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8 **UNITED STATES BANKRUPTCY COURT**

9 **DISTRICT OF ARIZONA**

10 In re:
11 LEI Machining, LLC,
12 Debtor.

Chapter 11 (Small Business)
Case No.: 2:16-bk-07089-BKM
**LEI MACHINING, LLC'S
AMENDED DISCLOSURE
STATEMENT, DATED APRIL 7,
2017**

13 **I. INTRODUCTION¹**

14 This is the amended disclosure statement (the "Disclosure Statement") in the
15 small business chapter 11 case of LEI Machining LLC (the "Debtor"). This
16 Disclosure Statement contains information about the Debtor and describes the LEI
17 Machining LLC Plan of Reorganization (the "Plan") filed by LEI Machining LLC on
18 December 19, 2016. A full copy of the Plan is attached to this Disclosure Statement
19 as Exhibit A.

20 *Your rights may be affected. You should read the Plan and this Disclosure
21 Statement carefully and discuss them with your attorney. If you do not have an
22 attorney, you may wish to consult one.*

23 The proposed distributions under the Plan are discussed on page 8 of this
24 Disclosure Statement. General unsecured creditors are classified in Class 10, and
25 will receive a distribution of approximately 100% of their allowed claims.

26 **A. Purpose of This Document**

27 This Disclosure Statement describes:
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¹ The format of this disclosure statement is based largely on Official Form B25B and the corresponding instructions, and Committee Notes, which are an implementation of § 433 of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, Pub. L. No. 109-8, 119 Stat. 23 (April 20, 2005) ("BAPCPA"), that provide for an official form for a disclosure statement that may be used in cases where the debtor is a small business debtor under § 101(51D) of the Code.

- 1 • The Debtor and significant events during the bankruptcy case,
- 2 • How the Plan proposes to treat claims or equity interests of the type you
- 3 hold (*i.e.*, what you will receive on your claim or equity interest if the plan
- 4 is confirmed),
- 5 • Who can vote on or object to the Plan,
- 6 • What factors the Bankruptcy Court (the “Court”) will consider when
- 7 deciding whether to confirm the Plan,
- 8 • Why the Debtor believes the Plan is feasible, and how the treatment of
- 9 your claim or equity interest under the Plan compares to what you would
- 10 receive on your claim or equity interest in liquidation, and
- 11 • The effect of confirmation of the Plan.

12 *Be sure to read the Plan as well as the Disclosure Statement. This Disclosure*
13 *Statement describes the Plan, but it is the Plan itself that will, if confirmed,*
14 *establish your rights.*

15 **B. Deadlines for Voting and Objecting; Date of Plan Confirmation**
16 **Hearing**

17 The Court has not yet confirmed the Plan described in this Disclosure
18 Statement. This section describes the procedures pursuant to which the Plan will or
19 will not be confirmed.

20 1. *Time and Place of the Hearing to Finally Approve This Disclosure*
21 *Statement and Confirm the Plan.*

22 The hearing at which the Court will determine whether to finally approve this
23 Disclosure Statement and confirm the Plan will take place on May 15, 2017 at 1:30
24 PM, in Courtroom 701, at the United States Bankruptcy Court for the District of
25 Arizona, Phoenix Division, 230 N. 1st Ave., Phoenix, Arizona, 85003.

26 2. *Deadline For Voting to Accept or Reject the Plan*

27 If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot
28 and return the ballot to Brian M. Blum, The Turnaround Team PLLC, 4110 N.
Scottsdale Rd., Ste. 340, Scottsdale, Arizona, 85250. See section IV.(A). below for a
discussion of voting eligibility requirements.

Your ballot must be received by **May 9, 2017** or it will not be counted.

1 3. *Deadline For Objecting to the Adequacy of Disclosure and Confirmation*
2 *of the Plan.*

3 Objections to this Disclosure Statement or to the confirmation of the Plan must be
4 filed with the Court and served upon Debtor's counsel by **May 9, 2017**.

5 4. *Identity of Person to Contact for More Information*

6 If you want additional information about the Plan, you should contact Brian M.
7 Blum, whose contact information appears at the top of this document.

8 **C. Disclaimer**

9 *The Court has conditionally approved this Disclosure Statement as containing*
10 *adequate information to enable parties affected by the Plan to make an informed*
11 *judgment about its terms. The Court has not yet determined whether the Plan meets*
12 *the legal requirements for confirmation, and the fact that the Court has approved*
13 *this Disclosure Statement does not constitute an endorsement of the Plan by the*
14 *Court, or a recommendation that it be accepted. The Court's approval of this*
15 *Disclosure Statement is subject to final approval at the hearing on confirmation of*
16 *the Plan. Objections to the adequacy of this Disclosure Statement may be filed until*
17 **May 9, 2017.**

18 **II. BACKGROUND**

19 **A. Description and History of the Debtor's Business**

20 The Debtor is a limited liability company, formed in Arizona in 2013 as the
21 successor to Lornee Enterprises, Inc. (The change in corporate structure was done
22 to avoid the complexities of maintaining a corporation and enjoy the convenience of
23 a limited liability company.) The Debtor operates a machine shop that uses CNC
24 machines and other equipment to repair, modify and fabricate parts for industrial
25 equipment, primarily for customers in the mining business in Gila County and
26 across Arizona.

27 Elvin Fant, Jr. has almost 30 years experience in the machining industry. Mr.
28 Fant started in this industry in 1987 as a machinist's apprentice, working in the
29 aerospace industry. Over the next dozen years he continued working as a machinist,
30 gradually learning more complicated and technical work on CNC machines. In
31 2000, he started his own machine shop, and done that work ever since.

32 **B. Insiders of the Debtor**

33 Elvin Fant, Jr. and his brother, Joseph Fant, are the sole members of the limited
34 liability company and are the only insiders. They each own half of the membership
35 interest. Compensation paid to Elvin Fant and Joseph Fant during the 1 year prior
36 to the commencement of the case was approximately \$37,000, and \$0.00,

1 respectively.

2 **C. Management of the Debtor Before and During the Bankruptcy**

3 During the two years prior to the date on which the bankruptcy petition was
4 filed—and at all times since then—the sole person in control of the Debtor (the
“Manager”) was Elvin Fant, Jr.

5 Likewise, after the effective date of the order confirming the Plan, the sole person
6 in control of the Debtor, or successor of the Debtor under the Plan (the “Post
Confirmation Manager”), will be Elvin Fant, Jr.

7 **D. Events Leading to Chapter 11 Filing**

8 An overall decline in the price of copper in recent years led to a decrease in the
9 demand for the Debtor’s services. To make ends meet, the Debtor borrowed from
10 high interest lenders and eventually could not keep up with the payments.

11 Since filing this bankruptcy case, copper mining operations have increased, and
12 the Debtor has seen an uptick in business.

13 **E. Significant Events During the Bankruptcy Case**

14 Since this case was filed, the Debtor has continued to operate. The Debtor, with
15 the consent of Direct Capital, negotiated for the use of cash collateral, and has paid
16 direct capital adequate protection payments of \$3,500 per month since the petition
17 date, through November 2016. The December adequate protection payment is
expected to be made before the end of 2016.

18 Shortly after the petition date, the Court approved the Debtor’s hiring of The
Turnaround Team PLLC as attorneys for the Debtor.

19 No adversary proceedings have been filed in this case by the Debtor or any other
20 party.

21 On the petition date, the Debtor had two secured credit cards with Wells Fargo
22 Bank with balances due totaling approximately \$6,000 and corresponding deposits
23 held by Wells Fargo in the amount of \$6,000. In October 2016, Wells Fargo filed
24 moved to lift the automatic stay so that it could offset the secured credit card claims
against the deposits. The Debtor did not oppose this relief.

25 In late November and December 2016, the Debtor received substantial purchase
26 orders totaling nearly \$200,000, and has bids out for over \$100,000 more. The
27 Debtor believes that they will be awarded these purchase orders. The Debtor has
28 excellent relationships with decision makers at the various mines.

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F. Projected Recovery of Avoidable Transfers

Preservation of Claims. The plan preserves all claims of and potential recoveries to the Debtor under state and federal law, including so-called “avoidance actions” under Chapter 5 of the United States Bankruptcy Code to recover preferential transfers and fraudulent conveyances. Debtor is aware of the following transactions that may, or may not, constitute preferential transfers pursuant to section 547 of the United States bankruptcy code:

- Thomas Pipe. Debtor obtained a significant extension of credit, in the approximate amount of \$96,600 in February, 2016 for purchasing pipe to be used in a single job for Freeport McMoRan. At the time of this order, Debtor owed Thomas Pipe approximately \$486 for purchases made in 2015. The parties agreed that the overall order would be split into 5 tranches and an invoice issued for each. They further agreed that Debtor would pay each invoice as it collected funds from Freeport McMoRan on the job. Five invoices were issued, dated February 24, 2016, February 29, 2016, March 9, 2016, March 16, 2016, March 24, 2016. The first two of these invoices were paid by Debtor on approximately April 4, 2016 and April 20, 2016. Debtor is unaware of whether either of these payments may have been applied to the existing balance at the time of the order. The remaining three invoices remain unpaid. An initial review of these transactions by Debtor’s counsel has led to a preliminary conclusion that the two payments are not likely preferential and, even if so, may not justify the expense and risk of pursuit in a full-payment plan. This claim is nonetheless preserved, and may or may not be pursued.
- Richard Gresham. Debtor obtained a short-term loan of \$20,000 in February, 2016 for purchasing materials and funding other costs associated with a single job for Freeport McMoRan. The parties agreed that the loan would be repaid when and as Debtor collected funds from Freeport McMoRan on the job. On approximately April 25, 2016, Debtor repaid \$21,200, satisfying the balance in full. An initial review of this transaction by Debtor’s counsel has led to a preliminary conclusion that the repayment of this loan is not likely preferential and, even if so, may not justify the expense and risk of pursuit in a full-payment plan. This claim is nonetheless preserved, and may or may not be pursued.
- 1st Merchant Funding. Each weekday in the 90 days prior the petition date, Debtor made a payment of \$153.41 (for a total of approximately \$8,898) relating to a \$30,000 loan obtained in August 2015. An initial review of this transaction by Debtor’s counsel has led to a preliminary conclusion that this creditor payment is not likely preferential and, even if so, may not justify the expense and risk of pursuit in a full-payment

1 plan. This claim is nonetheless preserved, and may or may not be pursued.

- 2 • Cupps Industrial. On May 4, 2016 and June 14, 2016, Debtor made
3 payments of \$,1497 and \$7,975 respectively for the payment of materials.
4 An initial review of this transaction by Debtor's counsel has led to a
5 preliminary conclusion that this creditor payment is not likely preferential
6 and, even if so, may not justify the expense and risk of pursuit in a full-
7 payment plan. This claim is nonetheless preserved, and may or may not be
8 pursued.
- 9 • Direct Capital. In April 2016, the Debtor made payments of \$423 (April
10 1st), \$2,767 (April 6th), \$3,000 (April 21st) and \$3,000 (April 22nd) relating
11 to its secured debt to this creditor. An initial review of this transaction by
12 Debtor's counsel has led to a preliminary conclusion that this creditor
13 payment is not likely preferential and, even if so, may not justify the
14 expense and risk of pursuit in a full-payment plan. This claim is
15 nonetheless preserved, and may or may not be pursued.
- 16 • Frank Dalmolin. On or about April 18, 2016, the Debtor made payments of
17 \$16,000 relating to its real property lease. An initial review of this
18 transaction by Debtor's counsel has led to a preliminary conclusion that this
19 creditor payment is not likely preferential and, even if so, may not justify
20 the expense and risk of pursuit in a full-payment plan. This claim is
21 nonetheless preserved, and may or may not be pursued.
- 22 • Industrial Metal Supply. In the 90 days prior to the petition date, Debtor
23 made payments for materials: \$3,102 (4/05/2016); \$510 (5/20/2016); \$186
24 (6/14/2016); \$3,220 (6/15/2016). An initial review of this transaction by
25 Debtor's counsel has led to a preliminary conclusion that this creditor
26 payment is not likely preferential and, even if so, may not justify the
27 expense and risk of pursuit in a full-payment plan. This claim is
28 nonetheless preserved, and may or may not be pursued.

21 **G. Claims Objections**

22 Except to the extent that a claim is already allowed pursuant to a final non-
23 appealable order, the Debtor reserves the right to object to claims. Therefore, even if
24 your claim is allowed for voting purposes, you may not be entitled to a distribution
25 if an objection to your claim is later upheld. The procedures for resolving disputed
26 claims are set forth in the Plan.

26 **H. Current and Historical Financial Conditions**

27 The identity and fair market value of the estate's assets are listed on Schedule B
28 to the Petition. The basis for the valuation is the opinion of the Manager, Elvin
Fant Jr.

1 On the bankruptcy petition date, the Debtor held approximately \$20,000 in cash.
2 For the most part, the Debtor has been able to maintain that level of cash, although
3 it has dipped as low as \$9,000.

4 The most recent post-petition operating report filed since the commencement of
5 the Debtor's bankruptcy case are set forth in **Exhibit B**.

6 A summary of the Debtor's periodic operating reports filed since the
7 commencement of the bankruptcy case is set forth in **Exhibit C**.

8 **III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF** 9 **CLAIMS AND EQUITY INTERESTS**

10 **A. What is the Purpose of the Plan of Reorganization?**

11 As required by the Code, the Plan places claims and equity interests in various
12 classes and describes the treatment each class will receive. The Plan also states
13 whether each class of claims or equity interests is impaired or unimpaired. If the
14 Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

15 **B. Unclassified Claims**

16 Certain types of claims are automatically entitled to specific treatment under the
17 Code. They are not considered impaired, and holders of such claims do not vote on
18 the Plan. They may, however, object if, in their view, their treatment under the
19 Plan does not comply with that required by the Code. As such, the Plan Proponent
20 has not placed the following claims in any class:

21 *1. Administrative Expenses*

22 Administrative expenses are costs or expenses of administering the Debtor's
23 chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative
24 expenses also include the value of any goods sold to the Debtor in the ordinary
25 course of business and received within 20 days before the date of the bankruptcy
26 petition. The Code requires that all administrative expenses be paid on the effective
27 date of the Plan, unless a particular claimant agrees to a different treatment.

28 The following administrative expenses shall be paid:

- a. *Professional Fees.* Debtor's counsel, Brian M. Blum of The Turnaround Team PLLC, shall be allowed total compensation of as may be approved by the court in a separate fee application. This expense shall be paid in full on the effective date of the Plan, or according to a separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan. Debtor estimates this expense will be \$15,000 to \$20,000.
- b. *Office of the U.S. Trustee Fees.* The Debtor will pay fees to the United States

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Trustee as they become due.

2. Priority Tax Claims

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The Debtor has no priority tax claims.

C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim.

The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

Class # and Impairment	Description, Impairment, Treatment, and Value of Secured Property
1. Impaired	<p>Direct Capital. Proof of Claim #3, incorporated by this reference. This claim is secured by a Haas SL-30 Lathe, Serial No. 63709; DB500 Dustless Wet Blast, Serial No. 7J13; Haas TL-4, Serial No. 3080331; Bore Repair Systems EAU 34/4 CB; and all assets of the Debtor (perfected by duly filed UCC-1 financing statements). The fair market value of the collateral is \$141,000. Pre-confirmation adequate protection payments made by the Debtor shall be credited to this creditor's secured claim. Interest accrues on the secured portion of claim beginning June 22, 2016. Debtor shall make the Minimum Monthly Payment described below, until the secured portion of the claim is paid. The balance of \$6,951 is unsecured and shall be paid pursuant to the terms of Class Error! Reference source not found..</p> <p style="padding-left: 40px;">Allowed Secured Amount..... \$190,000 Priority of Lien..... First</p> <p>This claim will be paid:</p> <p style="padding-left: 40px;">Monthly Payment \$5,000 Payments Begin May 15, 2017 Payments End (<i>estimated</i>)..... March 15, 2020 Interest rate 5.00%</p> <p>Until the secured portion of this claim is paid, this creditor shall retain its lien and all its rights under the Master EFA Agreement #ME00673835, EFA 6321, EFA 4907, and EFA 5828 as defined-in and attached-to Proof of Claim #3 (the "Direct Capital Agreements"), except those rights expressly modified by this Plan or any order confirming this Plan.</p> <p>Upon certification by Direct Capital to the Court of the Debtor's failure to cure a default after written notice and a 10 day cure period, the Court shall enter an order terminating the stay under 11 U.S.C. § 362. A default under this paragraph is defined as (a) the Debtor's failure to make a required payment to Direct Capital; or (b) any material default under the Direct Capital Agreements.</p>

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<p>2. Impaired</p>	<p>Balboa Capital. This claim is secured by equipment: Harrison 600 4" Spindle CNC Lathe #S50019 (Not operational). The fair market value of this property is disputed. The Debtor will file a motion under 11 U.S.C. § 506 to determine the value of the secured portion of the claim. Payments of the secured portion of this claim will begin on the 15th day of the month in the month following the Court's determination of value of the secured claim. The secured portion shall be paid over 48 months with 5.00% interest. This creditor shall retain its lien until the claim is paid. Interest accrues on the secured portion of claim beginning June 22, 2016. The balance of this creditor's claim is unsecured and shall be paid pursuant to the terms of Class Error! Reference source not found.</p> <p style="padding-left: 40px;">Allowed Secured Amount.....\$To be determined Priority of Lien.....First (PMSI)</p>
<p>3. Impaired</p>	<p>Financial Pacific Leasing. This claim is secured by equipment: Haas VF-4 Mill Serial No. 23530. The fair market value of this property is \$46,774.16. This creditor shall retain its lien until the claim is paid. Interest accrues on the secured portion of claim beginning June 22, 2016. Debtor shall make the Minimum Monthly Payment described below, until the secured portion of the claim is paid. The balance of this creditor's claim is unsecured and shall be paid pursuant to the terms of Class Error! Reference source not found.</p> <p style="padding-left: 40px;">Allowed Secured Amount.....\$8,661 Priority of Lien.....First (PMSI)</p> <p>This claim will be paid:</p> <p style="padding-left: 40px;">Minimum Monthly Payment\$200 Payments BeginMay 15, 2017 Payments End (<i>estimated</i>).....July 15, 2021 Interest rate5.00%</p>

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<p>4. Impaired</p>	<p>Pawnee Leasing. This claim is secured by equipment: Bore Repair Systems BRS-2 BOA-408i Welder with EV2 Boring Bar. The fair market value of this property is \$18,000. This creditor shall retain its lien until the claim is paid. Interest accrues on the secured portion of claim beginning June 22, 2016. Debtor shall make the Minimum Monthly Payment described below, until the secured portion of the claim is paid. The balance of this creditor's claim is unsecured and shall be paid pursuant to the terms of Class Error! Reference source not found.</p> <p style="padding-left: 40px;">Allowed Secured Amount..... \$8,424.44 Priority of Lien..... First (PMSI)</p> <p>This claim will be paid:</p> <p style="padding-left: 40px;">Minimum Monthly Payment \$200 Payments Begin March 1, 2017 Payments End (<i>estimated</i>)..... June 1, 2020 Interest rate 5.00%</p> <p>The Debtor shall maintain insurance on the equipment.</p>
<p>5. Impaired</p>	<p>Wells Fargo. Account -7699. This claim is secured by a cash deposit of \$5,000. This creditor received relief from the automatic stay, and setoff its claim against the collateral. This creditor will not be paid anything further.</p>
<p>6. Impaired</p>	<p>Wells Fargo Account -7969. This claim is secured by a cash deposit of \$1,000. This creditor received relief from the automatic stay, and setoff its claim against the collateral. This creditor will not be paid anything further.</p>
<p>7. Impaired</p>	<p>Alliance Material Handling. The Debtor has been informed that this creditor did not have a claim on the petition date. No payments will be made this creditor under the Plan.</p>

<p>1 8. 2 Impaired</p>	<p>TimePayment Corp. This claim is secured by equipment: Thermal Dynamics Plasma Cutmaster MX52276103. The fair market value of this property is \$2,500. This creditor shall retain its lien until claim is paid. Interest accrues on the secured portion of claim beginning June 22, 2016. Debtor shall make the Minimum Monthly Payment described below, until the secured portion of the claim is paid. The balance of this creditor's claim is unsecured and shall be paid pursuant to the terms of Class Error! Reference source not found.</p> <p style="padding-left: 40px;">Allowed Secured Amount.....\$1,840 Priority of Lien.....First (PMSI)</p> <p>This claim will be paid:</p> <p style="padding-left: 40px;">Minimum Monthly Payment\$50 Payments BeginMay 15, 2017 Payments End (<i>estimated</i>).....October 15, 2020 Interest rate5.00%</p>
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13 *2. Classes of Priority Unsecured Claims*

14 Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of
15 the Code are required to be placed in classes. The Code requires that each holder of
16 such a claim receive cash on the effective date of the Plan equal to the allowed
17 amount of such claim. However, a class of holders of such claims may vote to accept
18 different treatment.

18 The Debtor has no priority unsecured claims.

19 *3. Classes of General Unsecured Claims*

20 General unsecured claims are not secured by property of the estate and are not
21 entitled to priority under § 507(a) of the Code.

22 The following chart identifies the Plan's proposed treatment of Class 1, which
23 contains general unsecured claims against the Debtor:

Class # and Impairment	Description, Impairment, Treatment, and Value of Secured Property
<p>24 9. 25 Impaired</p>	<p>[Intentionally Omitted]</p>

10. Impaired	<p>General Unsecured Class. Holder of an allowed claim in this class shall be paid a pro rata share of the following monthly payment until the claim is paid in full.</p> <p>Monthly Payment\$5,800 Payments BeginApril 15, 2020 Payments End (estimated)April 15, 2021 Interest rate0.00% Estimated percent of claim paid100%</p>
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4. *Class of Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (*i.e.*, equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company (“LLC”), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

Class # and Impairment	Description, Impairment, Treatment, and Value of Secured Property
11. Impaired	Equity Interest holders. The interests of the members shall not be affected by the Plan. No distributions shall be made to the members during the term of the Plan, other than compensation paid to the Member in his capacity as Manager described below in Section III(D)(2).

D. Means of Implementing the Plan

1. *Source of Payments and Method of Distribution*

Payments and distributions under the Plan will be funded by the business operations of the Debtor. Debtor will make approximately 60 payments of \$5,800 under the plan. For the first 48 months, those payments will be devoted to paying the secured claims described above, and for the remaining 12 months, those payments will be paid to general unsecured creditors, pro rata, until the allowed claims are paid in full.

2. *Post-confirmation Management*

The Post-Confirmation Managers of the Debtor, shall be compensated monthly with the net income from operations of the business—if any—after all expenses and Plan payments have been paid.

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E. Risk Factors

The Debtor’s ability to earn income is the only risk factor in this case. Based on the recent trend in jobs quoted and purchase orders received, and the general uptick in copper mining operations, the Debtor is optimistic that it will be able to earn enough income to meet its obligations and make payments under the Plan.

F. Executory Contracts and Unexpired Leases

The Plan lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not expressly assumed will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Shall be Set by the Court at a Later Date. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

G. Tax Consequences of Plan

The confirmation and consummation of the Plan may result in federal and state income tax consequences to holders of claims. Tax consequences to a particular creditor will depend on the particular circumstances regarding the claim of that creditor.

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES.

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in

1 good faith; at least one impaired class of claims must accept the plan, without
2 counting votes of insiders; the Plan must distribute to each creditor and equity
3 interest holder at least as much as the creditor or equity interest holder would
4 receive in a chapter 7 liquidation case, unless the creditor or equity interest holder
5 votes to accept the Plan; and the Plan must be feasible. These requirements are not
6 the only requirements listed in § 1129, and they are *not* the only requirements for
7 confirmation.

8 **A. Who May Vote or Object**

9 Any party in interest may object to the confirmation of the Plan if the party
10 believes that the requirements for confirmation are not met.

11 Many parties in interest, however, are not entitled to vote to accept or reject the
12 Plan. A creditor or equity interest holder has a right to vote for or against the Plan
13 only if that creditor or equity interest holder has a claim or equity interest that is
14 both (1) allowed or allowed for voting purposes and (2) impaired.

15 In this case, the Debtor (the plan proponent) believes that all classes are impaired
16 and that holders of claims in every class are therefore entitled to vote to accept or
17 reject the Plan.

18 *1. What Is an Allowed Claim or an Allowed Equity Interest?*

19 Only a creditor or equity interest holder with an allowed claim or an allowed
20 equity interest has the right to vote on the Plan. Generally, a claim or equity
21 interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's
22 schedules, unless the claim has been scheduled as disputed, contingent, or
23 unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless
24 an objection has been filed to such proof of claim or equity interest. When a claim or
25 equity interest is not allowed, the creditor or equity interest holder holding the
26 claim or equity interest cannot vote unless the Court, after notice and hearing,
27 either overrules the objection or allows the claim or equity interest for voting
28 purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case will be established by the Court
at a later date.

2. What Is an Impaired Claim or Impaired Equity Interest?

As noted above, the holder of an allowed claim or equity interest has the right to
vote only if it is in a class that is impaired under the Plan. As provided in § 1124 of
the Code, a class is considered impaired if the Plan alters the legal, equitable, or
contractual rights of the members of that class.

3. Who is Not Entitled to Vote

The holders of the following five types of claims and equity interests are not

1 entitled to vote:

- 2 • holders of claims and equity interests that have been disallowed by an order
3 of the Court;
- 4 • holders of other claims or equity interests that are not “allowed claims” or
5 “allowed equity interests” (as discussed above), unless they have been
6 “allowed” for voting purposes.
- 7 • holders of claims or equity interests in unimpaired classes;
- 8 • holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and
9 (a)(8) of the Code; and
- 10 • holders of claims or equity interests in classes that do not receive or retain
11 any value under the Plan;
- 12 • administrative expenses.

13 *Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the*
14 *Confirmation of the Plan and to the Adequacy of the Disclosure Statement.*

15 *4. Who Can Vote in More Than One Class*

16 A creditor whose claim has been allowed in part as a secured claim and in part as
17 an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to
18 accept or reject a Plan in each capacity, and should cast one ballot for each claim.

19 **B. Votes Necessary to Confirm the Plan**

20 If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one
21 impaired class of creditors has accepted the Plan without counting the votes of any
22 insiders within that class, and (2) all impaired classes have voted to accept the
23 Plan, unless the Plan is eligible to be confirmed by “cram down” on non-accepting
24 classes, as discussed later in Section IV(B)(2).

25 *1. Votes Necessary for a Class to Accept the Plan*

26 A class of claims accepts the Plan if both of the following occur: (1) the holders of
27 more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes
28 to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of
the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds
(2/3) in amount of the allowed equity interests in the class, who vote, cast their
votes to accept the Plan.

2. Treatment of Nonaccepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless
confirm the Plan if the nonaccepting classes are treated in the manner prescribed

1 by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly
2 referred to as a “cram down” plan. The Code allows the Plan to bind nonaccepting
3 classes of claims or equity interests if it meets all the requirements for consensual
4 confirmation except the voting requirements of § 1129(a)(8) of the Code, does not
5 “discriminate unfairly,” and is “fair and equitable” toward each impaired class that
6 has not voted to accept the Plan.

7 *You should consult your own attorney if a “cram down” confirmation will affect
8 your claim or equity interest, as the variations on this general rule are numerous and
9 complex.*

10 **C. Liquidation Analysis**

11 To confirm the Plan, the Court must find that all creditors and equity interest
12 holders who do not accept the Plan will receive at least as much under the Plan as
13 such claim and equity interest holders would receive in a chapter 7 liquidation. The
14 assets of this estate are made up of the equipment described in the Petition and
15 Schedules, and deposits in the Debtor’s bank accounts.

16 The liquidation value of these assets would be difficult, as the equipment is very
17 large and requires special rigging and transportation. It is estimated that if the
18 equipment were sold, after deducting the costs of sale, the proceeds would be
19 insufficient to satisfy the secured claim of Direct Capital, and therefore the general
20 unsecured creditors would not receive any distribution at all. These estimates are
21 based on the opinion the Manager, Elvin Fant, Jr.,

22 Under the Plan, the unsecured creditors will be paid in full.

23 **D. Feasibility**

24 The Court must find that confirmation of the Plan is not likely to be followed by
25 the liquidation, or the need for further financial reorganization, of the Debtor or any
26 successor to the Debtor, unless such liquidation or reorganization is proposed in the
27 Plan.

28 The Debtor believes that it will have enough cash on hand on the effective date of
the Plan to pay all the claims and expenses that are entitled to be paid on that date.
The Debtor further believes, based on the past six months of business operations,
that it will have enough cash over the life of the Plan to make the required Plan
payments.

*You Should Consult with Your Accountant or other Financial Advisor If You Have
Any Questions Pertaining to These Projections.*

1 **V. EFFECT OF CONFIRMATION OF PLAN**

2 **A. Discharge of Debtor.**

3 On the effective date of the Plan, the Debtor shall be discharged from any debt
4 that arose before confirmation of the Plan, subject to the occurrence of the effective
5 date, to the extent specified in § 1141(d)(1)(A) of the Code. However, the Debtor
6 shall not be discharged from any debt imposed by the Plan. After the effective date
7 of the Plan your claims against the Debtor will be limited to the debts imposed by
8 the Plan.

9 **B. Modification of Plan**

10 The Plan Proponent may modify the Plan at any time before confirmation of the
11 Plan. However, the Court may require a new disclosure statement and/or revoting
12 on the Plan.

13 Upon request of the Debtor, the United States trustee, or the holder of an allowed
14 unsecured claim, the Plan may be modified at any time after confirmation of the
15 Plan but before the completion of payments under the Plan, to (1) increase or reduce
16 the amount of payments under the Plan on claims of a particular class, (2) extend or
17 reduce the time period for such payments, or (3) alter the amount of distribution to
18 a creditor whose claim is provided for by the Plan to the extent necessary to take
19 account of any payment of the claim made other than under the Plan.

20 **C. Final Decree**

21 Once the estate has been fully administered, as provided in Rule 3022 of the
22 Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as
23 the Court shall designate in the Plan Confirmation Order, shall file a motion with
24 the Court to obtain a final decree to close the case. Alternatively, the Court may
25 enter such a final decree on its own motion.

26 **VI. POST-CONFIRMATION FINANCIAL REPORTS**

27 The Debtor will file quarterly post-confirmation financial reports pursuant to Fed.
28 R. Bankr. P. 2015(a)(5).

29 **VII. INJUNCTION AGAINST COLLECTION FROM GUARANTORS**

30 Members Elvin Fant, Jr. and Joseph Fant, and Joseph Fant's wife, Kelly Fant
(collectively, "Guarantors") have personally guaranteed claims by, among others,
Direct Capital, LEX Group Funding LLC, Balboa Capital, Financial Pacific Leasing,
Time Payment Corp., Alliance Material Handling, and Pawnee Leasing
Corporation.

1 In consideration for the Debtor's proposal to pay these creditors in full, the Plan
2 shall act as a temporary injunction against the collection from any of the
3 Guarantors who endorse the confirmation order, of any claim provided for in the
4 Plan. This temporary injunction shall remain in effect so long as the Debtor is
5 performing under the terms of the confirmed Plan. The temporary injunction shall
6 end upon dismissal of this chapter 11 case, conversion to chapter 7, or completion of
7 all payments under the plan. To the extent any creditor receives payment from any
8 of the Guarantors, the debt owed shall be reduced accordingly.

9 If creditors are permitted to collect from the Guarantors, the Guarantors will be
10 forced to file their own bankruptcy cases which will jeopardize the ability of the
11 Debtor to remain in operation, as the Guarantors are insiders.

12 DATED: April 7, 2017

THE TURNAROUND TEAM, PLLC

13 */s/Brian M. Blum*

14 Brian M. Blum

15 *Attorneys for Debtor/ Plan Proponent*