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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF ARIZONA

In re:	)	
	)	No. 4:17-bk-01376-BMW
9800 WEDDINGS, LLC,	)	
	)	(Chapter 11)
Debtor.	)	
	)	NOTICE OF SUBMISSION OF
	)	DEBTOR'S SECOND AMENDED
	)	DISCLOSURE STATEMENT
	)	FOR ITS SECOND AMENDED PLAN
	)	OF REORGANIZATION
	)	DATED April 18, 2018

9800 Weddings, LLC, (hereinafter "the Debtor"), by and through its counsel undersigned, submits this proposed Second Amended Disclosure Statement attached hereto and by reference incorporated herein (hereinafter "the Disclosure Statement") in connection with the "Debtor's Second Amended Plan of Reorganization" attached as Exhibit "A" hereto April 18, 2018 (hereinafter "the Plan"). The Disclosure Statement is submitted in compliance with 11 U.S.C. Section 1125 and Bankruptcy Rule 3017. It has not been approved by the Bankruptcy Court and is filed solely to enable the Court and parties in interest to evaluate the adequacy of the information contained herein as required of the Bankruptcy Code. Moreover, the Disclosure Statement refers to information contained herein as required by the Bankruptcy Code. The Disclosure Statement refers to information and facts that the Debtor anticipates will be accurate or will occur on or prior to the date of the hearing to consider the Disclosure Statement. Therefore, certain information and facts contained in the Disclosure Statement may not be completely accurate as of the date hereof.

The Debtor believes that this form of Disclosure Statement is substantially the form which

1 contains information of a kind, and in sufficient detail, as far as is reasonably practical in light of the  
2 nature and history of the Debtor, that would enable a reasonable investor, typical of the holders of claims  
3 and interests in each class of claims and interest in the Plan, to make an informed judgment about this  
4 Plan. Nevertheless, all readers are cautioned that the Debtor may file further modifications of the Plan  
5 and of the Disclosure Statement prior to the hearing to consider the Disclosure Statement.

6  
7 *THE FILING AND ANY DISSEMINATION OF THE DISCLOSURE STATEMENT*  
8 *IS NOT A SOLICITATION OF VOTES ACCEPTING OR REJECTING*  
9 *THE PLAN DESCRIBED THEREIN.*

10 DATED: April 18, 2018

11 LAW OFFICES OF  
12 *ERIC SLOCUM SPARKS, P.C.*

13 /s/ Sparks #11726  
14 Eric Slocum Sparks  
15 Attorney for Debtor  
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FOR  
SECOND AMENDED DISCLOSURE STATEMENT DATED  
April 18, 2018

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18	EXHIBIT A	Second Amended Plan of Reorganization Dated March 7, 2018 and filed as a separate document
19	EXHIBIT B	Ballot
20	EXHIBIT C	Liquidation Analysis
21	EXHIBIT D	Anticipated Income and Expense/Sources and Uses of Cash

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Attorney for Debtor

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In re:	)	
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	)	DEBTOR'S SECOND AMENDED
	)	DISCLOSURE STATEMENT
	)	FOR ITS SECOND AMENDED PLAN
	)	OF REORGANIZATION
	)	DATED April 18, 2018

9800 Weddings, LLC, (hereinafter "the Debtor"), through its undersigned attorney, hereby submits its Second Amended Disclosure Statement dated April 18, 2018 for its Second Amended Plan of Reorganization dated April 18, 2018.

***SECTION I***

*Introduction*

1.1. Purpose of this Disclosure Statement: the Debtor commenced reorganization proceedings with the filing of a Voluntary Petition on February 15, 2017 under Chapter 11 of the United States Bankruptcy Code, as amended (the "Bankruptcy Code").

A DISCLOSURE STATEMENT FOR THE PLAN OF REORGANIZATION FOR THE DEBTOR WAS FILED BY THE DEBTOR, WHICH DESCRIBES THE TERMS AND PROVISIONS OF THE SECOND AMENDED PLAN OF REORGANIZATION OF THE DEBTOR DATED April 18, 2018.

[After notice and hearing, the Disclosure Statement was approved by the Bankruptcy Court as containing adequate information and sufficient detail to enable the holders of claims against or interest

1 in the debtor to make an informed judgment about the merits of approving the Plan.]

2 The purpose of this Disclosure Statement is to provide holders of claims against or interest in  
3 the Debtor with sufficient information about the Debtor and the Plan to enable holders of claims against  
4 or interest in the Debtor to make an informed judgment on the merits of the Plan and a decision whether  
5 to approve or reject the Plan.

6 Certain materials contained in this Disclosure Statement are taken directly from other readily  
7 accessible instruments or are digests of other instruments. While the Debtor has made every effort to  
8 retain the meaning of such other instruments or the portions transposed, you are urged that any reliance  
9 on the contents of such other instruments should be predicated on a thorough review of the instruments  
10 themselves.

11 THE PLAN ACCOMPANIES THIS DISCLOSURE STATEMENT AS “**EXHIBIT A**”. THE  
12 DEFINITIONS CONTAINED IN THE PLAN APPLY TO THIS DISCLOSURE STATEMENT AND  
13 EACH RECIPIENT THEREOF IS URGED TO REVIEW THE PROVISIONS OF THE PLAN FULLY  
14 PRIOR TO REVIEWING THIS STATEMENT.

15 The Debtor believes the contents of this Disclosure Statement satisfies the requirements adopted  
16 by this Court *In re A.C. Williams Co.*, 25 B.R. 173 (Bankr N.D. Ohio, 1982), *In re Cardinal Congregate*  
17 *I*, 121 B.R. 760 (Bankr S.D. Ohio, 1982). Those elements are as follows:

- 18 1. The circumstances that gave rise to the filing of the bankruptcy petition;
- 19 2. A complete description of the available assets and their value;
- 20 3. The anticipated future of the Debtor;
- 21 4. The source of the information provided in the Disclosure Statement;
- 22 5. A disclaimer, which typically indicates that no statements or information concerning the  
23 debtor or its assets or securities are authorized, other than those set for the in the disclosure statement;
- 24 6. The condition and performance of the debtor while in Chapter 11;
- 25 7. Information regarding claims against the estate;
- 26 8. A liquidation analysis setting forth the estimated return that creditors would receive under  
27 Chapter 7;
- 28 9. The accounting and valuation methods used to produce the financial information in the

1 disclosure statement;

2 10. Information regarding the future management of the debtor, including the amount of  
3 compensation to be paid to any insiders, directors, and/or officers of the debtor;

4 11. A summary of the plan of reorganization;

5 12. An estimate of all administrative expenses, including attorneys fees and accountant's fees;

6 13. The collectibility of any accounts receivable;

7 14. Any financial information, valuations or pro forma projections that would be relevant to  
8 creditors' determinations of whether to accept or reject the plan;

9 15. Information relevant to the risks being taken by the creditors and interest holders;

10 16. The actual or projected value that can be obtained from avoidable transfers;

11 17. The existence, likelihood and possible success of non-bankruptcy litigation;

12 18. The tax consequences of the plan; and

13 19. The relationship of the debtor with affiliates.

14  
15 1.2 Debtor's Exclusive Period to Propose its Plan of Reorganization: DEBTOR, AS A  
16 GENERAL RULE, HAS 120 DAYS AFTER THE DATE OF THE ORDER FOR RELIEF (FILING  
17 DATE) WITHIN WHICH TO PROPOSE ITS PLAN OF REORGANIZATION, KNOWN AS THE  
18 EXCLUSIVE PERIOD. THE EXCLUSIVE PERIOD, UNLESS SHORTENED OR CHANGED BY  
19 ORDER OF THE COURT, ALLOWS ONLY THE DEBTOR TO PROPOSE ITS PLAN OF  
20 REORGANIZATION WITHIN THE EXCLUSIVE PERIOD.

21 1.3 Confirmation Hearing and Voting Instructions: The Bankruptcy Court will set/has set  
22 \_\_\_\_\_ for a hearing on the confirmation of the Plan. Claimants and interest holders may  
23 vote on the Plan by filling out and mailing the accompanying Ballot for Accepting or Rejecting the Plan  
24 to:

25 Clerk of the United States Bankruptcy Court

26 38 S. Scott Avenue

27 Tucson, Arizona 85701  
28



1 with a copy to:

2  
3 Eric Slocum Sparks, Esq.  
4 ERIC SLOCUM SPARKS, P.C.  
5 3505 North Campbell Avenue, #501  
6 Tucson, Arizona 85719  
7

8 The Bankruptcy Court may confirm only one plan in this case. The plan confirmed in the  
9 Bankruptcy Court must meet the requirements contained in the Bankruptcy Code.

10 Unless authorized by the Court, only the Debtor or the Debtor's representatives may solicit your  
11 vote. The cost of any solicitation by the Debtor will be borne by the Debtor. No other additional  
12 compensation shall be received by any party for any solicitation other than as disclosed to the  
13 Bankruptcy Court. CREDITORS ARE URGED TO CAST A BALLOT FOR OR AGAINST  
14 DEBTOR'S PLAN OF REORGANIZATION.

15 1.4 Voting and Confirmation Process. If you are in one of the classes of creditors or investors  
16 whose interests are affected by the Plan (see "Summary of the Plan" below), it is important that you vote.  
17 If you fail to do so, your rights may be jeopardized.

18 To vote to accept or reject the Plan, creditors and investors of the Reorganized Debtor in any of  
19 the impaired classes (see the "Summary of the Plan" contained herein and the copy of the Plan attached  
20 hereto) should indicated their acceptance or rejection on the appropriate Ballot. A sample ballot is  
21 attached as **Exhibit B**. Any creditors or investors holding claims in more than one impaired class must  
22 file one Ballot for each such class. Additional Ballots may be obtained by proper written request to:

23  
24 Eric Slocum Sparks, Esq.  
25 ERIC SLOCUM SPARKS, P.C.  
26 3505 N. Campbell Ave, #501  
27 Tucson, Arizona 85719  
28 (520) 623-8330

1 Fax: (520) 623-9157

2 email: [eric@ericlocumsparkspc.com](mailto:eric@ericlocumsparkspc.com)

3  
4 attorney for the Debtor.

5  
6 You are, therefore, urged to fill in, date, sign and promptly mail the enclosed Ballot furnished  
7 to you. PLEASE BE SURE TO PROPERLY COMPLETE THE FORM AND LEGIBLY IDENTIFY  
8 THE NAME OF THE CLAIMANT OR INTEREST HOLDER.

9 EXECUTED BALLOTS MUST BE RECEIVED ON OR BEFORE THE RETURN DATE SET  
10 FORTH IN THE BALLOT.

11 SINCE MAIL DELAYS MAY OCCUR, IT IS IMPORTANT THAT THE BALLOT OR  
12 BALLOTS BE MAILED OR DELIVERED WELL IN ADVANCE OF THE DATE SPECIFIED. ANY  
13 BALLOTS RECEIVED AFTER THAT DATE MAY NOT BE INCLUDED IN ANY CALCULATION  
14 TO DETERMINE WHETHER THE CREDITORS AND INTEREST HOLDERS HAVE VOTED TO  
15 ACCEPT OR REJECT THE PLAN.

16 THIS IS A SOLICITATION BY THE DEBTOR ONLY AND IS NOT A SOLICITATION BY  
17 THE ATTORNEYS OR ACCOUNTANTS FOR THE DEBTOR, AND THE REPRESENTATIONS  
18 MADE HEREIN ARE THOSE OF THE DEBTOR AND NOT OF SUCH ATTORNEYS OR  
19 ACCOUNTANTS, EXCEPT AS MAY BE OTHERWISE INDICATED.

20 VOTES ARE IMPORTANT

21 As a claimant or interest holder, your vote is important. The Bankruptcy Court cannot consider  
22 Confirmation of the Plan until acceptance thereof has been obtained pursuant to the affirmative vote if  
23 impaired claimants by classes who hold at least two-thirds (2/3) in dollar amount and more than one-half  
24 (1/2) in number of the allowed claims by class voting on the Plan. If an impaired claimant or interest  
25 holder who is entitled to vote does not, such failure to vote will bear upon the outcome.

26 Whether a creditor or interest holder votes on the Plan or not, or whether the creditor or interest  
27 holder votes at all, such party will be bound by the terms and treatment set forth in the Plan if the Plan  
28 is accepted by the requisite majorities of creditors and interest holders and is confirmed by the

1 Bankruptcy Court. Allowance of a claim or interest for voting purposes does not necessarily mean that  
2 all or a portion of the claim or interest will be allowed or disallowed for distribution purposes.

3 The Debtor may, in some circumstances, separately classify the deficiency claims of some  
4 secured creditors from the unsecured trade creditors and other creditors, and treats such claims in a  
5 different manner. Debtor is of the opinion that case and current bankruptcy law allows, in some cases,  
6 such separate classification and different treatment of these and other claims. Debtor believes that such  
7 separate classification and different treatment of such claims is proper. See In re Mason Dixon Lines,  
8 Inc., 63 B.R. 176 (Bankr. M.D.N.C. 1986); In re Ag Consultant Grant Division, Inc., 77 B.R. 665 (1987);  
9 In re ZRM-Oklahoma Partnership, 156 B.R. 67 (Bankr W.D. Okla. 1993); In re Wolff, 22 B.R. 510 (9<sup>th</sup>  
10 Cir. BAP, 1982); In re Johnston, 140 B.R. 526 (9<sup>th</sup> Cir. BAP. 1992). Current decision make the  
11 inclusion of such deficiency claims with other unsecured creditors impermissible. In re D & W Realty  
12 Corporation, 156 B.R. 140 (Bankr. S.D. Fla.) Debtor contents that the different treatment is justified  
13 due to a number of factors. In some cases, unsecured claims and deficiency claims are not placed in the  
14 same class and the Bankruptcy Code may not require equal treatment of different classes. In re Red  
15 Machine Company, Lexis, 1304, \*48 (Bankr. 2011) Some of these considerations are listed below.

- 16 (1) The obligation may be non-recourse obligation and is treated as recourse only as a result  
17 of the Bankruptcy Code and has the opportunity to make an election under Section  
18 1111(b) while unsecured creditors do not;
- 19 (2) Secured creditors may have contracted for a long term obligation as opposed to the  
20 obligation contracted for by unsecured trade creditors which is usually of a shorter  
21 duration;
- 22 (3) Debtor believes that a treatment different than that proposed under the plan would result  
23 in higher operating costs for the Debtor by not continuing the use of existing vendors  
24 which may affect the debtor's ability to reorganize; and
- 25 (4) Because the nature of the secured claim, secured creditors may have a conflict of interest  
26 with the remaining unsecured creditors. See In re James E. Johnson, 140 B.R. 526 (9<sup>th</sup>  
27 Cir. BAP); In re Triple R. Holdings, L.P., 134 B.R. 382 (Bankr. N.D. Cal 1991); In re  
28 Bjolmes Realty Trust, 134 B.R. 1000 (Bankr. D.Mass 1991); In re Creekside Landing,

1            Ltd., 140 B.R. 713 (Bankr. M.D. Tenn. 1992); In re U.S. Truck Co., Inc., 800 F.2d 581  
2            (6<sup>th</sup> Cir. 1986); In the Matter of Jersey City Medical Center, 817 F.2d 1055 (3<sup>rd</sup> Cir.  
3            1987); Toibb v. Radloff, \_\_\_ U.S. \_\_\_, 111 S. Ct. 2197, \_\_\_ L.Ed.2d. \_\_\_ (1991);  
4            Hanson v. First Bank of South Dakota, 828 F.2d 1310 (1987). See In re Thirtieth Place,  
5            Inc., 30, B.R. 503 (Bankr. App. 1983; In re Victory Construction Co., Inc., 37 B.R. 222,  
6            228 (9<sup>th</sup> Cir. B.A.P. 1984); In re Arnold, 806 F.2d 937 (9<sup>th</sup> Cir. 1986); In the Matter of  
7            Jersey City Medical Center, 817 F.2d 1055 (3<sup>rd</sup> Cir 1987); In re Foundary of Barrington  
8            Partnership, 129 B.R. 550 (1991); In Re Fowler, 903 F.2d 694 (9<sup>th</sup> Cir. 1990); In Re Oaks  
9            Partners Ltd., 135 B.R. 440 (Bankr. N.D. Ga. 1991); and In Re Victory Const. Co., Inc.,  
10           42 B.R. 145 (Bankr. 1984).

11           5.        Secured creditor may have a personal guarantee from a non-debtor entity and/or  
12           principals of debtors and some payments would be made to deficiency creditors.

13           Following acceptance, the Bankruptcy Court will hold a hearing on the confirmation of the Plan  
14           and will enter an Order of Confirmation with respect to the Plan if it finds that, among other things, all  
15           payments to be made by the Debtor in connection with the case or Plan have been disclosed to the  
16           Bankruptcy Court, the identity and affiliation of post-confirmation management of the Reorganized  
17           Debtor has been fully disclosed, each class of claimants and interest holders has accepted the Plan or is  
18           not impaired by the provisions thereof, and that confirmation is not likely to be followed by the  
19           liquidation or need for further financial reorganization of the Reorganized Debtor.

20           In the event that the requisite acceptance of impaired classes of claims and interests are not  
21           obtained, pursuant to Section 1129 (b)(1) of the Bankruptcy Code, the Bankruptcy Court may  
22           nevertheless confirm the Plan upon the request of the proponent of the Plan if the Bankruptcy Court  
23           finds that the Plan does not discriminate unfairly and accords fair and equitable treatment to the class  
24           rejecting it.

25           At the hearing on confirmation of the Plan, the Bankruptcy Court will hear any timely filed  
26           objections from a claimant or interest holder to confirmation of the Plan.

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1 THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT  
2 WERE COMPILED. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY  
3 PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN, AND NOTHING  
4 CONTAINED IN IT SHALL CONSTITUTE, OR BE DEEMED CONCLUSIVE ADVICE ON, THE  
5 TAX OR OTHER LEGAL EFFECTS OF ANY REORGANIZATION ON HOLDERS OF CLAIMS OR  
6 INTERESTS IN CONNECTION WITH SUCH REORGANIZATION.

7 THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY ORDER OF THE  
8 BANKRUPTCY COURT, DATED \_\_\_\_\_ AS CONTAINING INFORMATION OF A KIND AND  
9 IN SUFFICIENT DETAIL TO ENABLE A REASONABLE, HYPOTHETICAL INVESTOR TO  
10 MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN. THE BANKRUPTCY COURT'S  
11 APPROVAL OF THIS DISCLOSURE STATEMENT, HOWEVER, DOES NOT CONSTITUTE A  
12 RECOMMENDATION BY THE BANKRUPTCY COURT EITHER FOR OR AGAINST THE PLAN.

13 IN ORDER TO BE CONSIDERED FOR PURPOSES OF SATISFYING THE BANKRUPTCY  
14 CODE REQUIREMENTS, YOUR BALLOT MUST BE RECEIVED AT THE ADDRESS INDICATED  
15 ON THE BALLOT NO LATER THAN 5:00 P.M. ON THE \_\_\_\_\_ OR WITHIN 5 DAYS OF  
16 ANY CONTINUED HEARING ON CONFIRMATION OF THE PLAN.

17 A BALLOT ACCOMPANIES THIS DISCLOSURE STATEMENT FOR USE IN VOTING OF  
18 THE PLAN.

## 19 ***SECTION II***

### 20 *History of Debtor and Factors Leading* 21 *to the Filing of the Chapter 11*

22 2.1 Circumstances that Gave Rise to the Filing of the Bankruptcy Petition: 9800 Weddings,  
23 LLC, was created on January 24, 2014, with the members of the entity Abigail Michaels Consulting,  
24 LLC, and May Investments, LLC, each holding a 50% interest. The entity was created to purchase the  
25 building located at 9800 N. Oracle Rd. On October 30, 2014, Abigail Michaels Consulting, LLC, was  
26 removed as a member and DJ Fazio Company, LLC, obtained a 19% interest as a member. DJ Fazio  
27 Company, LLC, is owned by Fazio Living Trust and Debi Beyer Fazio. Debi Beyer Fazio filed a Chapter  
28 7 Bankruptcy on July 3, 2017 valuing her 19% interest in the debtor at \$0. The real property was rented

1 to the Buttes by Reflections, LLC, which ran a wedding and event business. The owners of the Buttes  
2 by Reflections, LLC, were also the owners of DJ Fazio Company, LLC.

3  
4 The Buttes by Reflections, LLC

5 The real property located at 9800 N Oracle Rd. was refinanced on June 8, 2015, by Bank of the  
6 West. At this time DJ Fazio Company, LLC's interest in 9800 Weddings was reduced from 50% to 19%  
7 as a requirement for the refinancing. DJ Fazio Company, LLC, verbally agreed that the Buttes by  
8 Reflections, LLC, would pay weekly rent to 9800 Weddings, LLC. The Buttes by Reflections, LLC,  
9 made 11 weekly payments and then they ceased. E. Joe May principal owner of 9800 Weddings, LLC,  
10 hired legal counsel to assist in obtaining rents. The Debtor attempted negotiations with the Manager of  
11 the Buttes by Reflections, LLC, from the fall of 2015 until August 2016. The parties even went to a  
12 private mediation in December 2015, but were unable to come to a resolution. Promises were made that  
13 rent would be forthcoming, but it was never paid. E. Joe May the manager of the Debtor, hired litigation  
14 counsel in the Spring of 2016 to judicially evict the tenant and appoint a receiver so that rent would be  
15 forthcoming. A receiver was appointed, but ultimately the tenant was not solvent under its current  
16 management. The receiver sold the assets of the tenant to HANITA, LLC and the Debtor subsequently  
17 entered into a lease agreement with HANITA, LLC to lease the real property owned by the Debtor. The  
18 lease was executed February 15, 2017 and the Debtor received pro-rated rent for the month of February  
19 2017 and subsequently would be paid an additional \$8,000.00 on the first of each month. Due to the  
20 Debtor not receiving income during its negotiations with the previous tenants, the Principal and manager  
21 of the Debtor, E. Joe May was paying all of the expenses for the real property including its monthly  
22 mortgage payment.

23 In October 2016, E. Joe May was unable to make the mortgage payment and therefore they  
24 became delinquent. By the time, the Debtor was able to enter into a lease with a new tenant and began  
25 to receive monthly income from rent, the mortgage and real property taxes were in arrears such that the  
26 Debtor was unable to catch up without the intervention of the bankruptcy court. For these reasons, the  
27 Debtor filed a Chapter 11 bankruptcy to reorganize the business affairs.

28 2.2 Current Management: The Debtor is currently managed by E. Joe May.

2.3 Location of Debtor's Major Assets: The debtor's asset is located at approximately 9800 N. Oracle Road, Tucson, AZ 85704.

2.4 Real Properties of the Debtor/Assets of the Estate:

Property Address:	Estimated Value:
9800 N. Oracle Road, Tucson, AZ 85704	\$800,000.00

2.5 Valuation Hearings: A valuation hearing is not necessary in this matter as debtor has entered into an agreement with the lender.

2.6 Significant Events Prior to the Commencement of the Debtor's Reorganization: The Buttes by Reflections, LLC, ceased paying rents to the Debtor. The Debtor attempted negotiations with the Manager of the Buttes by Reflections, LLC, from the fall of 2015 until August 2016. Promises were made that rent would be forthcoming, but it was never paid. E. Joe May the manager of the Debtor, hired litigation counsel in the Spring of 2016 to judicially evict the tenant and appoint a receiver so that rent would be forthcoming. A receiver was appointed, but ultimately the tenant was not solvent under its current management. Due to the Debtor not receiving income during its negotiations with the previous tenants, the Principal and manager of the Debtor, E. Joe May was paying all of the expenses for the real property including its monthly mortgage payment. In October 2016, E. Joe May was unable to make the mortgage payment and therefore they became delinquent.

2.7 The Accounting and Valuation Methods Used to Produce the Financial Information in the Disclosure Statement: The accounting process is conducted using generally accepted accounting principles. Accounting information is furnished by E. Joe May managing member of the debtor and is presented on a cash basis. E. Joe May is a Certified Public Accountant.

2.8 Causes of Action: Debtor filed a petition and complaint in the Pima County Superior Court on August 3, 2016, Case No. C20163560, for failure to pay rent by its prior tenant The Buttes by Reflections, LLC.

2.9 Plan of Reorganization: The Debtor has filed a Plan which will allow it to retain its property and pay creditors more money than creditors would receive from a liquidation of the property. See liquidation analysis attached hereto as **Exhibit "C"**.



2.10 Obligations as of Date of Filing: The following is an estimate by the Debtor of the outstanding secured obligations owed by the Debtor as of the date of the Petition.

Secured Creditors	Type of Encumbrance	Amount Due at Filing	Property
Pima County	Property taxes	\$36,311.70	9800 N. Oracle Road, Tucson, AZ 85704
Bank of the West	First Deed of Trust	\$791,628.37	9800 N. Oracle Road, Tucson, AZ 85704

2.11 The Condition and Performance of the Debtor While in Chapter 11: The Debtor entered into a lease agreement with HANITA, LLC to lease the real property owned by the Debtor. The Debtor has, through its attorney, discussions with HANITA, LLC and its attorney attempted to resolve issues such as payment for insurance on the property and payment of taxes. Debtor's principal discovered that the tenant's insurance on the property did not create an insurable interest as required by the lease. Debtors principal E. Joe May also maintained insurance which was satisfactory for Bank of the West. The lease required taxes to be paid on a current basis but they were not paid to debtor on a timely basis. Debtor's principal E. Joe May is attempting to have tenant pay on a monthly basis a pro rata share of real estate taxes, TPT taxes, and insurance on the property. If debtor is unable to resolve these issues it plans to reject the lease with the tenant and sell the asset of the debtor.

2.12 Adequate Protection Payments: The Debtor has commenced adequate protection payments and is currently discussing a pending agreement with Bank of the West. Debtor has also provided additional collateral to Bank of the West as part of a global resolutions in its negotiating with Bank of the West through its counsel John G. Sinodis.

2.13 The Existence, Likelihood and Possible Success of Non-bankruptcy Litigation: Debtor filed a petition and complaint in the Pima County Superior Court on August 3, 2016, Case No. C20163560, for failure to pay rent by its prior tenant The Buttes by Reflections, LLC. A receiver was appointed in the Pima County Superior Court case on August 19, 2016. The Buttes by Reflections, LLC was liquidated by the Court-appointed receiver

1 and the same funds deposited with the Pima County Superior Court. The debtor has requested that the  
2 Pima County Superior Court release the funds to the debtor for use in funding its Plan of Reorganization.

### 3 4 ***SECTION III***

#### 5 *Income Projections of the Property*

6 A proforma statement of the **Anticipated Income and Expenses and Schedule of Sources and**  
7 **Uses of Cash** relating to payments to creditors under the plan are attached hereto, as **Exhibit “D”** which  
8 does not include potential sales of remaining lots.

9 The Debtor has derived this information from the principal of the debtor, E. Joe May.

### 10 11 ***SECTION IV***

#### 12 *Summary of Plan of Reorganization*

13 THE FOLLOWING IS A BRIEF SUMMARY OF CERTAIN PROVISIONS OF THE PLAN  
14 AND SHOULD NOT BE RELIED ON FOR VOTING PURPOSES. THE SUMMARY DOES NOT  
15 PURPORT TO BE COMPLETE. CREDITORS AND INTEREST HOLDERS ARE URGED TO  
16 READ THE PLAN ATTACHED HERETO AS EXHIBIT “A”. CREDITORS AND INTEREST  
17 HOLDERS ARE FURTHER URGED TO CONSULT WITH COUNSEL, OR WITH EACH OTHER,  
18 IN ORDER TO UNDERSTAND THE PLAN MORE FULLY.

19 4.1 Summary of Plan: The Plan contemplates that secured creditor Bank of the West will be  
20 paid the full amount of its allowed claim over time as set forth herein. The infusion of monies into the  
21 reorganized Debtor through capital contributions from existing owners is required in order for the current  
22 owners of the debtor to retain their or its interest in the debtor. E. Joe May primary principal of the  
23 debtor has provided additional collateral to Bank of the West and will make a capital contribution at  
24 confirmation of the plan.

25 POTENTIAL INVESTORS MAY BE ALLOWED TO ACQUIRE A PERCENTAGE OF  
26 INTEREST OR A PERCENTAGE THEREOF, IN THE REORGANIZED DEBTOR.

27 These proceeds, in conjunction with the Property’s revenues and inherent future appreciation,  
28 will provide the necessary funds to Debtor to pay creditors under the Plan.

1       4.2 Segregation of Classes: The Plan further proposes to segregate the creditors and interest  
2 holders of the Debtor into separate classes. Of these classes, allowed administrative and priority  
3 claimants including priority tax claimants, but exclusive of those referenced in 11 U.S.C.

4       Section 507(a)(8) will receive payments of 100% of their respective claims, in cash over time, with a  
5 market rate of interest, as set forth in the Plan.

6       The Debtor may propose to separately classify some unsecured creditors from deficiency claims  
7 of other creditors.

8       Generally, all Administrative Claims will be paid in full in cash as stated in the Plan. The Debtor  
9 shall retain the property and the creditors shall be paid in accordance with modifications of their  
10 applicable loan and security documents as set forth herein and in the Plan of Reorganization.

11       4.3 Value of Secured Claims: Under the Plan, the Debtor proposes to allow the secured creditors  
12 to retain their liens in the amount equal to the full amount of their claim on the Petition Date. The Debtor  
13 believes that the property securing the claim of Bank of the West is fully secured.

14       The Debtor shall commence payments to all creditors as set forth in the Plan 30 days after the  
15 Effective Date, or earlier if the Debtor and creditors have so provided in a stipulation approved by the  
16 Court or ordered by the Court.

17       ANY STIPULATION ENTERED INTO BETWEEN THE SECURED CREDITORS AND THE  
18 DEBTOR SHALL SUPERSEDE ANY TREATMENT OF CREDITORS THAT MAY BE SET FORTH  
19 IN THE DEBTOR'S PLAN.

20       4.4 Cash Collateral Litigation: There is a cash collateral agreement with Bank of the West  
21 pursuant to the cash collateral orders (DE. 62, 82 and 114).

22       4.5 Description of Assets - Values: The major assets of the debtor is the real property located  
23 at 9800 N. Oracle Road, Tucson, AZ 85704.

24       4.6 Anticipated Future of Debtor: The Debtor entered into a lease agreement with HANITA,  
25 LLC to lease the real property owned by the Debtor. The Debtor believes that receiving rents from  
26 HANITA, LLC will fund the plan of reorganization.

27       4.7 Source of Information: The source of the information presented is from E. Joe May,  
28 managing member of the Debtor.

4.8 Condition and Performance of the Debtor in Chapter 11: Debtor maintains the assets necessary to continue to operate.

4.9 Information Regarding Claims Against Estate: Debtor believes there are currently no claims against the estate.

4.10 Liquidation Analysis: A liquidation analysis valuing assets of the debtor in a Chapter 7 is attached as **Exhibit “C”**. This liquidation analysis will include any uncollected account receivables.

4.11 Future Management of the Debtor: The Debtor will be managed by E. Joe May, post-confirmation. May will not receive compensations for his future management of the debtor.

4.12 Non-Bankruptcy Litigation: Debtor filed a petition and complaint in the Pima County Superior Court on August 3, 2016, Case No. C20163560, for failure to pay rent by its prior tenant The Buttes by Reflections, LLC.

4.13 Avoidable Transfers: Debtor is unaware of any transfers of property of this estate which would allow an avoidable transfer action.

4.14 Accounts Receivable: Debtor will collect accounts receivable as a regular ordinary course of business.

**4.15 Presence of Affiliates:** There are no affiliates of the debtor.

4.16 New Capital Contribution: The infusion of monies into the reorganized Debtor through capital contributions is required in order for the current principals of the debtor to retain there interest in the debtor. E. Joe May principal owner has provided additional parcels of real property to Bank of the West and will make a capital contribution at confirmation of the plan to retain his interest in the debtor. If a substantial capital contribution is not received at confirmation from a current interest holder that interest will revert to the debtor.

## SECTION V

### *Classification and Treatment of Claims and Interests*

1. *Claim Amounts:* Because certain claims against the Debtor may be unknown or of undetermined amounts, the amounts of claims specified in this Disclosure Statement reflect only the Debtor's best estimate at this time of the amount due. In addition, the amounts of the claims specified

1 in this Disclosure Statement do not include, for example, claims arising from the rejection of certain  
2 executory contracts and other contingent or unliquidated claims arising against the debtor.

3 2. *Effective Date of the Plan:* The “Effective Date” of the Plan is important in determining  
4 when performance of many of the Debtor’s obligations under the Plan is due. The Effective Date is  
5 defined in the Plan as the first business day following the later of the following day;

6 (i) the date on which the Order confirming the Plan (the “Confirmation Order”) becomes  
7 final and non-appealable with no appeal then pending.

8 3. *Classification:* The Plan divides claims against the Debtor into multiple separate classes  
9 that the Debtor asserts are in accordance with the Bankruptcy Code. Unless otherwise expressly stated  
10 in the Plan, distributions to holders of allowed claims are in full satisfaction of their allowed claims. All  
11 claims against the Debtor arising prior to confirmation will be discharged by performance of the Plan  
12 on the Effective Date to the extent that such claims are dischargeable under the Bankruptcy Code Section  
13 1141(d). For the purposes of the Plan, claims are classified and treated as follows:

14 5.1 Class One - Administrative Claims.

15 A. Classification: Class One consists of all claims for the cost of administration of  
16 the Debtor’s bankruptcy estate. Included in this class are all claims for administrative expenses  
17 entitled to priority under Bankruptcy Code §507(A)(1), such as professional fees and costs, as approved  
18 by the Bankruptcy Court of the attorneys, accountants, and other professional persons employed by the  
19 Debtor, and all actual and necessary expenses of operating the Debtor’s business pursuant to Bankruptcy  
20 Code §503(b), including without limitation, all fees charged against the Debtor’s business pursuant to  
21 Chapter 123 of Title 28, United States Code. Debtor believes claims in this class will exceed \$20,000.00.

22 B. Impairment: Not impaired.

23 C. Treatment: The Plan provides for the payment in cash, in full, of all allowed  
24 Administrative Claims on the later of the Effective Date or the date upon which such Claims become  
25 Allowed Claims, or as otherwise ordered by the Bankruptcy Court or agreed to by Claimant and Debtor.  
26 Class 1 claims will be paid from assets of the estate or from principals of the debtor. The Debtor  
27 currently estimates that the Class 1 claims will exceed \$20,000.00 and may include post-petition  
28 administrative expenses. Such payments will reduce the amount of administrative expenses due on the

Effective Date of the Plan unless otherwise provided for. Debtor's counsel has estimated its fees in the amount of \$20,000.00 and will submit a fee application with the Court after confirmation.

5.2 Class Two - Claims of Governmental Units

A. Classification: Class Two claims consists of all allowed claims of the United States Internal Revenue Service ("IRS") and/or State of Arizona, Department of Revenue ("DOR") and/or the Department of Economic Security ("DES"), City of Tucson or other government agency which are entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code except ad valorem taxes. Debtor is aware of a Proof of Claim filed by the Arizona Department of Revenue in the amount of \$6,002.00. Debtor disputes this claim and is currently working with the Arizona Department of Revenue in order to resolve the claim.

B. Impairment: Class 2 is impaired.

C. Treatment: Each holder of a Class Two allowed claim shall retain its lien or claim, in accordance with Section 1129 of the Bankruptcy Code. The claim shall bear simple interest at a fixed rate equal to that rate which would be required to be paid as of the Effective Date under Section 6621 and/or 6622 of the Internal Revenue Code, or such other interest rate as the Bankruptcy Court determines is sufficient to confer upon the tax claim a value as of the Effective Date equal to the principal amount of such claim. The allowed claim shall be payable in 60 equal monthly installments of principal, along with accrued interest, in deferred cash payments over a period not to exceed five years from date of petition. The first payment shall commence on the first day of the month immediately following the month of the Effective Date. The claim is subject to prepayment at any time without penalty or premium and shall have such other terms as are usual and customary.

5.3 Class Three - Secured Ad Valorem Real Property Tax Claims

A. Classification: Class Three shall consist of pre-petition allowed Ad Valorem Real Property Tax Claims of Pima County, AZ which are secured by liens on real property. Debtor is aware of a Proof of Claim filed by Pima County in the amount of \$36,311.70, post petition payments in the amount of \$19,696.13 and interest of \$679.51 have been made which reduced the claim amount to \$17,979.42.

B. Impairment: Class 3 is impaired.

1 C. Treatment: Each holder of a Class Three allowed claim shall retain its lien having  
2 an aggregate principal amount sufficient to satisfy, in accordance with Section 1129 of the Bankruptcy  
3 Code, the allowed claim. Such claim shall bear simple interest at a statutory rate required to be paid  
4 as of the Effective Date, or such other interest rate as the Bankruptcy Court determines is sufficient to  
5 confer upon the tax claim a value as of the Effective Date equal to the principal amount of such claim  
6 charged by Pima County or the statutory rate of interest. Payments shall be made in equal monthly  
7 installments of principal, along with accrued interest, in deferred cash payments over a period not to  
8 exceed five years from date of petition. The claim is subject to prepayment at any time without penalty  
9 or premium and shall have such other terms as are usual and customary for promissory notes.

10 5.4 Class Four - Secured Claim of Bank of the West ("BOTW")

11 A. Classification: Class 4 shall consist of the allowed secured claim of  
12 which extended a Loan to the Debtor and which is governed by a Business Loan Agreement dated  
13 June 8, 2015 ("Loan") and is further evidenced by a Promissory Note dated June 8, 2015, in the  
14 original principal amount of \$780,000.00 ("Note"). The Loan and Note are secured by, among other  
15 things, a Deed of Trust, recorded on June 9, 2015 at Document No. 20151600546, Official Records  
16 of the Pima County Recorder ("Deed of Trust"). The Deed of Trust encumbers real property owned  
17 by the Debtor and located at 9800 N. Oracle Rd., Tucson, Arizona 85704 ("Trust Property"). BOTW  
18 also holds an Assignment of Rents ("Assignment of Rents"), including any and all rents, revenues,  
19 income, receipts, issues, deposits, and profits arising out of the Trust Property ("Rents") as security  
20 for repayment of the Note. Collectively, the Loan, Note, Deed of Trust and the Assignment of Rents  
21 are referred to as "Loan Documents." BOTW claims that all Rents and proceeds generated by the  
22 Trust Property constitute BOTW's cash collateral (collectively, the "Cash Collateral").

23 B. Collateral: BOTW has a properly perfected, first priority interest in the Trust  
24 Property by virtue of the Deed of Trust and maintains an interest in the Cash Collateral.

25 C. Claim Amount: BOTW has filed a claim in the amount of \$791,628.37.

26 D. Impairment: Class 4 is impaired.

27 E. Claim Treatment: Debtor and BOTW have entered into an agreement, as  
28 follows:

1                   a. Debtor shall pay \$7,000.00 per month to BOTW. The payments shall be  
2 credited against the balances due under the Loan Documents and in accordance with terms set forth  
3 in the Loan Documents. The balance of Rent generated from the use of the Trust Property shall be  
4 retained as Cash Collateral in a segregated cash collateral account (the "Cash Collateral Account").  
5 The Debtor may withdraw funds from the Cash Collateral Account as are necessary to pay the  
6 Approved Expenses in accordance with the provisions of a confirmed Plan of Reorganization.  
7 Debtor shall additionally provide BOTW with: (i) proof of insurance on real property and its  
8 contents which belong to the Debtor naming BOTW as the mortgagee and loss payee; and (ii)  
9 accumulate all excess Cash Collateral in the Cash Collateral Account.

10                   b. BOTW shall have the right to inspect or otherwise examine the books,  
11 records and premises of the Debtor as such are relevant to the rights of BOTW under the Loan  
12 Documents. BOTW shall have full and complete access at reasonable times and after reasonable  
13 notice to all financial records as may be necessary to ensure the Debtor's compliance with the terms  
14 of the Loan and Note. Further, Debtor shall transmit to BOTW copies of reports, financial or  
15 otherwise, including monthly operating reports in accordance with the terms of the Loan Documents.

16                   c. BOTW retains all rights and remedies that it may have at law, in equity,  
17 by statute, and in the Loan Documents.

18                   d. BOTW is granted a replacement lien and security interest in the Cash  
19 Collateral and Rents to secure the debt owed to BOTW under the Loan Documents for money used  
20 by the Debtor.

21                   e. BOTW is granted, as adequate protection, an administrative claim  
22 against the estate for every dollar of Cash Collateral expended by the Debtor after the Petition Date.  
23 Such post-petition security interests and liens shall be deemed effective and automatically perfected  
24 as of the Petition Date without the necessity of BOTW taking any further action, recording any  
25 document or filing any financing statement or other documents.

26                   f. BOTW reserves any rights it may have against any other party for any  
27 funds from the operation of the Trust Property that were improperly used, withheld or not paid as  
28 Rents, whether such payment was due before or after February 15, 2017, the date Debtor filed its



petition for relief. Any recovery of such funds by Debtor shall constitute Cash Collateral of BOTW.

5.5 Class Five - Unsecured Deficiency Claims and Unsecured Claims.

A. Classification: Class 5 consists of all unsecured deficiency claims and unsecured claims against the debtor. Debtor estimated unsecured claims in this class in the amount of \$598,003.00, which does not include any deficiency amounts for secured creditors.

B. Impairment: Class 5 is impaired.

C. Treatment: The Class 5 claims shall be paid an amount equal to five percent (5 %) of the allowed amount of their claims at three percent (2 %) interest on the unpaid balance in sixty (60) equal monthly installments with the first payment due 60 days from the Effective Date. Any liens held by the Class 5 creditors shall be null and void and removed as of the Effective Date. The Class 5 claim held by the primary principal of the debtor will receive no distribution under the Plan.

5.6 Class Six - Contingent, Unliquidated and Disputed Claims.

A. Classification: Class 6 consists of all contingent, unliquidated and disputed claims. Debtor disputed claims at the time of filing: Tovnet, LLC filed a claim in the amount of \$200,000.00.

B. Impairment: Class 6 is impaired.

C. Treatment: Class 6 creditors shall receive no distribution under the Plan as disputed claims. Debtor has filed an objection to the claim filed by Tovnet, LLC and believes that this claim will be disallowed if the claim is not disallowed Tovnet, LLC will be treated as a Class 5 claim.

5.7 Class Seven - Claims of Participating Investors.

A. Classification: Class 7 consists of the claims of participating investors.

B. Impairment: Class 7 is impaired.

C. Treatment: Unless participating investors contribute substantial capital required to fund this Plan and/or make capital improvements to the subject property they will receive no percentage of the equity interest of the reorganized debtor and no distribution under the Plan. At this time there is only one participating investor.

1           5.8    Class Eight - Interest of Equity Holders.

2           A.    Classification: Class 8 consists of the interest of the debtor.

3           B.    Impairment: Class 8 is not impaired.

4           C.    Treatment: The debtor shall be allowed to retain its current percentage of  
5 interest or a percentage thereof unless participating investors contribute substantial capital required  
6 to fund this Plan. E. Joe May will make a capital contribution at confirmation of the plan as projected  
7 in Exhibit "D".

8  
9                                   ***SECTION VI***

10                               *Post-Confirmation Management*

11           The managing member of the Debtor post-confirmation will be E. Joe May.

12  
13  
14                                   ***SECTION VII***

15                               *Income Tax Consequences of Reorganization*

16           The Debtor has been advised by Eric Slocum Sparks, Esq. to obtain independent tax advice  
17 to determine the consequences of going forward under the Plan and retaining the Property hereunder.  
18 The Debtor has advised Eric Slocum Sparks, Esq. that outside tax counsel has been/or will be  
19 retained and/or consulted to assist in drafting, amending or revising the Plan as proposed. The  
20 debtor and Eric Slocum Sparks, P.C. have been advised that the debtor can retain the property  
21 without significant adverse tax consequences.

22           7.1    Disclaimer: *The income tax consequences of the reorganization of the Debtor*  
23 *pursuant to this Plan will be different and will depend upon the Debtor's tax situation. Eric Slocum*  
24 *Sparks, P.C. is not advising the Debtor regarding the tax consequences of the reorganization of the*  
25 *Debtor and the Debtor will consult with its own tax advisor regarding the tax consequences of the*  
26 *reorganization of the Debtor according to the Plan.*

27           *ANY POTENTIAL PARTICIPATING INVESTORS ARE URGED TO CONSULT THEIR*  
28 *OWN ADVISORS AS TO THE OVERALL TAX IMPLICATIONS OF PARTICIPATION OR NON-*

1 *PARTICIPATION UNDER THE PLAN.*

2       7.2     Consummation: For purposes of Local Bankruptcy Rule 2015, and consistent with  
3 Bankruptcy Code Section 1001(2), consummation of the Plan shall occur upon the ① funding of the  
4 contributions due from participating investors hereunder if required ; and ② commencement of  
5 disbursements to Impaired creditors as provided in the Plan.

6  
7 ***SECTION VIII***

8 *Feasibility*

9       As a condition to confirmation of a plan of reorganization, Section 1129(a)(11) of the  
10 Bankruptcy Code requires that the confirmation is not likely to be followed by a liquidation or the  
11 need for further financial reorganization, except as proposed in such plan.

12       The debtor sets out as **Exhibit D** its Anticipated Income and Expense and the Schedule of  
13 Sources and Uses of Cash.

14       THE FINANCIAL PROJECTIONS SET FORTH IN THIS DISCLOSURE STATEMENT  
15 REPRESENT A PREDICTION OF FUTURE EVENTS BASED ON CERTAIN ASSUMPTIONS  
16 OF THE DEBTOR. ANTICIPATED FUTURE EVENTS MAY OR MAY NOT OCCUR AND  
17 THE PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER  
18 ASSURANCE OF THE ACTUAL RESULTS WHICH WILL OCCUR. BECAUSE OF THE  
19 UNCERTAINTIES INHERENT IN PREDICTIONS OF FUTURE EVENTS, THE ACTUAL  
20 RESULTS OF OPERATIONS MAY WELL BE DIFFERENT FROM THOSE PREDICTED AND  
21 SUCH DIFFERENCES MAY BE MATERIAL AND ADVERSE.

22       THE FINANCIAL PROJECTIONS ARE INTENDED TO ASSESS THE FUTURE  
23 ASSETS, LIABILITIES, INCOME AND CASH FLOW AVAILABLE FOR DEBT SERVICING  
24 AND ARE NOT DESIGNED OR INTENDED TO BE USED FOR PURPOSES OF PROJECTING  
25 THE FUTURE VALUE OF THE DEBTOR'S INTERESTS OR DEBENTURES ISSUED BY OR  
26 ON BEHALF OF THE REORGANIZED DEBTOR.

27       The Debtor has made a variety of assumptions which have been the basis of its Plan of  
28 Reorganization. Those assumptions include (1) that by reamortizing obligations the debtor can

1 remain current on its payments; (2) reamortization of its debt will allow its revenues to pay all  
2 obligations of debtor; and (3) the new tenant has been performing under the lease as required. These  
3 assumptions will be available to make debt service payments as proposed under the Plan. Based on  
4 the cash flow projections prepared by the debtor, the debtor believes that the Plan satisfies the  
5 feasibility requirements of the Bankruptcy Code.

## 6 7 **SECTION IX**

### 8 *Liquidation Analysis*

9 The primary assets and only significant income-producing asset of the Debtor's estate is the  
10 real property located at 9800 N. Oracle Road, Tucson, AZ 85704. The property is subject to and  
11 encumbered by the asserted liens and security interests held by the major secured creditors of the  
12 property.

13 In the event this case were converted to a case under Chapter 7 and the assets of the estate  
14 liquidated, these creditors would proceed to foreclose upon their interest in the property. A  
15 foreclosure of the property would eliminate any prospect of any payment to remaining unsecured and  
16 priority creditors. As a result, it is the debtor's opinion that all claimants are best served through  
17 implementation and effectuation of the Plan which provides for a significant , albeit limited,  
18 dividend on its claims. If the Plan of Reorganization is consummated, the Unsecured trade creditors  
19 and unsecured deficiency claims will be paid a substantial sum of monies, on a pro rata basis as set  
20 forth in the Plan. Creditors and other interested parties are urged to review the debtor's schedules  
21 and statement of affairs as filed with the United States Bankruptcy Clerk's Office (and as amended  
22 from time to time) for purposes of confirming the debtor's conclusions contained in this liquidations  
23 analysis, attached hereto as **Exhibit "C"**.

## 24 25 **SECTION X**

### 26 *Acceptance and Confirmation*

27 10.1 What is Necessary for Court Approval of a Plan: Chapter 11 of the Bankruptcy  
28 Code permits the readjustment of secured debt, unsecured debt and equity interests. A Chapter 11

1 plan may provide less than full satisfaction of senior indebtedness and payment of junior  
2 indebtedness, and may even provide some return to equity owners absent full satisfaction of  
3 indebtedness, so long as no impaired class votes against the plan (except as provided below).

4 Even if an impaired class votes against the plan, implementation of the plan is still possible  
5 so long as the plan is fair and equitable and that class is afforded certain treatment defined by the  
6 Code. That certain treatment may be very broadly defined as giving a claimant the full value of his  
7 claim or interest. Such value is determined by the Court and balanced against the treatment afforded  
8 the dissenting class of creditors. If the latter is equal to or greater than the former, the Plan may be  
9 confirmed over the dissent of that class, depending upon the treatment of junior claims and interests.  
10 In particular, senior claims must be satisfied in full prior to payment of junior claims or interests,  
11 unless the holders of senior claims agree to different treatment. This principle, commonly known as  
12 the "absolute priority rule", applies only in cases when a class of unsecured claims or equity interests  
13 is impaired and does not accept the plan. In that event, the absolute priority rule does not apply to all  
14 classes of unsecured claims and equity interests, but only to the dissenting class and classes junior to  
15 the dissenting class.

16 The exception to the absolute priority rule is that an existing Debtor can contribute money or  
17 property which is (1) new (fresh); (2) substantial; (3) necessary, and (4) not readily available from  
18 other sources.

19 In the event a class is unimpaired, it is automatically deemed to have accepted the plan. In  
20 this proposed Plan, Classes 2 through 7 will be impaired, as defined in §1124 of the Code, as the  
21 result of the Plan. All other classes will be unimpaired.

22 The Code states that if there is no dissenting class, the test for approval by the Court of a  
23 Chapter 11 plan (i.e., confirmation) is whether the plan is feasible and in the best interests of  
24 creditors and interest holders. In simple terms, a plan is in the best interests of creditors and interest  
25 holders if the plan will provide a better recovery to the creditors and interest holders than they would  
26 obtain if the Debtor were liquidated and the proceeds distributed in accordance with bankruptcy  
27 liquidation priorities. The Court, in considering this factor, need not consider any other alternative to  
28 the plan but liquidation.

1 In considering "feasibility", as mentioned earlier, the Bankruptcy Court is only required to  
2 determine whether the plan has a reasonable prospect of being accomplished. This entails  
3 determining the availability of cash for payments required at the effective date, and any other factor  
4 which might make it impossible for the reorganized Debtor to accomplish that which it proposes to  
5 accomplish in he plan.

6 In addition, in order to confirm a plan, the Court must find that the plan was proposed in  
7 good faith and that the plan and the Debtor are in compliance with the applicable provisions of  
8 Chapter 11. Finally, similar to the requirement that the Court find the plan to be feasible, the Court  
9 must find that liquidation or further reorganization of the reorganized Debtor is not likely to occur  
10 after implementation of the plan.

11 The determination by the Court that a plan is fair, equitable and feasible occurs at the  
12 confirmation hearing after a plan has been accepted. The Court's judgment on these matter does not  
13 constitute an expression of the Court's opinion as to whether the plan is a good one, nor does it  
14 constitute an opinion by the Court regarding any debt or equity interest or securities issued to  
15 creditors under the plan.

16 10.2 Alternatives to the Plan: Although this Disclosure Statement is intended to provide  
17 information to assist in the formation of a judgment as to whether to vote for or against this proposed  
18 Plan, and although creditors are not being offered through that vote an opportunity to express an  
19 opinion concerning alternatives to the Plan, a brief reminder of the alternative to the Plan is in order.  
20 This alternative includes the probable liquidation of the Debtor through conversion of the case to one  
21 under Chapter 7. The Debtor believes the Plan to be in the best interests of the creditors and the  
22 interest holders. Consequently, the unsecured creditors of the debtor would likely receive smaller or  
23 no distributions under a Chapter 7 liquidation. THE DEBTOR HAS ATTEMPTED TO SET  
24 FORTH THE LIKELY LIQUIDATION ALTERNATIVE TO ITS PROPOSED PLAN. THE  
25 DEBTOR MUST CAUTION CREDITORS HOWEVER, THAT A VOTE MUST BE FOR OR  
26 AGAINST THE PLAN. THE VOTE ON THE PLAN DOES NOT INCLUDE A VOTE ON THE  
27 LIKELY LIQUIDATION ALTERNATIVE TO THE PLAN. THERE IS NO ASSURANCE THAT  
28 THE LIKELY LIQUIDATION ALTERNATIVE WILL, IN FACT, FOLLOW IF THE PLAN FAILS

1 ACCEPTANCE. IF YOU BELIEVE THE LIQUIDATION ALTERNATIVE IS PREFERABLE TO  
2 THE PLAN AND YOU WISH TO URGE IT UPON THE COURT, YOU SHOULD CONSULT  
3 COUNSEL.

4 10.3 Specific Consideration in Voting: All of the foregoing gives rise to the following  
5 implications and risks concerning the Plan.

6 While the Plan provides for certain payments, such payments will apply only to allowed  
7 claims and certain interests. Under the Bankruptcy Code, a claim may not be paid until it is  
8 "allowed". A claim will be allowed in the absence of an objection. A claim to which an objection  
9 has been filed will be heard by the Court at a regular evidentiary hearing and will be allowed in full,  
10 in part, or disallowed. While the Debtor will bear the principal responsibility for claim objections,  
11 any interested party may file claim objections. Accordingly, payment on all claims may be delayed  
12 until objections to such claims are ultimately settled.

13 10.4 Risk Factors. For classes of claims which do not receive cash on the Effective Date,  
14 there are certain risks inherent in accepting the Plan, including the absence of absolute certainty of  
15 ultimate payment.

16 10.5 Disclosure Required by the Code: The Code requires disclosure of certain facts as  
17 follows:

- 18 1) there are no payments or promises made of the kind specified in Section  
19 1129(a)(4)(A) of the Code which have not previously been disclosed to the Court;  
20 2) the ownership of the Reorganized Debtor will not be affected by the Plan.

## 21 ***SECTION XI***

### 22 *Other Provisions of the Plan*

23  
24 11.1 Retention of Jurisdiction: The Bankruptcy Court shall retain exclusive jurisdiction  
25 over this case to supervise the Plan, to hear, if applicable law provides, and to determine, among  
26 other things, the following matters:

- 27 1) any and all objections to the allowance of claims or interests except as  
28 provided in the Plan;

1                   2)       any and all applications for payment for fees from the Debtor made by  
2 attorneys and other professional pursuant to Sections 330 or 503 of the Bankruptcy Code, or for  
3 payment of any other fees or expenses authorized to be paid by the Debtor under Section 327 of the  
4 Bankruptcy Code, and any objections thereto;

5                   3)       any and all pending applications for rejection, the assumption, or assignment  
6 as the case may be of unexpired leases and executory contracts;

7                   4)       any and all motions, applications, adversary proceedings and contested or  
8 litigated matters properly before the Bankruptcy Court;

9                   5)       modifications of this Plan;

10                  6)       all matters relating to the implementation or consummation of this Plan;

11                  7)       any and all suits or actions brought for collection or recoupment of debts or  
12 other obligations owed by defaulted partners to the Debtor.

13           11.2    Retention of Causes of Action: The Debtor shall retain all claims or causes of action  
14 which it has as of the Confirmation Date, the powers of the debtor-in-possession for purposes of  
15 prosecuting claims and causes of action arising under the Bankruptcy Code, and full authority to  
16 pursue, compromise, and resolve all such claims and causes of action unless the Court has granted  
17 any such right to a creditor of this estate.

18           11.3    Retention or Rejection of Executory Contracts and Leases: The Plan provides that  
19 pursuant to Section 365 of the Bankruptcy Code, the Debtor assumes all executory contracts and  
20 unexpired leases to which they are a party, including leases specifically provided prior to the hearing  
21 on the Disclosure Statement, if any.

22           11.4    Amendments to Plan: The Plan may be altered, amended, or modified by the  
23 proponents before the Confirmation Date, in the manner provided for by Section 1127 of the  
24 Bankruptcy Code or otherwise provided for by law. The Plan may also be altered, amended, or  
25 modified by the proponents after the Effective Date in accordance with the Bankruptcy Code and  
26 applicable law. A holder of a claim or interest that has accepted or rejected the Plan shall be deemed  
27 to have accepted or rejected as the case may be the Plan as modified unless the modification  
28 detrimentally effects the holder of such claim or interest without the prior consent thereof.



11.5 Offer, Issuance and Resale of Plan Securities: The offer and issuance of Plan Securities by any Debtor which constitutes securities under the Securities Act of 1933, as amended (the "1933 Act") or applicable state securities laws have not been registered under the 1933 Act or such state securities laws, pursuant to the exemption therefrom provided by Section 1145 of the Bankruptcy Code.

The Plan Securities will bear the following legend:

"The offer and sale of this Plan Security has not been registered under the Securities Act of 1933, as amended, or qualified under applicable state securities laws, and this Plan Security may not be offered, sold or transferred in the absence of such registration or an exemption therefrom under such laws."

Resale or other transfer of a Plan Security by a creditor who has acquired it pursuant to the Plan, may or may not be exempt from the registration requirements of Section 5 of the Securities Act of 1933 and any applicable state securities laws or Blue Sky Laws.

BY ITS RECEIPT OF A PLAN SECURITY, EACH RECIPIENT SHALL BE DEEMED TO ACKNOWLEDGE THAT IT IS RESPONSIBLE FOR ITS COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS. EACH CREDITOR SHOULD CONSULT HIS OR HER OWN ATTORNEY AS TO WHETHER ANY RESALE OF A PLAN SECURITY REQUIRES REGISTRATION OF SUCH SECURITY UNDER THE SECURITIES ACT OF 1933 OR AN APPLICABLE STATE SECURITIES LAW.

11.6 Provision for Filing Reports and Payments of Fees to the Office of the United States Trustee: The Debtor shall timely file all quarterly reports and post-confirmation reports and shall pay all fees to the United States Trustee as required by law and will incorporate such language into the order confirming the Debtor's Plan of Reorganization.

## SECTION XII

*Recommendation of Debtor*

The Debtor recommends that the Plan of Reorganization be approved as it is a 100% plan.

1 The Debtor is of the opinion that the Plan approval is in the best interest of all creditors.

2  
3 **CONCLUSION**

4 The materials provided in this Disclosure Statement are intended to assist you in voting on  
5 the Plan in an informed fashion. If the Plan is confirmed, you will be bound by its terms. Therefore,  
6 you are urged to review this material in order to make an informed vote on the Plan.

7  
8 DATED: April 18, 2018

9  
10 LAW OFFICES OF  
ERIC SLOCUM SPARKS, P.C.

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