Claims shall be filed no later than 30 days after the  
23 Effective Date. If Administrative Claims are not timely filed in accordance with the Plan,  
24 they will be forever barred and may not be asserted in any manner; provided, however, that  
25 no request for payment shall be required with respect to Administrative Claims that have  
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1 been paid previously or with respect to Administrative Claims for expenses incurred in the  
2 ordinary course of business, unless a dispute exists as to those expenses, or unless the  
3 provisions of the Bankruptcy Code require approval or allowance by the Bankruptcy Court  
4 as a precondition to payments being made on that expense.

5 **9.2 Filing of Objections**

6 The Plan Trustee shall have the exclusive right to file objections to Claims and the exclusive  
7 right to settle or withdraw those objections. The holder of a Claim to which an objection has  
8 been filed will be required to file with the Bankruptcy Court a response setting forth its  
9 Claim with specificity. The Plan Trustee will request a hearing on any timely filed  
10 responses. Claims objections must be filed within ninety (90) days after the Effective Date.

11 **9.3 Plan Distributions and Disbursing Agent**

12 Distributions to holders of Allowed Claims will be made in accordance with the Plan and  
13 the Plan Trust Agreement. No distributions will be made to any claimant unless that  
14 claimant has an Allowed Claim. The Plan Trustee will reserve sufficient amounts to pay any  
15 unresolved claims if and when they are allowed. No interest shall accrue or be paid for any  
16 amounts reserved and ultimately paid. The Plan Trustee will serve as the disbursing agent  
17 for all Allowed Claims with the exception of Ordinary Course and Cure Claims.

18 **9.4 Amendment of Claims**

19 A Claim may be amended prior to the Effective Date only as agreed upon by the Plan  
20 Trustee and the holder of the Claim or as otherwise permitted by the Bankruptcy Court and  
21 Bankruptcy Rules. After the Effective Date, a Claim may be amended to decrease, but not  
22 to increase, the amount thereof.

23 **9.5 Full and Final Satisfaction**

24 All payments and distributions under the Plan shall be in full and final satisfaction,  
25 settlement, release, and discharge of all Claims and Interests.  
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**ARTICLE X**

**CONDITIONS TO CONFIRMATION**

**10.1 Conditions to Confirmation**

The following are conditions precedent to the Effective Date:

- (a) The Confirmation Date has occurred;
- (b) The Confirmation Order has been entered and is a Final Order, except that the Debtors reserve the right to cause the Effective Date to occur notwithstanding the pendency of an appeal of the Confirmation Order, under circumstances that would moot such appeal;
- (c) No request for revocation of the Confirmation Order under Section 1144 of the Bankruptcy Code has been made, or, if made, remains pending;

**ARTICLE XI**

**RETENTION OF JURISDICTION**

On and after the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction, to the fullest extent permissible under law, over all matters arising out of and related to the Chapter 11 Case for, among other things, the following purposes:

- (a) To hear and determine all matters with respect to the assumption or rejection of executory contracts or unexpired leases and the allowance of Cure amounts and Claims resulting therefrom;
- (b) To hear and determine any motion, adversary proceeding, application, contested matter, or other litigated matter pending on or commenced after the Confirmation Date;
- (c) To hear and determine all matters with respect to the allowance, disallowance, liquidation, classification, priority or estimation of any Claim;
- (d) To ensure that distributions to holders of Allowed Claims or Allowed Interests are accomplished as provided in the Plan;

1 (e) To hear and determine all applications for compensation and reimbursement  
2 of Professional Fee Claims;

3 (f) To hear and determine any application to modify the Plan in accordance with  
4 Section 1127 of the Bankruptcy Code, to remedy any defect or omission or reconcile any  
5 inconsistency in the Plan, this Disclosure Statement or any order of the Bankruptcy Court,  
6 including the Confirmation Order, in such a manner as may be necessary to carry out the  
7 purposes and effects thereof;

8 (g) To hear and determine disputes arising in connection with the interpretation,  
9 implementation or enforcement of the Plan, the Confirmation Order, any transactions or  
10 payments contemplated by the Plan or any agreement, instrument or other document  
11 governing or relating to any of the foregoing;

12 (h) To issue injunctions, enter and implement other orders and take such other  
13 actions as may be necessary or appropriate to restrain interference by any Person with the  
14 consummation, implementation or enforcement of the Plan, the Confirmation Order or any  
15 other order of the Bankruptcy Court;

16 (i) To issue orders as may be necessary to construe, enforce, implement, execute,  
17 and consummate the Plan;

18 (j) To enter, implement, or enforce orders as may be appropriate in the event the  
19 Confirmation Order is for any reason stayed, reversed, revoked, modified or vacated;

20 (k) To hear and determine matters concerning state, local and federal taxes in  
21 accordance with Sections 346, 505 and 1146 of the Bankruptcy Code (including the  
22 expedited determination of tax under Section 505(b) of the Bankruptcy Code);

23 (l) To hear and determine any other matters related to the Plan and not  
24 inconsistent with the Bankruptcy Code;

25 (m) To determine any other matters that may arise in connection with or are  
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1 related to the Plan, this Disclosure Statement, the Confirmation Order, any of the documents  
2 or any other contract, instrument, release or other agreement or document related to the Plan  
3 or this Disclosure Statement.

4 (n) To recover all Property of the Debtors' Estates, wherever located and whether  
5 vesting in the Reorganized Debtor or the Plan Trust pursuant to the Plan;

6 (o) To hear and determine all disputes involving the existence, nature or scope of  
7 the Debtor's discharge, including any dispute relating to any liability arising out of the  
8 termination of employment or the termination of any employee or retiree benefit program,  
9 regardless of whether such termination occurred prior to or after the Effective Date;

10 (p) To hear and determine any rights, Claims or Causes of Action held by or  
11 accruing to the Debtors or the Reorganized Debtor pursuant to the Bankruptcy Code or  
12 pursuant to any federal or state statute or legal theory;

13 (q) To enforce all orders, judgments, injunctions, releases, exculpations,  
14 indemnifications and rulings entered in connection with the Debtors' Chapter 11 Case with  
15 respect to any Person;

16 (r) To hear and determine any disputes arising in connection with the  
17 interpretation, implementation or enforcement of any post-petition agreements;

18 (s) To hear any other matter not inconsistent with the Bankruptcy Code; and

19 (t) To enter a final decree closing the Chapter 11 Case.

20 **ARTICLE XII**

21 **CONFIRMATION OF PLAN**

22 Once the Disclosure Statement is approved and any required ballots are sent to any  
23 holders of Allowed Interests that may be entitled to vote on the Plan, the Bankruptcy Court  
24 will hold a Confirmation Hearing to determine whether the Plan may be confirmed. Any  
25 party in interest may object to Confirmation of the Plan.  
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1           The Bankruptcy Court has scheduled the Confirmation Hearing for December 10,  
2 **2018 at 11:00 a.m.** Phoenix time before the Honorable Daniel Collins, United States  
3 Bankruptcy Judge, in the United States Bankruptcy Court for the District of Arizona,  
4 located at 230 N. First Ave, Phoenix, AZ 85003. The Confirmation Hearing may be  
5 adjourned from time to time by the Bankruptcy Court without further notice except for an  
6 announcement made at the Confirmation Hearing or any adjourned hearing.

7 **12.1 Overview of Confirmation Standards**

8           At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan  
9 meets the requirements of Section 1129 of the Bankruptcy Code. The Debtors believes the  
10 Plan meets these requirements because:

- 11           1.     The Plan complies with the applicable provisions of the Bankruptcy Code;
- 12           2.     The Debtor has complied with the applicable provisions of the Bankruptcy  
13 Code;
- 14           3.     The Plan has been proposed in good faith and not by any means forbidden by  
15 law;
- 16           4.     Any payment made or promised under the Plan for services or for costs and  
17 expenses in, or in connection with, this Chapter 11 Case, or in connection with the Plan and  
18 incident to this Chapter 11 Case, has been approved by, or is subject to the approval of the  
19 Bankruptcy Court;
- 20           5.     The Debtors have or will disclose the identity and affiliations of any  
21 individuals proposed to serve, after confirmation of the Plan, as a director or officer along  
22 with his or her compensation; that the appointment to, or continuance in, such office of such  
23 individual is consistent with the interests of Creditors and equity holders and with public  
24 policy;
- 25           6.     With respect to each Class of Impaired Claims or Interests, each holder of a  
26

1 Claim or Interest in that Class has accepted the Plan or will receive as of the Effective Date  
2 an amount that is not less than the holder would receive or retain if the Debtors were  
3 liquidated on that date under Chapter 7 of the Bankruptcy Code. (See the “Best Interests  
4 Test”);

5 7. Each Class of Claims or Interests has either accepted the Plan or is not  
6 Impaired under the Plan, or the Plan can be confirmed without the approval of that Class;

7 8. Except to the extent that the holder of a particular Claim has agreed or will  
8 agree to a different treatment of his or her Claim, the Plan provides that allowed  
9 Administrative Claims and Priority Claims will be paid in full on the Effective Date or  
10 within 30 days or as soon as reasonably practical and that Priority Tax Claims will be either  
11 paid in full on the Effective Date or will receive deferred Cash payments, over a period not  
12 exceeding six years after the date of assessment of those Claims, of a value, as of the  
13 Effective Date, equal to the allowed amount of those Claims;

14 9. If a Class of Claims is Impaired under the Plan, at least one Class of Impaired  
15 Claims has accepted the Plan, determined without including any acceptance of the Plan by  
16 any insider holding a Claim in that Class;

17 10. Confirmation of the Plan is not likely to be followed by the liquidation or the  
18 need for further financial reorganization.

19 **12.2 Acceptance of the Plan**

20 The Bankruptcy Code generally requires that each Impaired Class accept the Plan. A  
21 Class of Claims or Interests that is Unimpaired under the Plan is deemed to have accepted  
22 the Plan and, therefore, solicitation of acceptances from unimpaired Classes is not required.

23 A Class or Interest is Impaired unless the plan: (a) leaves unaltered the legal,  
24 equitable, and contractual rights to which the Claim or equity interest entitles the holder of  
25 the Claim or equity interest; (b) cures any default and reinstates the original terms of the  
26

1 obligation; or (c) provides that, on the consummation date, the holder of the Claim or equity  
2 interest receives Cash equal to the allowed amount of that Claim, or with respect to any  
3 equity interest, any fixed liquidation preference to which the holder of the equity interest is  
4 entitled to any fixed price at which the Debtor may redeem the security.

5 In this case, Classes 3, 4, and 5 are impaired and will be solicited for their vote on the  
6 Plan. Classes 1 and 2 are unimpaired, are deemed to have accepted the Plan and will not be  
7 solicited for their vote on the Plan. Classes 6 and 7 are deemed to have rejected the Plan and  
8 will not be solicited for its vote on the Plan.

9 Bankruptcy Code § 1126(d) provides that a Class of Interests has accepted a chapter  
10 11 plan if the plan has been accepted by holders of Interests, other than an entity designated  
11 under Bankruptcy Code § 1126(e), that hold at least two-thirds in amount of the Allowed  
12 Interests of such Class held by holders of such Interests, other than any entity designated  
13 under Bankruptcy Code § 1126(e), that have accepted or rejected such chapter 11 plan.

### 14 **12.3 Objections to Confirmation**

15 Any objection to the Plan must:

- 16 • Be made in writing;
- 17 • Conform to the Bankruptcy Rules and the Local Rules;
- 18 • Set forth the name of the objector; the nature and amount of the Claims or  
19 Interests the objector holds against the Debtors; and the specific basis for the  
20 objection;
- 21 • Be electronically filed with the Bankruptcy Court; and
- 22 • Be served upon the following parties:

23  
24 Carolyn J. Johnsen  
25 Katherine Sanchez  
26 Dickinson Wright PLLC  
1850 N. Central Avenue, Suite 1400  
Phoenix, Arizona 85004

1 All objections to the Plan must be actually received no later than **5:00 p.m. Phoenix**  
2 **time on December 3, 2018.** All objections to the Plan are governed by Bankruptcy Rule  
3 9014. **THE BANKRUPTCY COURT WILL NOT CONSIDER A PLAN OBJECTION**  
4 **UNLESS IT IS TIMELY FILED AND SERVED IN COMPLIANCE WITH THIS**  
5 **DISCLOSURE STATEMENT.**

## 6 ARTICLE XIII

### 7 EFFECT OF CONFIRMATION

#### 8 **13.1 Vesting of Assets**

9 Upon the Effective Date, pursuant to Sections 1141(b) and (c) of the Bankruptcy  
10 Code, all Property of the Debtors and of the Estates, except for the Plan Trust Assets, shall  
11 vest in the Reorganized Debtor, free and clear of all Claims, Liens, encumbrances, charges,  
12 and other interests, except as otherwise expressly provided in the Plan. All Liens, Claims,  
13 encumbrances, charges, and other interests shall be deemed fully released and discharged as  
14 of the Effective Date, except as otherwise provided in the Plan. As of the Effective Date, the  
15 Reorganized Debtor may operate the business and may use, acquire, and dispose of Property  
16 without supervision or approval by the Bankruptcy Court and free of any restrictions of the  
17 Bankruptcy Code or the Bankruptcy Rules and in all respects as if there was no pending  
18 cases under any chapter or provision of the Bankruptcy Code.

19 Upon the Effective Date, the Plan Trust Assets shall vest in the Plan Trust in  
20 accordance with the Plan and Plan Trust Agreement free and clear of all Claims, Liens,  
21 encumbrances, charges, and other interests, except as otherwise expressly provided in the  
22 Plan and the Plan Trust Agreement. All Liens, Claims, encumbrances, charges, and other  
23 interests shall be deemed fully released and discharges as of the Effective Date except as  
24 otherwise provided in the Plan and the Plan Trust Agreement.  
25  
26

1 **13.2 Preservation of Causes of Action**

2 Nothing contained in the Plan or the Confirmation Order shall be deemed to be a  
3 waiver or relinquishment of any rights or Causes of Action that the Debtors, the  
4 Reorganized Debtor, or the Plan Trust may have or choose to assert under any provision of  
5 the Bankruptcy Code or any applicable non-bankruptcy law, and including without  
6 limitation any crossclaim, counterclaim, and/or claim for setoff that seeks affirmative relief  
7 against the Debtors, the Reorganized Debtor, the Plan Trust or their officers, directors,  
8 agents or representatives. All Causes of Action shall vest on the Effective Date in the  
9 Reorganized Debtor, except for the Plan Trust Causes of Action which shall vest on the  
10 Effective Date in the Plan Trust.

11 **13.3 Exculpation**

12 Pursuant to the Plan, the Debtors, the Committee, Princeton, and all of their  
13 respective present and former partners, members, officers, directors, employees, advisors,  
14 attorneys and agents (collectively, the “**Exculpated Parties**”) shall not have or incur any  
15 liability to any holder of a Claim or an Interest, or any other party in interest, or any of their  
16 respective agents, employees, representatives, financial advisors, attorneys or Affiliates, or  
17 any of their successors or assigns for any act or omission in connection with, relating to or  
18 arising out of this Chapter 11 Case, the preparation of and filing of the Case, any settlement  
19 related to this Chapter 11 Case, the negotiation and execution of a proposed Plan, the  
20 solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the  
21 consummation of the Plan, or the administration of the Estate or of the Plan, or the Property  
22 to be distributed under the Plan, except only to the extent that liability is based on gross  
23 negligence or willful misconduct or breach of fiduciary duty. The Exculpated Parties shall  
24 be entitled to reasonably rely on the advice of counsel with respect to their duties and  
25 responsibilities under the Plan, or in the context of the Chapter 11 Case. Notwithstanding  
26

1 the foregoing, nothing in the Plan shall be deemed to release the Exculpated Parties or  
2 exculpate the Exculpated Parties with respect to their respective obligation or covenants  
3 arising pursuant to the Plan or with respect to Causes of Action for pre-petition conduct or  
4 post petition conduct.

5 Pursuant to 11 U.S.C. §1103(c) the members of the Committee, together with the  
6 professionals authorized by the Court to provide services for the Committee, are provided  
7 statutory qualified immunity. Correspondingly, pursuant to 11 U.S.C. § 1107, the Debtors'  
8 fiduciaries are also provided statutory qualified immunity for those instances they step into  
9 the shoes of a chapter 11 trustee during the administration of these jointly administered  
10 bankruptcy cases. This same qualified immunity is thereby imputed to the Debtors'  
11 bankruptcy professionals authorized by the bankruptcy court to provide services on behalf  
12 of these jointly administered bankruptcy estates. This qualified immunity is limited in  
13 nature. It only pertains to actions taken by the Committee members in their official  
14 capacities, the Debtors' fiduciaries and their authorized professionals from the Petition  
15 Date, through the Confirmation Date, upon which date a chapter 11 trustee's duties and  
16 responsibilities to the bankruptcy estate are terminated by statute. The qualified immunity is  
17 only applicable to those actions taken by the Committee members, the Debtors' fiduciaries,  
18 and their authorized bankruptcy professionals for actions that are necessary to the  
19 administration of the bankruptcy case. Qualified immunity shall not extend to the ordinary  
20 business transactions of the Debtors. This qualified immunity is equal to the same  
21 protection afforded a bankruptcy trustee pursuant to *In re Cochise College Park, Inc.*, 703  
22 F.2d 339, 1357 (9th Cir. 1983); *In re Castillo*, 248 B.R. 153, 157 (9th Cir. BAP 2000); and  
23 *In re Kashani*, 190 B.R. 875, 883 (9th Cir. BAP 1995). Finally, any party seeking to bring an  
24 action against a member of the Committee, a fiduciary of the Debtors, or their authorized  
25 professionals for actions arising from or related to these jointly administered bankruptcy  
26

1 proceedings, must seek permission of the bankruptcy court before commencing a lawsuit in  
2 another forum.

3 **13.4 Discharge and Injunction**

4 Except as otherwise specifically provided in the Plan or in the Confirmation Order,  
5 the rights afforded in the Plan and the payments and distributions to be made under the Plan  
6 shall discharge all existing debts and Claims, and shall terminate all interests of any kind,  
7 nature, or description whatsoever against or in the Reorganized Debtor or any of its assets  
8 or properties to the fullest extent permitted by Section 1141 of the Bankruptcy Code. Except  
9 as otherwise specifically provided in the Plan or in the Confirmation Order, upon the  
10 Effective Date, all existing Claims against the Debtors and interests in the Debtor shall be,  
11 and shall be deemed to be, discharged and terminated, and all holders of Claims and  
12 Interests (and all representatives, trustees, or agents on behalf of each holder) shall be  
13 precluded and enjoined from asserting against the Debtor, the Reorganized Debtor, the Plan  
14 Trust, the Plan Trustee, Princeton, their respective successors or assignees, or any of their  
15 assets or properties, any other or further Claim or Interest based on any act or omission,  
16 transaction, or other activity of any kind or nature that occurred before the Effective Date,  
17 whether or not the holder has filed a Proof of Claim and whether or not the facts or legal  
18 bases therefor were known or existed before the Effective Date. The Confirmation Order  
19 shall be a judicial determination of the discharge of all Claims against, liabilities of, and  
20 Interests in the Debtors, subject to the occurrence of the Effective Date.

21 Upon the Effective Date and in consideration of the distributions to be made under  
22 the Plan, except as otherwise provided in the Plan, each holder (as well as any  
23 representatives, trustees, or agents on behalf of each holder) of a Claim or Interest and any  
24 Affiliate of the holder shall be deemed to have forever waived, released, and discharged the  
25 Debtors, to the fullest extent permitted by Section 1141 of the Bankruptcy Code, of and  
26

1 from any and all Claims, Interests, rights, and liabilities that arose before the Effective Date.  
2 Upon the Effective Date, all those Persons shall be forever precluded and enjoined, pursuant  
3 to Section 524 of the Bankruptcy Code, from prosecuting or asserting any discharged Claim  
4 against or terminated Interest in the Debtor.

5 Except as otherwise expressly provided in the Plan, all persons or entities who have  
6 held, hold, or may hold Claims or Interests and all other parties in interest, along with their  
7 respective present or former employees, agents, officers, directors, principals,  
8 representatives, and Affiliates, are permanently enjoined, from and after the Effective Date,  
9 from: (i) commencing or continuing in any manner any action or other proceeding of any  
10 kind with respect to any such Claim or Interest; (ii) the enforcement, attachment, collection,  
11 or recovery by any manner or means of any judgment, award, decree, or order against the  
12 Debtors, the Reorganized Debtor, Princeton, the Plan Trust or Trustee or Property of the  
13 Debtors; (iii) creating, perfecting, or enforcing any Lien or encumbrance of any kind against  
14 the Debtors, the Reorganized Debtor, Princeton, the Plan Trust or Trustee, or against the  
15 Property or interests in Property of the Debtors; or (iv) asserting any right of setoff,  
16 subrogation, or recoupment of any kind against any obligation due from the Debtors, the  
17 Reorganized Debtor, Princeton, the Plan Trust or Trustee, or against the Property or  
18 interests in Property of the Debtors, with respect to any such Claim or Interest. This  
19 injunction shall extend to any successors or assignees of the Debtors, the Reorganized  
20 Debtor, Princeton, the Plan Trust or Trustee, and their respective Properties and interests in  
21 Properties.

### 22 **13.5 Corporate Authority.**

23 The Confirmation Order shall constitute full and complete corporate authority for the  
24 Debtors, the Reorganized Debtor, and the Plan Trustee to take all other actions that may be  
25 necessary, useful or appropriate to consummate the Plan without any further corporate or  
26

1 judicial authority.

2 **13.6 Setoff and Recoupment**

3 The Plan Trust may, but shall not be required to, set off or recoup against any Claim  
4 and any distribution to be made on account of that Claim, any and all claims, rights, and  
5 Causes of Action of any nature that the Plan Trust may have against the holder of that Claim  
6 pursuant to the Bankruptcy Code or applicable non-bankruptcy law; provided, however, that  
7 neither the failure to effect a set off or recoupment nor the allowance of any Claim under the  
8 Plan shall constitute a waiver, abandonment, or release by the Plan Trust of any of those  
9 claims, rights, and Causes of Action that the Plan Trust may have against the holder of the  
10 Claim. To the extent the Plan Trust fails to setoff or recoup against a holder and seek to  
11 collect a claim from that holder after a distribution to the holder pursuant to the Plan, the  
12 Plan Trust shall be entitled to full recovery on its claim against that holder of a Claim.

13 **13.7 Liquidation Analysis and Best Interest of Creditors Test**

14 One of the factors the Bankruptcy Court must consider before confirming a proposed  
15 plan of reorganization is whether the Plan is in the “best interests” of all Classes of Impaired  
16 Claims and equity Interests. The Bankruptcy Court will find the “best interests” test  
17 satisfied if either the holder of a Claim or Interest in a Class accepts the Plan or the Plan will  
18 provide a holder that has not accepted the Plan with a recovery of at least equal in value to  
19 the recovery the holder would receive if the Debtor were liquidated under Chapter 7 of the  
20 Bankruptcy Code.

21 In this case, a liquidation would produce no recovery to creditors. SPA 810 only has  
22 value if it is operating as a going concern and with the brand it has established. *See* Exhibit  
23 F, *see also*, Sections 5.2 and 5.3 above. Although the Debtor asserts that the Plan as  
24 proposed meets the best interests of creditors test, the Committee believes that an auction of  
25 the Debtors’ interests and assets would net a better recovery to creditors than the proposed  
26

1 sale to Princeton.

2 **ARTICLE XIV**

3 **FEASIBILITY**

4 The Bankruptcy Code requires that to confirm the Plan, the Bankruptcy Court must  
5 find that confirmation of the Plan is not likely to be followed by a further liquidation or  
6 need for further financial reorganization of the Debtor (the "**Feasibility Test**"). For the Plan  
7 to meet the Feasibility Test, the Bankruptcy Court must find that the Reorganized Debtor  
8 will possess the resources and working capital necessary to meet its obligations under the  
9 Plan. The Debtor believes that the structure set forth in the Plan is a feasible framework for  
10 the recovery for Creditors. See also Sections 5.2 and 5.3 above.

11 **ARTICLE XV**

12 **ALTERNATIVES AND RISK FACTORS**

13 There are certain risks factors to take into consideration. One risk is that the  
14 Bankruptcy Court will conclude that the Debtors have not satisfied the Bankruptcy Code  
15 requirements for Confirmation as described above. This risk is enhanced if the Debtors are  
16 unable to gain the support of the Committee for the Plan. Debtors are working with the  
17 Committee to resolve its concerns with the Plan.

18 Another risk is that Princeton will fail to make the Plan Contribution in the  
19 anticipated amount in order to fund the payments and distributions required and anticipated  
20 by the Plan. In the event the Plan fails, there are a number of alternatives or results. These  
21 could include a) seeking another investor or purchaser to fund the Plan; b) seeking to  
22 resume operations by the Debtor; c) the appointment of a trustee to determine whether to  
23 continue operations; or d) a conversion to a Chapter 7 in which case a trustee would be  
24 appointed to immediately liquidate all assets of the Debtor. As with litigation, the Debtor  
25 has no ability to predict or guarantee any outcome. However, in the Debtor's reasoned  
26

1 business judgment, the Plan as proposed provides the best alternative for creditors.

2 **ARTICLE XVI**

3 **TAX CONSEQUENCES**

4 **Creditors and Interest Holders should consult with their own tax advisors as to**  
5 **the tax consequences of implementation of the Plan to them under applicable federal,**  
6 **state, and local tax laws. The Debtors make no representations with respect to any tax**  
7 **consequences.**

8 **16.1 Tax Consequences to the Debtors**

9 Pursuant to 11 U.S.C. § 1125(a)(1), the Debtors are to provide a discussion of the  
10 potential material tax consequences of the Plan to the Debtors, any successor to the Debtors,  
11 and a hypothetical investor typical of the holders of claims or interests in the case, that  
12 would enable such a hypothetical investor of the relevant Class to make an informed  
13 judgment about the Plan. However, the Debtors need not include such information about  
14 any other possible or proposed plan. In determining whether the Disclosure Statement  
15 provides adequate information, the Court shall consider the complexity of the case, the  
16 benefit of additional information to creditors and other parties in interest, and the cost of  
17 providing additional information.

18 In general, the amount of any debt of a business entity that is partially or totally  
19 discharged pursuant to a Title 11 bankruptcy case is excluded from gross income.  
20 Generally, the amount of debt discharge income (“DDI”) that is excluded from gross  
21 income must be applied to reduce the tax attributes of the Debtors.

22 The Debtors do not believe at the time that they will have any tax consequences as a  
23 result of the Plan, but reserve the right to amend on this issue.

24 **16.2 Tax Consequences to Priority, Secured and Unsecured Creditors**

25 Priority, Secured and Unsecured Creditors may be required to report income or be  
26

1 entitled to a deduction as a result of implementation of the Plan. The exact tax treatment  
2 depends on, among other things, each Creditor's method of accounting, the nature of each  
3 Claimant's claim, and whether and to what extent such Claimant has taken a bad debt  
4 deduction in prior taxable years with respect to the particular debt owed to it by the Debtors.

5 **Each Holder of a priority, secured claim or an unsecured claim is urged to consult**  
6 **with his, her, or its own tax advisor regarding the particular tax consequences of the**  
7 **treatment of his, her, or its claim under the Plan.**

8 **16.3 Tax Consequences to the Interest Holders**

9 **Each Interest Holder of the Debtors is urged to consult with his, her, or its own**  
10 **tax advisor regarding the particular tax consequences of the treatment of his, her, or**  
11 **its interest under the Plan.**

12 **ARTICLE XVII**

13 **MISCELLANEOUS PROVISIONS**

14 **17.1 Binding Effect of Plan**

15 The provisions of this Plan shall bind the Debtors, Creditors, and Interest Holders,  
16 and shall bind any Person asserting a Claim against the Debtors or an Interest in the  
17 Debtors, whether or not the Claim or Interest arose before or after the Petition Date or the  
18 Effective Date, whether or not the Claim or Interest is impaired, and whether or not the  
19 Person has accepted the Plan.

20 **17.2 Appeals**

21 In the event of an appeal of the Confirmation Order or any other kind of review or  
22 challenge to the Confirmation Order, and provided that no stay of the effectiveness of the  
23 Confirmation Order has been entered, the Bankruptcy Court will retain jurisdiction to  
24 implement and enforce the Confirmation Order and the Plan according to their terms,  
25 including, but not limited to, jurisdiction to enter such orders regarding the Plan or the  
26

1 performance thereof to implement the Plan.

2 **17.3 Modification and Amendment of Exhibits, Schedules, and Appendices**

3 The Debtors may modify or amend the terms of any document or agreement that is  
4 an Exhibit, schedule or appendix to the Plan without the need for re-solicitation of votes  
5 with respect to the Plan; provided, however, that the modification or amendment does not  
6 materially adversely affect the rights of any Person provided in the Plan, and provided  
7 further however, that prior notice of the modification or amendment shall be served in  
8 accordance with the Bankruptcy rules or any order of the Bankruptcy Court.

9 **17.4 Governing Law**

10 Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, the  
11 rights and obligations arising under the Plan shall be governed by and construed and  
12 enforced in accordance with the laws of the State of Arizona.

13 **17.5 Headings**

14 The headings of the Articles, Sections and Subsections of the Plan are inserted for  
15 convenience only and shall not limit the interpretation of the Plan.

16 **17.6 Amendment and Modification of the Plan**

17 The Debtors may propose amendments to or modifications of the Plan at any time  
18 prior to confirmation of the Plan without the leave of the Bankruptcy Court or as permitted  
19 by the Bankruptcy Code or Bankruptcy Rules. After confirmation of the Plan, the Debtors  
20 may amend or modify the Plan, with the approval of the Bankruptcy Court, so long as it  
21 does not materially or adversely affect the interests of Creditors or other parties in interest  
22 as set forth herein, to remedy any defect or omission or to reconcile any inconsistencies in  
23 the Plan or in the Confirmation Order, in a manner as may be necessary to carry out the  
24 purposes and intent of the Plan.

1 **17.7 Withdrawal of Plan**

2 The Plan may be withdrawn or revoked prior to the entry of the Confirmation Order  
3 at the sole discretion of the Debtors.

4 **17.8 Effect of Confirmation Order**

5 The Confirmation Order will include a provision that the Confirmation Order shall  
6 be immediately effective and enforceable upon its entry and shall not be subject to any stay  
7 under Bankruptcy Rule 3020(e) or otherwise.

8 **17.9 Quarterly Fees**

9 The quarterly fees required by 28 U.S.C. § 1930(a)(6) will be paid by the Plan  
10 Trustee to, and reports will be filed with, the Office of the United States Trustee until  
11 application is made for entry of a final decree. Application for a final decree can be made  
12 when the Plan has been fully administered, which for purposes of the Plan shall mean when  
13 the Plan has been substantially consummated, as that term is defined in § 1101(2) of the  
14 Bankruptcy Code.

15 **CONCLUSION**

16 The Debtors strongly urge support for the Plan and recommend that all creditors vote  
17 in favor of the Plan.

18 DATED: October 25, 2018.

19 SPA 810, LLC

20 PHOENIX GLOBAL CONSULTING  
21 SERVICES, INC.

22 By: /s/ Timothy Shaffer

23 Chief Restructuring Officer

24  
25  
26 PHOENIX 99998-2606 502519v1