

1 **CAMPBELL & COOMBS, P.C.**  
1811 S. Alma School Suite 225  
2 Mesa, Arizona 85210  
(480) 839-4828  
3 facsimile: 480-897-1461  
Harold E. Campbell, Esq.  
4 State Bar No. 005160  
heciii@haroldcampbell.com  
John D. Yohe  
5 State Bar No. 021636  
john@haroldcampbell.com

6 Attorneys for Debtor  
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8 **IN THE UNITED STATES BANKRUPTCY COURT**  
9 **IN AND FOR THE DISTRICT OF ARIZONA**

10 In re:  
11 SAN JOSE CONTRACTING, INC.,  
12 Debtor.

Chapter 11 Proceeding  
Case No. 2:17-bk-00433-BKM

13 **DISCLOSURE STATEMENT OF**  
14 **DEBTOR**

15 The following Disclosure Statement of San Jose Contracting, Inc. (“Debtor”) is  
16 submitted in Debtor’s Chapter 11 Bankruptcy Reorganization case filed January 17, 2017,  
17 under the provisions of the Bankruptcy Code of 1978, as amended. The Plan (“Plan”) is  
18 attached hereto as **Exhibit "A"** for your careful review. The Plan is intended to resolve,  
19 compromise and settle all claims, disputes and causes of action between and among all  
20 participants and as to all matters relating to these proceedings, except as expressly  
21 provided in the Plan. Therefore, approval of the Plan shall affect the discharge and  
22 release of the Debtor, settle all claims of creditors, and resolve all claims, except as  
23 expressly provided for in the Plan.

24 You should not construe the contents of this Disclosure Statement as legal,  
25 business, or tax advice. Each party in interest should consult his or her own attorney,  
26 business advisor, and tax advisor concerning the legal, business, tax, and related aspects  
27 under Debtor’s proposed Reorganization Plan.  
28

1 **INTRODUCTION**

2 This Disclosure Statement is intended to summarize and analyze the Plan of  
3 Reorganization of Debtor. The Disclosure Statement attempts to make factual disclosures  
4 relevant to your decision to accept or reject the Plan. To the extent any statement made in  
5 this Disclosure Statement is inconsistent with any provision in the actual Plan, the terms  
6 and provisions of the Plan control. In particular, the definitions of the Plan are  
7 incorporated herein.

8 Any representations or inducements made to secure acceptance of the Plan other  
9 than those made or referred to in this Disclosure Statement should not be relied on by any  
10 party in interest. Although every effort has been made by the Debtor to be accurate in its  
11 statements included in this Disclosure Statement, the Debtor's records have not been  
12 audited, and are not warranted to be without inaccuracies.

13 NO REPRESENTATIONS CONCERNING THE BANKRUPTCY ESTATE,  
14 THE DEBTOR, OR THE PLAN ARE AUTHORIZED OTHER THAN AS SET FORTH  
15 IN THIS DISCLOSURE STATEMENT. YOU SHOULD NOT RELY ON ANY  
16 REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR  
17 ACCEPTANCE OF THE PLAN OTHER THAN THOSE CONTAINED IN THIS  
18 DISCLOSURE STATEMENT AS APPROVED BY THE BANKRUPTCY COURT.

19 MOREOVER, THE COURT HAS NOT VERIFIED THE ACCURACY OF THE  
20 INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. THE  
21 COURT'S APPROVAL ONLY SIGNIFIES THAT IF THE INFORMATION  
22 CONTAINED HEREIN IS ACCURATE THEN IT IS SUFFICIENT TO PROVIDE  
23 CREDITORS AND INTERESTED PARTIES AN ADEQUATE BASIS TO DECIDE  
24 WHETHER TO ACCEPT OR REJECT THE PLAN. COURT APPROVAL IS NOT A  
25 JUDICIAL ENDORSEMENT OF THE PLAN.

26 **PLAN APPROVAL PROCESS**

27 The Disclosure Statement and Plan classify all creditors' claims into Classes and  
28

1 set forth the treatment of each Class of claims. You should examine the treatment of the  
2 Class under which your particular claim(s) may fall. The Debtor believes that treatment  
3 of each Class of Claims complies with the requirements under Bankruptcy Code § 1129.  
4 After the Bankruptcy Court approves the Disclosure Statement, holders of Allowed  
5 Claims may vote to accept or reject the Plan. After notice and hearing, the Bankruptcy  
6 Court may approve or confirm the Plan upon the affirmative vote of the necessary Classes  
7 of claims and interests. Holders of allowed claims and interests may vote to accept or  
8 reject the accompanying Plan. A class of creditors will be deemed to have accepted the  
9 Plan if a majority of such creditors holding at least two-thirds in amount and more than  
10 one-half in number of allowed claims of that class voting accept the Plan. A class of  
11 interest holders will be deemed to have accepted the Plan if the holders of two-thirds of  
12 the amount of allowed interests voting accept the Plan. **Thus, if you do not vote on the**  
13 **Plan, the wishes of other creditors or interested parties may govern the treatment of**  
14 **your Claims or interests. In other words, failing to participate in the confirmation**  
15 **process, including the timely casting of ballots and appearing at any and all applicable**  
16 **hearings, may result in having your particular claim treatment controlled by the votes**  
17 **and participation of others. Accordingly, the Debtor highly recommends that you**  
18 **participate in the voting process by timely providing the Debtor with your ballot**  
19 **accepting or rejecting the Plan as set forth herein.**

20  
21 *Confirmation Despite Rejection (Cramdown).*-Pursuant to § 1129 of the Bankruptcy  
22 Code, the Court is hereby requested to confirm the Plan as to any class of claims or interests  
23 that does not vote to accept it. To do so, the Court must find that the Plan: (1) is fair and  
24 equitable with respect to each class of claims or interests that is impaired and has not  
25 accepted the Plan; and (2) that each holder of a claim or interest shall receive property of a  
26 value, as of the Effective Date of the Plan, that is not less than the amount that would be  
27 received or retained if the Debtor's property were liquidated under Chapter 7 of the  
28

1 Bankruptcy Code.

2 ***PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY.*** It is  
3 designed to assist you in ultimately voting on the Plan. Before you can vote on the Plan,  
4 however, the Court must approve this Disclosure Statement as being in compliance with the  
5 mandates of the Bankruptcy Code. Once the Court approves this Disclosure Statement, the  
6 Debtor may commence solicitation of votes from creditors and interested parties.  
7 Accordingly, you should rely upon this Disclosure Statement for your decision to accept or  
8 reject the accompanying Plan only after it has been approved by the Court.

### 9 **DEFINITIONS**

10 Unless otherwise defined herein, terms defined in the Plan shall have the same  
11 meaning when used in this Disclosure Statement. In addition, unless otherwise defined  
12 herein or in the Plan, terms used in this Disclosure Statement shall have the same meaning as  
13 in the Bankruptcy Code (the "Code") or the Federal Rules of Bankruptcy Procedure (the  
14 "Bankruptcy Rules"). In reviewing this Disclosure Statement the following definitions will be  
15 used:

- 16 1. "*Code*" shall mean Title 11 of the United States Code as amended.
- 17 2. "*Court*" shall mean the United States Bankruptcy Court for the District of  
18 Arizona in which this case is pending.
- 19 3. "*Creditors*" shall mean all creditors of the Debtor holding claims for debts,  
20 liabilities, demands or claims of any character whatsoever.
- 21 4. "*Confirmation of the Plan*" shall mean the entry by the Court of an Order  
22 confirming the Plan in accordance with Chapter 11.
- 23 5. "*Consummation of the Plan*" shall mean the accomplishment of all things  
24 contained or provided for in the Plan, and the entry of an Order finally  
25 dismissing this case.
- 26 6. "*Debtor*" shall mean San Jose Contracting, Inc., as listed in the caption of the  
27  
28

1 Disclosure Statement and Plan.

- 2 7. "Department of Revenue" or "ADOR" is the Arizona taxing authority  
3 empowered to assess and collect income taxes, employment, sales and other  
4 taxes imposed by law.
- 5 8. "Disbursing Agent" shall mean the person or entity that will be responsible for  
6 making the payments to creditors called for in the Plan.
- 7 9. "Effective Date" shall mean 30 days after the date on which the Order  
8 confirming this Plan of Reorganization becomes final and non-appealable.
- 9 10. "General Unsecured Claims" shall mean all claims held by creditors of the  
10 Debtor, other than Secured Claims and shall include claims of secured  
11 creditors to the extent that the same are unsecured in part and claims arising out  
12 of the rejection of executory contracts or unexpired leases.
- 13 11. "Gulley" will refer to Lowell Gulley, Debtors president and 100% shareholder.
- 14 12. "Government Units" shall mean the Internal Revenue Service, Arizona  
15 Department of Revenue and various municipal taxing authorities.
- 16 13. "Insider" shall mean a relative or general partner of Debtor, a partnership in  
17 which the Debtor is a general partner or a corporation of which the Debtor is an  
18 officer, director or person in control.
- 19 14. "IRS" shall mean the Internal Revenue Service.
- 20 15. "Lien" shall mean a mortgage, pledge, judgment lien, security interest,  
21 charging order, or other charge or encumbrance on the Debtor' property  
22 effective under applicable law as of the date of the Debtor' petition for  
23 reorganization.
- 24 16. "Periodic Payment" shall mean the monthly or quarterly payments to be made  
25 by Debtor after the effective date to fund its Plan.
- 26 17. "Plan" shall mean the Plan of Reorganization in its present form or as it may be  
27  
28

1 amended or supplemented.

2 18. "*Priority Claim*" shall mean the claim of any creditor entitled to priority under  
3 Section 507 of the Code.

4 19. "*Secured Claim*" shall mean all claims secured by liens on the property of the  
5 Debtor, which liens are valid, perfected, and enforceable under applicable law,  
6 are not subject to avoidance under the Bankruptcy Code or other applicable  
7 non-bankruptcy law, and are duly established in this case.

8  
9 **PART I**  
10 **STATEMENT OF THE CASE**

11 **I. BACKGROUND OF THE DEBTOR AND EVENTS UNDERLYING THE**  
12 **FILING OF THE CASE**

13 Lowell Gulley incorporated San Jose Contracting, Inc. in 1999 and became company  
14 president. The company was in the business of installing windows and doors for its sole  
15 client, Sunscape Windows and Doors. This was a successful relationship with Sunscape  
16 selling windows and doors and San Jose installing them.

17 In the period between 2007 and 2011 several events occurred which severely damaged  
18 the success of the company. The personal income tax return of Lowell Gulley was selected  
19 for audit by the Internal Revenue Service. In the course of the audit, it was discovered that  
20 the certified public accountant hired by the Gulleys to prepare the income tax returns for the  
21 business and for them personally had made several substantial errors on the business income  
22 tax returns. The audit resulted in several hundred dollars of additional income taxes, interest  
23 and penalties due for the Gulley's personally. The audit process and the struggle to handle the  
24 personal tax debt took up a lot of time and energy Mr. Gulley had previously devoted to the  
25 business.

26 Around that time, the owner of Sunscape Windows and Doors died, leaving no one  
27 who was able to run his company. Lowell Gulley was forced to take over the business and  
28

1 incorporate those functions into San Jose Contracting, Inc. The task of consolidating the  
2 operations of the two businesses was overwhelming to Mr. Gulley who struggled for several  
3 years before achieving a smoothly running operation.

4 Also around that time the economy dropped into a serious recession. The company  
5 revenues dropped and it became delinquent in several different kinds of taxes and other  
6 obligations. Management struggled to keep the doors open and pay all the company bills.  
7 The company borrowed wherever they could. Mr. Gulley borrowed from family and personal  
8 friends and loaned the funds to the company. Although the company was able to catch up  
9 on all delinquent company taxes, it was deeply in debt, in particular, with its supplier  
10 Windowmart. Management has taken all available opportunities to cut expenses, but still  
11 believes that the company will be unable to repay the accumulated debt.

12 In hindsight, management has realized that some things of these events were beyond  
13 its control and are unlikely to recur. Others could be avoided in the future. Management has  
14 hired a new CPA firm and has pulled the company back from expansion into others states  
15 believing those operations to be difficult to manage from afar. Mr. Gulley has returned his  
16 energies to aggressively managing the business and to staying on top of day-to-day  
17 operations.

## 18 **II. ACTIONS AFTER FILING THE CHAPTER 11 CASE.**

### 19 **A. Preamble.**

20 While more detailed information related to the events in the Bankruptcy Case can be  
21 obtained by accessing the Bankruptcy Court's CM/ECF filing system and reviewing the  
22 pleadings filed in Administrative Case No. 2:17-bk-00433-BKM. The following is a summary  
23 of certain key bankruptcy-related proceedings and events associated with this bankruptcy  
24 case. This bankruptcy case was filed on January 17, 2017. Since the bankruptcy filing,  
25 Debtor has continued to operate in the ordinary course of business. Debtor has substantially  
26 abided by the operating guidelines administered by the United States Trustee, including the  
27

1 filing of requested documents, interim operating reports and payment of post petition  
2 operating expenses as they become due. All Schedules have been filed and the initial Debtor  
3 interview with the United States Trustee has been held. The most recent post-petition  
4 operating report is attached hereto as **Exhibit “D”**.

#### 5 **B. Employment of Professionals.**

6  
7 The Bankruptcy Code requires that professionals (such as attorneys, accountants, and  
8 the like) who intend to be paid from monies from the estate post-petition, from post-petition  
9 work, must be approved to represent the debtor. Certain papers, including statements of  
10 disinterestedness, must be presented to the Court before professionals can be approved and  
11 certain fee applications must be filed with the court prior to the consideration and approval of  
12 any professional fees. Campbell & Coombs, P.C. filed its Application to Employ attorneys  
13 for the Debtor at Docket No. 3 on January 17, 2017. Further related documents were filed the  
14 following day, January 18, 2017 at Docket Nos. 6., and 7. The Court entered its Order  
15 Granting Application to Employ Counsel at Docket No. 24 on January 28, 2017.

#### 16 **C. Payment of Pre-Petition Wages to Critical Employees.**

17 On January 19, 2017, at Docket No. 8, the Debtor filed a Motion to Authorize the  
18 payment of Pre-Petition Wages and Salaries for Critical Employees. A hearing on the motion  
19 was held on January 20, 2017. On January 20, 2017, at Docket No. 17, the Court entered its  
20 Order Authorizing Debtor to Pay Pre-Petition Wages and Salaries for Critical Employees.  
21 These wages and salaries were paid to the employees, by the Debtor, shortly after the entry of  
22 the order. The Order was sent out with a Notice of Bar Date for Objections Thereto. There  
23 have been no objections and, by operation of law, the Order became a Final Order.

### 24 **III. DEBTOR’S ASSETS AND LIABILITIES.**

25 The precise valuation of Debtor’s assets is a difficult and time-consuming endeavor.  
26 **Valuation is a flexible concept which varies with market changes and the purposes for**  
27 **which the valuation is requested. Different valuation methods may be appropriate**  
28

1 **depending on the nature of the asset. Valuation of such complex and varied assets raises**  
2 **difficult issues upon which reasonable minds can differ.**

3 The values described for Debtor's assets in this Disclosure Statement were derived  
4 from information prepared and/or compiled by Debtor. To the extent that Debtor had in its  
5 possession current third party appraisals for the various assets, such valuations were utilized.  
6 To the extent third party appraisals were not available, Debtor utilized information gathered  
7 from market data, industry trends, management personnel, current financial information, and  
8 a variety of other sources to arrive at figures which Debtor believes represents the closest  
9 approximation to current market values available. Equipment is valued at an estimation of  
10 bankruptcy liquidation (forced sale auction) value.

11 Debtor makes no representations or assurances that the values described for assets  
12 within this Disclosure Statement are correct or can be achieved. Specifically, it is entirely  
13 possible that the values actually obtained from liquidation and sale of the assets may be higher  
14 or lower than the values described herein.

15 **Assets.** Debtor's assets can be found on Schedules A and B, attached hereto as  
16 **Exhibit "B"**.

17 **Financial Obligations of Debtor.** Debtor has various creditor claims against it, as  
18 indicated by its bankruptcy schedules D, E and F attached hereto as **Exhibit "C"**. The  
19 amounts of some claims have been, or will be, adjusted per the filed proofs of claim and the  
20 claims bar date, if applicable.

21  
22 **IV. CURRENT FINANCIAL INFORMATION STATUS OF DEBTOR WITH**  
23 **FUTURE PROJECTIONS.**

24 Attached hereto as **Exhibit "D"** is Debtor's last operating statement filed with the  
25 Court. **Exhibit "E"** contains income and expense projections for the Debtor for the next 5  
26 years. The projections set forth in Exhibit "D" were prepared by the Debtor's principle,  
27 Lowell Gulley. They are based upon the information available to him at this point in time.

1 The further into the future we go the more unreliable estimates of this nature are, as a result of  
2 the numerous factors that can change over time. At best, these figures should be considered  
3 to be Mr. Gulley's best educated estimate at this time. The actual numbers could be  
4 substantially higher, or substantially lower. The expenses being more or less set, the primary  
5 factor which could affect the projections is seasonal nature of the Debtor's business and  
6 unforeseen forces of nature that directly affect the Debtor's business.

7 **V. PREPARATION OF DISCLOSURE STATEMENT.**

8 The information contained in this Disclosure Statement has been prepared by  
9 Campbell & Coombs, P.C., counsel to Debtor in this proceeding, based upon information  
10 provided primarily by the Debtor. No warranty is made as to the accuracy of such  
11 information.

12 **VI. VALUATION ISSUES AND FEASIBILITY.**

13 Correct valuation of Debtor's assets is crucial to the Plan confirmation process.  
14 Valuation is a flexible concept, which varies both as the market changes and as the purpose of  
15 the valuation changes, as provided in 11 U.S.C. Section 506(a). Different valuation methods  
16 may be appropriate depending upon the time and reason for valuing interests. Valuation in a  
17 complex case such as this is quite difficult and raises issues upon which reasonable minds can  
18 differ.

19 Valuation of assets is necessary to determine whether a cramdown plan meets the "fair  
20 and equitable" test and to determine whether the Plan meets the "best interests of creditors"  
21 test embodied in Section 1129(a)(7). Feasibility refers to Debtor's ability to meet its  
22 operating expenditures and plan payments over the life of the Plan. Attached hereto as  
23 **Exhibit E** are Debtor's income and expense projections for the next 5 years, showing that  
24 Debtor's Plan is feasible.

25 **VII. LIQUIDATION ANALYSIS.**

26 Section 1129(a)(7) of the Bankruptcy Code requires that as to each impaired  
27 class of claims or interests each non-accepting holder or class must receive or retain  
28

1 under the Plan property of value not less than the amount that such holder would  
2 receive or retain if the Debtor's assets were liquidated under Chapter 7 on the  
3 effective date of their Plan. This is commonly known as the liquidation test. An  
4 alternative to confirmation of Debtor's Plan would be a distress liquidation. In a  
5 Chapter 7 liquidation, Debtor's assets would be sold for cash, most likely at an auction  
6 sale. In a Chapter 11 case, general unsecured creditors must receive at least as much as they  
7 would receive in a Chapter 7 case.

8 Based on the above, the Debtor anticipates a liquidation value of the estate as of the  
9 filing of this Disclosure Statement of \$15,045.00. Attached hereto as **Exhibit "F"** is a  
10 Liquidation Analysis Spreadsheet listing all of the Debtor's assets along with each asset's fair  
11 market value and secured claims, where applicable.

12 If the Debtor was converted to a Chapter 7 liquidation bankruptcy instead of this  
13 Chapter 11 proceeding, there would not be any distribution to general unsecured creditors.  
14 Initially, the Chapter 7 Trustee would have a total of \$12,790.50 to distribute after  
15 administrative expenses (Liquidation value of \$15,045.00 minus the Chapter 7 Trustee  
16 commission of \$2,254.50<sup>1</sup>). This would then be reduced by the Priority Taxes in Classes 5,6,  
17 and 7, which must be paid first, before general unsecured creditors receive anything. These  
18 priority tax claims total \$213,447.75, leaving nothing for general unsecured creditors.  
19 However, the Debtor's Plan proposes to pay out \$30,000, as discussed below, to their general  
20 unsecured creditors, a higher return under the Debtor's Chapter 11 Plan than they would if the  
21 bankruptcy was converted to a Chapter 7.

## 22 **PART II**

### 23 **DESCRIPTION OF THE PLAN**

24 The Plan shall deal with properly filed proofs of claim. Those creditors that do not  
25 timely file proofs of claim in accordance with any applicable Bar Date Order will not  
26

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27  
28 <sup>1</sup> A Chapter 7 trustee's commission rate is 25% of the first \$5000 collected, 10% for amounts collected  
between \$5001 and \$50,000, 5% for amounts collected between \$50,001 and \$1 Million, and 3% for all amounts  
collected in excess of \$1 Million.

1 participate in the Plan and shall has no further claim against Debtor (i.e. their claim will be  
2 discharged). Claims are classified as follows:

3 **Class 1: Costs of administration of this case:**

4 a. Nature of Claim.

5 These claims consist of attorney's fees to Campbell & Coombs, P.C. estimated at time  
6 of confirmation to be no more than \$30,000.00. Campbell & Coombs was paid a retainer of  
7 \$15,000.00, of which \$10,100.00 remains in attorney's trust account for Debtor's benefit. All  
8 fees due to Campbell & Coombs, P.C. will be paid pursuant to an Application for Attorney's  
9 Fees and Costs that will be submitted. Any fees owed to the United States Trustee are also in  
10 this class. These claims are priority claims under 11 U.S.C. 507 (a)(1). These claims are  
11 currently being calculated.

12 b. Treatment of Class 1 - Unimpaired:

13 All claims in this class will be paid in full on the effective date. The claims in this  
14 class are unimpaired.

15 **Class 2: Ford Credit**

16 a. Nature of Claim:

17 This is a secured claim secured by a lien on Debtors' 2012 Ford F-350 truck in the  
18 amount of \$25,837.00 as of the filing date of this case.

19 b. Treatment of Claim - Unimpaired:

20 Debtors will continue to make payments direct to this creditor outside the Plan  
21 pursuant to the terms of the original contract between the parties. Ford Credit will retain its  
22 lien on the 2012 Ford F-350 truck.

23 **Class 3: Ford Credit**

24 a. Nature of Claim:

25 This is a secured claim secured by a lien on Debtor's' 2012 Ford Focus automobile in  
26 the amount of \$5,167.00 as of the filing date of this case.

27 b. Treatment of Claim - Unimpaired:

1 Debtor continued to make payments direct to this creditor since the inception of this  
2 case pursuant to the terms of the original contract between the parties. This claim has now  
3 been paid in full, so Ford Credit will receive nothing under the Plan.

4 **Class 4: Windowmart**

5 **a. Nature of Claim:**

6 This is a claim in the amount of \$819,716.00 as of the date of the filing of this case. It  
7 is secured by Debtor's doors and windows inventory.

8 **b. Treatment of Claim 4 - Impaired:**

9 Windowmart will be paid the value of its collateral, \$20,000.00, within 25 months of  
10 the effective date. The remainder of its claim, \$799,716.00 will be paid as a Class 9 general  
11 unsecured claim.

12 **Class 5: Department of the Treasury-Internal Revenue Service**

13 **a. Nature of Claim:**

14 Pursuant to an Amended Proof of Claim #3-4 filed on June 8, 2017, the IRS has total  
15 priority secured and priority claims in the amount of \$88,385.23. The Proof of Claim also  
16 shows general unsecured claims of \$4,736.71.

17 **b. Treatment of Class 5 - Impaired:**

18 The Secured and priority claims of this Claimant will be paid in full with interest at the  
19 appropriate statutory rate. IRS will be paid monthly payments of not less than \$1,841.36 for  
20 48 months or until its secured and priority claims are paid in full, beginning 30 days after the  
21 effective date. This claim will be paid within 5 years from the date Debtor filed its  
22 bankruptcy petition. The general unsecured portion of this claim will be paid as a Class 9  
23 general unsecured claim.

24 **Class 6: Arizona Department of Revenue**

25 **a. Nature of Claim**

26 Pursuant to its Amended Proof of Claim filed on May 31, 2017, this is a section  
27 507(a)(8) priority claim in the amount of \$91,199.52 for TPT and Withholding tax. The  
28 Proof of Claim also shows general unsecured claims of \$8,861.21.

1           **b. Treatment of Class 6 - Impaired:**

2           These priority claims will be paid in full with interest at the appropriate statutory rate.  
3 DOR will be paid monthly payments of not less than \$1,899.99 for 48 months or until its  
4 priority claims are paid in full, beginning 30 days after the effective date. This claim will be  
5 paid within 5 years from the date Debtor filed its bankruptcy petition. The general unsecured  
6 portion of this claim will be paid as a Class 9 general unsecured claim.

7  
8           **Class 7: State and Local priority taxes under \$20,000**

9           **a. Nature of Claim**

10           This class consists of claimants with state and local priority tax claims, whose claim is  
11 under \$20,000.00. These claimants are Arizona Department of Economic Security,  
12 California Franchise Tax Board, California State Board of Equalization, City of Apache  
13 Junction, City of Avondale, City of Chandler, Flagstaff, City of Mesa, City of Glendale, City  
14 of Peoria, City of Phoenix, City of Scottsdale, City of Tempe, City of Tucson, and Texas  
15 Comptroller of Public Accounts. **Exhibit "G"**, attached hereto, lists these claimants, the  
16 amount of their claim, and the source of their claim. The claims in this class total  
17 \$33,863.00.

18           **b. Treatment of Class 7 - Impaired:**

19           These priority claims will be paid in full on a pro-rata basis with 4 annual payments of  
20 not less than \$8565.00, beginning 30 days after the effective date. These claims will be paid  
21 within 5 years from the date Debtor filed its bankruptcy petition.

22           **Class 8: Section 507(a)(4) Commission Claims**

23           **a. Nature of Claim:** This class consists of the claims of Claydon LLC in the amount  
24 of \$19,335.59 and Desert Star Windows LLC in the amount of \$20,000.00. These were listed  
25 on Debtor's Schedule E as priority wage claims. Debtor has now determined that these are  
26 not priority wage claims, but general unsecured claims  
27

1           **b. Treatment of Class 8 - Impaired:** These claims become Class 9 claims and will be  
2 paid as Class 9 general unsecured claims.

3  
4 **Class 9:           General Unsecured Claims**

5           **a. Nature of Claim:** This class consists of the general unsecured claims listed on  
6 Debtor's Schedule F as well as the unsecured claims listed in Classes 4, 5, 6, and 8. A list of  
7 these creditors is attached hereto as **Exhibit "H"**.

8           **b. Treatment of Class 9 Impaired -** This class will receive a total of \$30,000.00, to be  
9 paid on a pro-rata basis. Payments will be made semi annually in the amount of not less than  
10 \$2,500.00, pro rata. See **Exhibit "H"**. The remainder of their claims will be discharged.

11  
12 **Class 10:          Priority Wage claims paid as first day orders.**

13           **a. Nature of Claim:** This class consists of employees who were owed wages as of the  
14 filing date. They were paid pursuant to this Court's Critical Employees Order of January 20,  
15 2017. These creditors are:

16	a.	Gustavo Alvarado-Manager-	\$ 2,000.00
17	b.	Christopher Cejudo-Laborer-	\$ 770.00
18	c.	Mike Cummings-Manager-	\$ 2,000.00
19	d.	Robert Deal-Foreman-	\$ 1,500.00
20	e.	John Escobar-Laborer-	\$ 770.00
21	f.	Paul Green-Office-	\$ 1,584.00
22	g.	Buck Gulley-Vice President-	\$ 3,020.00
23	h.	Lowell Gulley-President/CEO-	\$ 3,000.00
24	i.	Laurie Kelly-Office-	\$ 1,370.00
25	j.	Christopher Large-Office-	\$ 1,440.00
26	k.	Jessica Osborn-Office-	\$ 730.00
27	l.	Shelli Pehrson-Office-	\$ 1,150.00
28	m.	Ruben Quinonez-Laborer-	\$ 474.00
	n.	Martin Rios-Laborer	\$ 1,334.00
	o.	Christopher Robles-Laborer	\$ 770.00
	p.	Harrison Stacks-Labroer	\$ 650.00
	q.	Andrew Torres-Laborer	\$ 800.00
	r,	Jeffery Woods-Laborer	\$ 1,040.00

26           **b. Treatment of Class 10 -** These claimants will be paid nothing under the Plan, as  
27 their claims have already been paid pursuant to this Court's order of January 20, 2017.

1 **Class 11: Equity holders of Debtor**

2 a. Nature of Claim: This class consists of Lowell Gulley, Debtor's 100% shareholder  
3 and president and his claims for capital contributions.

4 b. Treatment of Class 11 - Impaired: This class will receive nothing under the Plan  
5 and his claims will be discharged. Lowell Gulley will retain his ownership interest in Debtor.  
6

7 **VIII. SECTION 1111(b) ANALYSIS**

8 The Plan described in Article II is a cramdown plan per Section 506 for the  
9 secured Windowmart claim only. In a cramdown situation, a secured creditor has the option  
10 of making an election under Section 1111(b) of the Bankruptcy Code. If a secured claimant  
11 files a Notice of Election Pursuant to 1111(b), then it will have an allowed secured claim in  
12 the full amount of its claim. The portion of this claim that would have been unsecured absent  
13 the 1111(b) election will remain as a lien on the collateral but no interest will accrue on this  
14 amount. This is because the present value of the claim exceeds the value of the collateral.  
15 This means that the creditor will receive monthly payments for 15 years with a straight line  
16 amortization to fully pay this claim. Once the claim is paid in full, this claimant will release its  
17 lien on the collateral. This election must be made prior to the conclusion of the disclosure  
18 statement hearing.

19 **PART III**  
20 **IMPLEMENTATION AND FUNDING OF DEBTOR'S PLAN**

21 The Debtor' Plan will be funded by its cash on hand, and its regular cash flow.  
22 Income projections for the business are attached as **Exhibit "E"** to the Disclosure  
23 Statement. The Debtor's owner and manager, Lowell Gulley, shall act as the Disbursing  
24 Agent under the Plan. Once all required distributions called for in the Plan are made, the  
25 case will terminate.  
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1 **PART IV**  
2 **DEFAULT**

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

10 **PART V**  
11 **EFFECT OF CONFIRMATION**

12 Upon confirmation of the Plan and vesting of all assets, the Debtor will be discharged  
13 of all claims and liabilities arising prior to the filing of the petition for relief pursuant to 11  
14 U.S.C. Section 1141.

15 **TAX CONSEQUENCES**

16 Pursuant to § 1125(a)(1) of the Bankruptcy Code, the Debtor is to provide a discussion  
17 of the potential material federal tax consequences of the Plan to the Debtor, any successor to  
18 the Debtor, and a hypothetical investor typical of the holders of claims or interests in the case,  
19 that would enable such a hypothetical investor of the relevant class to make an informed  
20 judgment about the Plan, but adequate information need not include such information about  
21 any other possible or proposed plan and in determining whether the Disclosure Statement  
22 provides adequate information, the Court shall consider the complexity of the case, the benefit  
23 of additional information to creditors and other parties in interest, and the cost of providing  
24 additional information.

25 Neither the Debtor nor their lawyers can make any statements with regard to the tax  
26 consequences of the Plan on any of the creditors. Although they would note that to the extent  
27 the creditor is not paid in full their Allowed Claim, they should consult with their tax advisor  
28 concerning the possibility of writing off for tax purposes that portion of their Allowed Claim

1 that is not paid. Each creditor in this case, when analyzing the Plan, should consult with its  
2 own professional advisors to determine whether or not acceptance of the Plan by the creditor  
3 will result in any adverse tax consequences to the creditor.

4 The Bankruptcy Tax Act generally provides that the Debtor does not have to recognize  
5 income from the discharge of indebtedness. The Plan contemplates significant discharge of  
6 indebtedness; however, because the Debtor is in bankruptcy, it will not have to recognize the  
7 discharge of indebtedness as income for tax purposes. The Debtor does not believe the Plan  
8 will cause any adverse tax consequences.

#### 9 **NON-ALLOWANCE OF PENALTIES AND FINES**

10 No distribution shall be made under this Plan on account of, and no allowed claim,  
11 whether secured, unsecured, priority, or administrative, shall include any fine, penalty,  
12 exemplary or punitive damages, late charges or other monetary charge relating to or arising  
13 from any default or breach by Debtor, and any claim on account thereof shall be deemed  
14 disallowed whether or not an objection to it is filed.

#### 15 **EXECUTORY CONTRACTS**

16 The Plan will assume Debtor's leases with Heitt, Pharr and Associates (month to  
17 month) and JS& G Properties (3 years). Debtor hereby rejects all executory contracts and  
18 unexpired leases not otherwise assumed herein or by separate order of the Court. Claims for  
19 any executory contracts or unexpired leases rejected by the Debtor shall be filed no later than  
20 ten (10) days after the earlier of Confirmation or the date the executory contract or unexpired  
21 lease is specifically rejected. Any such Claims not timely filed and served shall be  
22 disallowed.

#### 23 **MODIFICATION OF PLAN**

24 In addition to their modification rights under § 1127 of the Bankruptcy Code, the  
25 Debtor may amend or modify the Plan at any time prior to Confirmation without leave of the  
26 Court. The Debtor may propose amendments and/or modifications of their Plan at any time  
27 subsequent to Confirmation with leave of the Court and upon notice to Creditors. After  
28 Confirmation of the Plan, the Debtor or the Reorganized Debtor may, with approval of the

1 Court, as long as it does not materially or adversely affect the interests of Creditors, remedy  
2 any defect or omission or reconcile any inconsistencies of the Plan, or in the Confirmation  
3 Order, if any may be necessary to carry out the purpose and intent of his Plan.

#### 4 **CLOSING OF THE CASE**

5 If the Court does not close this case on its own motion, the Debtor will move the Court  
6 to administratively close this case once the Plan is deemed substantially consummated. Until  
7 substantial consummation, the Debtor will be responsible for filing pre- and post-  
8 confirmation reports required by the United States Trustee and paying the quarterly post-  
9 confirmation fees of the United States Trustee, by check, pursuant to 28 U.S.C. § 1930, as  
10 amended. Pursuant to 11 U.S.C. § 1129(a)(12), all fees payable under section 1930 of title  
11 28, as determined by the Court at the hearing on confirmation of the Plan, will be paid, by  
12 check, on the Effective Date.

#### 13 **DISCLAIMER**

14 Court approval of this Disclosure Statement and the accompanying Plan of  
15 Reorganization, including exhibits, is not certification of the accuracy of the contents thereof.  
16 Furthermore, Court approval of these documents does not constitute of the Court's opinion as  
17 to whether the Plan should be approved or disapproved.

#### 18 **PROPONENTS RECOMMENDATION / ALTERNATIVES TO THE PLAN**

19 The Debtor recommends that all creditors entitled to vote for the Plan do so. The  
20 alternatives to confirmation of the Plan would be either conversion of this case to a case  
21 under Chapter 7 of the Bankruptcy Code or its dismissal.

22 Conversion will result in the appointment of a Chapter 7 trustee and, most likely, the  
23 hiring of an attorney by the trustee. Expenses incurred in administering of the Chapter 7 case  
24 will take priority in the right to payment over allowed, administrative expenses incurred in the  
25 Chapter 11 case. Both Chapter 7 and Chapter 11 administrative expenses take priority over  
26

1 the payment of unsecured claims without priority. In other words, conversion would likely  
2 decrease the net amount available to pay currently existing creditors.

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

9 Dismissal of this case would leave all creditors holding unsecured claims in the  
10 position of having to institute legal proceedings to collect their debts. Moreover, outside the  
11 context of a bankruptcy case, the first creditor to collect may collect all non-exempt property,  
12 leaving nothing to be paid to remaining creditors. In addition, dismissal of this case would  
13 open the door for the Debtor to file a new bankruptcy case, which could further delay or  
14 reduce funds available to pay creditors.

15 **For all these reasons, the Debtor urges you to vote to accept the Plan and to**  
16 **return your ballots in time to be counted.**

17 **DATED:** This 18th day of August, 2017.

18 **CAMPBELL & COOMBS, P.C.**

19 By: /s/ Harold E. Campbell #005160  
20 *Harold E. Campbell, Attorney for Debtor*

21 By: /s/ John D. Yohe #021636  
22 *John D. Yohe, Attorney for Debtor*

23 **LIST OF EXHIBITS**

24 **EXHIBIT A PROPOSED PLAN OF REORGANIZATION**

25 **EXHIBIT B LIST OF ASSETS (SCHEDULES A AND B)**

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**EXHIBIT C            LIST OF LIABILITIES (SCHEDULES D, E, and F)**

**EXHIBIT D            RECENT OPERATING REPORT**

**EXHIBIT E            INCOME AND EXPENSE PROJECTIONS**

**EXHIBIT F            LIQUIDATION ANALYSIS SPREADSHEET**

**EXHIBIT G            LIST OF STATE AND LOCAL PRIORITY TAX CLAIMS  
UNDER \$20,000 (SCHEDULE E and PROOF OF CLAIMS  
FILED)**

**EXHIBIT H            ANTICIPATED PAYMENTS TO GENERAL UNSECURED  
CREDITORS**