

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO**

In re:)
) Case No: 16-15124-TBM
Arnold Miller and Anna Acosta Miller) Chapter 11
)
Debtors...)

**ARNOLD MILLER AND ANNA ACOSTA MILLER'S
DISCLOSURE STATEMENT DATED OCTOBER 1, 2016**

I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of Arnold Miller and Anna Acosta Miller (the Debtors). This Disclosure Statement contains information about the Debtors and describes the Plan of Reorganization (the "Plan") filed by the Debtors on October 3, 2016. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. *Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.*

The proposed distributions under the Plan are discussed at pages ___ - ___ of this Disclosure Statement.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case;
- How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed);
- Who can vote on or object to the Plan;
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan;
- Why the Debtors believe the Plan is feasible, and how the treatment of your claim under the Plan compares to what you would receive on your claim or equity interest in liquidation, and
- The effect of confirmation of the Plan.

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

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

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

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

The hearing at which the Court will determine whether to approve the adequacy of this Disclosure Statement and will take place on _____, at _____, in Courtroom E at the United States Bankruptcy Court for the District of Colorado, United States Bankruptcy Court, Custom House 721 19th St., Denver, CO 80202 (the "Court").

2. *Deadline For Objecting to the [Adequacy of Disclosure and] Confirmation of the Plan*

Objections to this Disclosure Statement must be filed with the Court and served upon Michael J. Davis, BKN Murray LLP, 6795 E. Tennessee Ave., Denver, Colorado by _____.

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

If you want additional information about the Plan, you should contact Michael J. Davis, BKN Murray LLP, 6795 E. Tennessee Ave., Denver, Colorado.

II. BACKGROUND

A. Description and History of the Debtors

The Debtors are individuals. The Debtors are both employed with wages paid periodically on a regular basis. Arnold Miller also collects Social Security. The wages the Debtors earn and the benefits of Arnold Miller will fund payments under the Plan.

B. Insiders of the Debtor

The insiders of the Debtors as defined in §101(31) of the United States Bankruptcy Code (the "Code") along with the respective values of the insiders as reflected in the Periodic Report Regarding Value, Operations And Profitability Of Entities In Which The Estate Of Arnold And Ana Acosta Miller Holds A Substantial Or Controlling Interest (the "Periodic Report") filed with this Court (Dkt. # 30) are as follows:

Entity	Valuation
Vehicle Projects LLC	\$ (195,262.00)
Fuel Cell Propulsion Institute,	\$ -
Supersonic Institute,	\$ -
Supersonic Tube Vehicle LLC,	\$ -
Vehicle Investment Limited Partners	\$ -
Vehicle Projects Europe Ltd.	\$ -

C. Management of the Debtor Before and During the Bankruptcy

During the two years prior to the date on which the bankruptcy petition was filed, the Debtors were in control of their own assets and all payments to creditors from their respective accounts.

After the effective date of the order confirming the Plan, the Debtors will continue to maintain and control all payments and assets related to the bankruptcy estate.

D. Events Leading to Chapter 11 Filing

Arnold Miller owns the entities described in the Periodic Report. Though most of the entities are for research purposes only with no value, Vehicle Projects Inc (“VP”) is an operational entity that designs and implements fuelcell-hybrid locomotives for special applications. The applications are ones that require low-emissions transportation, for example, vehicles operating in urban railyards and underground mines. The United States Department of Defense and BNSF Railway paid VP to conduct R&D on this type of railway locomotive, and Anglo-American Platinum (“Anglo”) in South Africa purchased prototype vehicles to use in their platinum mines.

During development and implementation of the prototypes, Anglo required design revisions, new tasks, and delays that caused the cost to exceed what Anglo expected to pay. Anglo also required VP’s participation in laborious underground tests in South Africa whose cost would exceed VP’s project funding. Anglo would not further invest in the project because the market price of platinum had fallen precipitously, and the department in the company that was funding the project had its budget cut. Anglo encouraged VP to continue working without further compensation by offering an even larger project in the near future when platinum was expected to recover in price. The financing for VP operations during this period came from personal loans made by the Debtor through cash advances on their credit cards in anticipation of the forthcoming funds. The funding never materialized, the project with Anglo was scrapped due to an inability to infuse any more capital into VP by the Debtors, and no other Anglo projects were forthcoming because of the continuing low price of platinum. This left the Debtors with an unmanageable burden of debt which they were unable to service given their earnings. As a result, they filed this case.

D. Significant Events During the Bankruptcy Case

Since the filing of the case, the Debtors have stabilized their income and the projections present a regular flow of income that will fund the Plan. Arnold Miller in particular now receives a regular paycheck from Vehicle Projects in the amount indicated and the amount received is assured based on the current income of Vehicle Projects.

F. Projected Recovery of Avoidable Transfers

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

G. Claims Objections

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

H. Current and Historical Financial Conditions

The identity and fair market value of the estates assets are listed in Exhibit B.

The Debtors most recent financial statements issued before bankruptcy, each of which was filed with the Court, are set forth in Exhibit C.

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

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

A. What is the Purpose of the Plan of Reorganization.

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

B. Unclassified Claims

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

1. Class 1 - Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtors chapter 11 case which are allowed under § 507(a)(2) of the Code. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtors estimated administrative expenses, and their proposed treatment under the Plan:

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$3,000.00	Paid in full on the effective date of the Plan, or according to terms of obligation if later
Professional Fees, as approved by the Court.	\$10,000.00	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan
Other administrative expenses	None known at this time	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	Quarterly fees owed of \$650.00	Paid in full on the effective date of the Plan
TOTAL	\$13,650.00	

2. Class 2 - Priority Unsecured Claims

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

The following chart lists the Debtor=s estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Description	Amount Owed	Date of Assessment	Treatment
2015 Federal 1040 Taxes	\$26,185.00	9/2016	Pmt interval = 60 mos. Monthly payment = \$449.00 Begin date = On confirmation End date = 60 mos. Interest Rate % = 3% Total Payout Amount = \$26,970.55
2015 Colorado 1040 taxes	\$2,219.00	9/2016	Pmt interval = 60 mos. Monthly payment = 38.10 Begin date = On confirmation End date = 60 mos. Interest Rate % = 3% Total Payout Amount = \$2285.57

3. Class 3 - Secured Claims

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

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

Class	Description	Amount	Impairment	Treatment
Colo. St. Employee CU	Personal Residence	\$ 161,390.00	Unimpaired	mo. payment \$1,428.46
Hyundai	2016 Hyundai Sonata	\$ 23,500.00	Unimpaired	mo. payment \$541.00
Hyundai	2015 Hyundai Sonata	\$ 21,000.00	Unimpaired	mo. payment \$521.00

4. **Class 4 - General Unsecured Claims**

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

The following chart identifies the Plans proposed treatment of Class 4, which contain general unsecured claims against the Debtor:

Class	Description	Impairment	Treatment
Class 4	Unsecured Non-priority	Impaired	Pro rata payment of \$1219.90/ mo.

D. **Means of Implementing the Plan**

1. *Source of Payments*- Payments and distributions under the Plan will be funded by the wages from the Debtors.

2. *Post-confirmation Management* - The Debtors will handle the Post-Confirmation Management of the Estate.

E. **Risk Factors**

The proposed Plan has the following risks:

1. Because the Debtors are funding this Plan with their wages, any interruption in that flow of funds would affect their ability to execute the Plan.
2. Arnold Miller is partially dependent on wages from Vehicle Projects which had had periods of lack of ability to pay his salary. Because it is involved in experimental technology, this could present an issue.

F. **Executory Contracts and Unexpired Leases**

The Plan, in Exhibit 5.1, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. Exhibit 5.1 also lists how the Debtor will cure and compensate the other party to such contract or lease for any such defaults.

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

All executory contracts and unexpired leases that are not listed in Exhibit 5.1 will be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

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

G. Tax Consequences of Plan

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

The following are the anticipated tax consequences of the Plan:

- (1) Tax consequences to the Debtor of the Plan – there are no tax consequences of the Plan to the Debtor;
- (2) General tax consequences on creditors of any discharge – A discharge in bankruptcy represents a write off of debt to each creditor. As stated, each creditor should consult their individual Advisors as to the effect of this write off.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

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

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

In this case, the Plan Proponent believes that Class 4 is impaired and that holders of claims in this class are entitled to vote to accept or reject the Plan. The Plan Proponent believes that classes 1,2, and 3 are unimpaired and that holders of claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plan.

1. *What Is an Allowed Claim?*

Only a creditor with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtors' schedules, unless the claim has been scheduled as disputed, contingent, or

unliquidated, or (2) the creditor has filed a proof of claim, unless an objection has been filed to such proof of claim. When a claim is not allowed, the creditor holding the claim cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was 8/29/2016.

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

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

3. *Who is Not Entitled to Vote*

The holders of the following five types of claims and equity interests are *not* entitled to vote:

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

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

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

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

B. Votes Necessary to Confirm the Plan

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

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

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

2. *Treatment of Non-accepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a cram down plan. The Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not discriminate unfairly, and is fair and equitable toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a cramdown confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as Exhibit E.

D. Feasibility

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

1. *Ability to Initially Fund Plan*

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. Tables showing the amount of cash on hand on the effective date of the Plan, and the sources of that cash are attached to this disclosure statement as Exhibit F.

2. *Ability to Make Future Plan Payments And Operate Without Further Reorganization*

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent has provided projected financial information. Those projections are listed in Exhibit G.

The Plan Proponent's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying living expenses and post-confirmation taxes, of \$20,412.00. The final Plan payment is expected to be paid on January 1, 2022.

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

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtor

Discharge. Confirmation of the Plan does not discharge any debt provided for in the Plan until the court grants a discharge on completion of all payments under the Plan, or as otherwise provided in § 1141(d)(5) of the Code. Debtor will not be discharged from any debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

B. Modification of Plan

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

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

C. Final Decree

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

Dated this 3rd day of October

/s/ Arnold Miller
Arnold Miller, Debtor

/s/ Ana Acosta Miller
Ana Acosta Miller, Debtor

Respectfully submitted,
BKN Murray, LLP
*(A true and correct copy of this document
is on file at the law offices of BKN Murray, P.A.)*

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