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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

In re:
IGNACIO VILLAREAL MOYA
MARIA L. VILLAREAL

Case No.: BK-S-16-10398-MKN
Small Business Case Under Chapter 11
DISCLOSURE STATEMENT
Hearing Date: TBD
Hearing Time: TBD

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1 I. INTRODUCTION

2 This Disclosure Statement contains information about IGNACIO VILLARREAL MOYA
3 and MARIA L. VILLARREAL (the “Debtors”), and describes the Debtors’ Plan of
4 Reorganization – Plan #1 (the “Plan”). Article 5 of this Disclosure Statement contains a
5 summary of the Plan including class treatment and distributions. A full copy of the Plan is
6 attached hereto as Exhibit 1 and also filed separately on the case docket. *Your rights may be*
7 *affected. You should read the Plan and this Disclosure Statement carefully and discuss them*
8 *with your attorney. If you do not have an attorney, you may wish to consult one.*

9 A. Purpose of This Document

10 This Disclosure Statement describes:

- 11
- 12 • The Debtor and significant events during the bankruptcy case,
 - 13 • How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what
 - 14 you will receive on your claim or equity interest if the plan is confirmed),
 - 15 • Who can vote on or object to the Plan,
 - 16 • What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to
 - 17 confirm the Plan,
 - 18 • Why Debtors believe the Plan is feasible, and how the treatment of your claim or equity
 - 19 interest under the Plan compares to what you would receive on your claim or equity
 - 20 interest in liquidation, and
 - 21 • The effect of confirmation of the Plan.

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

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

20 The Court has not yet confirmed the Plan described in this Disclosure Statement. The Order
21 approving this Disclosure Statement sets the following:

- 22
- 23 • The deadline for objecting to confirmation of the Plan.
 - 24 • The time and place for Plan confirmation.
 - 25 • The deadline for voting to accept or reject the Plan.
 - If the Order is conditional, the time and place of the hearing to finally approve this
Disclosure Statement and the deadline for objecting to the adequacy of the disclosure.

1 The above deadlines are also detailed in the Notice of Confirmation Hearing or if the
2 Order is conditional, the Notice of Combined Hearing provided to you. If your class is
3 entitled to vote for or against the Plan, ballots should be returned (and received by the deadline)
4 to the Debtors' Balloting Agent at the address provided therein. In the event the Plan is not
5 accepted by all classes, the Debtor will request confirmation of the Plan in accordance with the
6 provisions of 11 U.S.C. § 1129(b). If you want additional information about the Plan, you
7 should contact Debtors' counsel.

8 C. Disclaimer

9 **1. THE COURT HAS APPROVED (OR CONDITIONALLY APPROVED AS THE**
10 **CASE MAY BE) THIS DISCLOSURE STATEMENT AS CONTAINING**
11 **ADEQUATE INFORMATION TO ENABLE PARTIES AFFECTED BY THE PLAN**
12 **TO MAKE AN INFORMED JUDGMENT ABOUT ITS TERMS THE COURT HAS**
13 **NOT YET DETERMINED WHETHER THE PLAN MEETS THE LEGAL**
14 **REQUIREMENTS FOR CONFIRMATION APPROVAL OF THIS DISCLOSURE**
15 **STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT OF THE PLAN**
16 **BY THE COURT, OR A RECOMMENDATION THAT IT BE ACCEPTED IF**
17 **CONDITIONAL, THE COURT'S APPROVAL OF THIS DISCLOSURE**
18 **STATEMENT IS SUBJECT TO FINAL APPROVAL AT THE HEARING ON**
19 **CONFIRMATION OF THE PLAN.**

20 **2. THE PLAN IS NOT A PART OF THIS DISCLOSURE STATEMENT AND**
21 **MUST BE REVIEWED INDEPENDENTLY EXCEPT AS SET FORTH IN THIS**
22 **DISCLOSURE STATEMENT (INCLUDING REFERENCED SCHEDULES AND**
23 **EXHIBITS), NO REPRESENTATIONS CONCERNING THE DEBTOR,**
24 **DEBTOR'S ASSETS, PAST OR FUTURE FINANCIAL MANAGEMENT, OR THE**
25 **PLAN ARE AUTHORIZED UNAUTHORIZED REPRESENTATIONS SHOULD**
NOT BE RELIED UPON IN ARRIVING AT A VOTING DECISION WITH
RESPECT TO THE PLAN AND SHOULD BE REPORTED TO COUNSEL
FOR THE DEBTOR AN INDEPENDENT AUDIT OF THE FINANCIAL
INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS
NOT BEEN CONDUCTED NEITHER DEBTOR NOR DEBTOR'S COUNSEL
WARRANT OR REPRESENT THAT INFORMATION CONTAINED IN THIS
DISCLOSURE STATEMENT IS WITHOUT ANY INACCURACY FACTUAL
INFORMATION REGARDING THE DEBTOR, THE DEBTOR'S ESTATE,
ASSETS, AND LIABILITIES, HAVE BEEN DERIVED FROM THE DEBTOR'S
RECORDS, PETITION SCHEDULES, PUBLIC RECORDS AND RELATED
DOCUMENTS SPECIFICALLY IDENTIFIED HEREIN THE ABILITY OF
THE DEBTOR TO ACHIEVE PROJECTED PERFORMANCE IS SUBJECT TO
SUBSTANTIAL RISKS THEREFORE, PROJECTIONS PREPARED BY THE
DEBTOR DO NOT CONSTITUTE A GUARANTY OF RESULTS

3. THIS DISCLOSURE STATEMENT MERELY CONTAINS A SUMMARY OF THE PLAN.
THE PLAN ITSELF SHALL CONTROL IN THE EVENT OF ANY INCONSISTENCIES
BETWEEN THE DOCUMENTS. STATEMENTS HEREIN ARE MADE AS OF THE DATE

1 **THE DISCLOSURE STATEMENT IS EXECUTED BY DEBTOR UNLESS ANOTHER**
2 **TIME IS EXPRESSLY PROVIDED. THE DELIVERY OF THIS DISCLOSURE**
3 **STATEMENT SHALL NOT UNDER ANY CIRCUMSTANCES CREATE AN**
4 **IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE**
5 **INFORMATION PROVIDED SINCE THE DATE OF EXECUTION.**

6
7 II. BACKGROUND

8 A. Description and History of the Debtor's Business

9 Debtors are individuals that own an investment property located at 2205 Mariposa
10 Avenue, Las Vegas, Nevada and receive investment income from this property.

11 B. Insiders of the Debtor

12 N/A

13 C. Management of the Debtor Before and During the Bankruptcy

14 Debtors have managed their affairs and investment property prior to the filing of the
15 instant case. Debtors will continue to manage their affairs during the Plan period.

16 D. Events Leading to Chapter 11 Filing

17 Debtors had two investment properties and suffered a period where there wasn't
18 sufficient tenant income to support the two properties. Debtors surrendered one of the properties
19 but have sufficient tenant income to support the proposed Plan #1.

20 E. Significant Events During the Bankruptcy Case

21 Debtors filed the instant case on January 28, 2016. Since that time the Debtors have had
22 a tenant in the investment property located at 2205 Mariposa Avenue, Las Vegas, Nevada.
23 Recently the Debtors entered into an agreement to adequately protect the holder of the deed of
24 trust on the investment property. Debtors remain stable.

25 F. Projected Recovery of Avoidable Transfers

The Debtor intends to pursue an action to quiet title in the property located at 2205
Mariposa Avenue, Las Vegas, Nevada. The current holders of the title to the investment
property fraudulently obtained the subject property and the lead owner is currently serving time
in prison for this and similar acts.

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

1 for voting purposes, you may not be entitled to a distribution if an objection to your claim is later
2 upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

3
4 H. Current and Historical Financial Conditions

5 Debtors' income is generated from personal income received at their places of
6 employment more fully described in schedule I of the Debtors' Bankruptcy Petition. Debtors
7 have been able to approve their cash reserves since the filing of the bankruptcy that is available
8 to fund the Plan. Available funding is outlined in Schedule 1 "Cash Flow Analysis" attached
9 hereto. A liquidation analysis is also attached as Schedule 2. On the case docket are full
10 descriptions of estate assets and liabilities contained in the Debtors' official schedules, as
11 amended. Also available are various operating reports covering Debtors' post-petition
12 performance.

13
14 III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF
15 CLAIMS AND EQUITY INTERESTS

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

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

21 B. Unclassified Claims

22 Certain types of claims are automatically entitled to specific treatment under the Code.
23 They are not considered impaired, and holders of such claims do not vote on the Plan. They
24 may, however, object if, in their view, their treatment under the Plan does not comply with that
25 required by the Code. As such, the Plan Proponent has not placed the following claims in any
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. Administrative expenses also include the
value of any goods sold to the Debtor in the ordinary course of business and received within 20
days before the date of the bankruptcy petition. 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:

| | |
|---|---|
| <p>Professional Fees, as approved by the Court.</p> | <p>These expenses consist of fees for services rendered and expenses incurred by counsel and other professional persons prior to the Effective Date of the Plan, as approved and allowed by order of the Court, and other expenses incurred during the course of the Chapter 11. proceeding that have not yet been paid. Presently, the member(s) of this class Michael J Harker, Esq., Counsel for the Debtor. Debtor engaged the Offices of Michael J. Harker, Esq., under a general retainer for representation in these Chapter 11 proceedings. Debtor's Counsel has filed any interim fee application(s) at this time. It is anticipated that, in addition to \$ 1 0,000.00 paid as a retainer prior to the filing of the bankruptcy, future legal fees will be approximately \$10,000 to \$15,000.00. Additional fees are subject to application, notice, and Court approval.</p> |
| <p>Office of the U.S. Trustee Fees</p> | <p>These expenses consist of various fees of the Office of the United States Trustee. The Reorganized Debtor shall timely pay post confirmation quarterly fees assessed pursuant to 28 U.S.C. § 1930 (a)(6) until such as this Bankruptcy Court enters a final decree closing this Chapter 11 case, administratively closes, orders conversion to a case under Chapter or dismisses this case. After Confirmation, the reorganized Debtor shall file with this Court and shall serve on the United States Trustee such reports as required by Trustee Guidelines and Federal Rule of Procedure 2015. In the event the Debtor owes pre-confirmation U.S Trustee's fees on the date of confirmation, the Debtor shall pay all past due fees to the U.S.Trustee on or before the Effective Date of the Plan.</p> |

2. Priority Tax Claims

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

There are no priority tax claims in this case.

C. Classes of Claims and Equity Interests

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

1. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the 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 Debtors' secured prepetition claims and their proposed treatment under the Plan:

| | | |
|-------------------|---|-----------------------|
| CLASS 1 | Impaired: Yes | Insider(s): No |
| Description: | Secured Claim of SETERUS, INC. against Debtors' investment property located at 2205 Mariposa Rd., Las Vegas, NV 89104. | |
| Valuation: | Debtors are in the process of establishing the value of the above property. However, Debtors estimate the value to be \$169,000.00 | |
| Summary of Terms: | <ul style="list-style-type: none"> • Interest rate: 5.250% per annum fixed (360-month amortization schedule) • Payments to start January 1, 2017 • Maturity date of January 1, 2047 • Initial fixed monthly payment of \$933.22 • Debtor shall continue to make payments on taxes and insurance directly to applicable parties | |
| Voting: | Class 1 is an impaired class and the holder of the Class 1 Secured Claim is entitled to vote to accept or reject the Plan. | |

| | | |
|-------------------|--|-----------------------|
| CLASS 1A | Impaired: No | Insider(s): No |
| Description: | Secured Claim of BANK OF AMERICA, N.A. against Debtors' investment property located at 1419 Bracken Avenue, Las Vegas, NV 89104. | |
| Valuation: | Debtors estimate the value to be \$119,000.00 | |
| Summary of Terms: | See the Proof of Claim filed by Bank of America, N.A. Debtors will continue to pay the contractual amount as agreed. | |
| Voting: | Class 1A is an unimpaired class and the holder of the Class 1A Secured Claim is not entitled to vote to accept or reject the Plan. | |

2. Classes of Priority Unsecured Claims

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

None.

3. Class[es] of General Unsecured Claims

1 General unsecured claims are not secured by property of the estate and are not entitled to priority
 2 under § 507(a) of the Code. The following chart identifies the Plan's proposed treatment of
 3 Class[es] through, which contain general unsecured claims against the Debtor:

| CLASS 2A | Impaired: Yes | Insider(s): No |
|-------------------|--|-----------------------|
| Description: | Unsecured Claim of SETERUS, INC. against Debtors' investment property located at 2205 Mariposa Rd., Las Vegas, NV 89104. | |
| Valuation: | Debtors are in the process of establishing the value of the above claim. However, Debtors estimate the value to be \$169,000.00. | |
| Summary of Terms: | Upon successful confirmation of the Plan, the Class 2A unsecured claim shall be reduced to \$0.00. | |
| Voting: | Class 2A is an impaired class and the holder of the Class 2A Unsecured Claim is entitled to vote to accept or reject the Plan. | |

| CLASS 2B | Impaired: Yes | Insider(s): No |
|------------------------------------|--|-----------------------|
| Description: | Class 2B consists of all remaining GENERAL UNSECURED CREDITORS of the Debtors. | |
| Treatment: | All Class 2B Creditors having filed proofs of claim by 6/1/2016, the claims bar date, that are not disputed, contingent, unliquidated, or otherwise approved by the Court, shall receive a dividend of \$4,000.00. This dividend constitutes payment of N/A cents per dollar of each claim. | |
| Discharge of Claims: | For purposes of compliance with 11 U.S.C. § 1141(5)(A) and subject to Court approval at the time of discharge, with respect to Class 2B, "... completion of all payments under the plan[.]" shall be deemed to have occurred upon payment to the Class 1 Creditor its full claim amount. | |
| Voting: | Class 2B is an impaired class and as such the Class 2B Creditors are entitled to vote to accept or reject the Plan. | |
| Procedures and Plan Disbursements: | <p>Debtor may seek approval of the Court for additional dividend disbursement procedures including but not limited to notice procedures and the treatment of Unclaimed Property, which shall conform to the following basic terms:</p> <p>Dividend: All payments to Class 2B Creditors shall be in cash or cash equivalent.</p> <p>Term: Debtors shall have up to 24 months to pay Class 2B Creditors from the Effective Date.</p> <p>Notice of Final Dividend Payment: Each final payment shall be accompanied by a Notice of Final Dividend Payment which shall detail Debtors' compliance with the terms of this Plan with respect to each creditor receiving a final dividend installment.</p> | |

| | |
|--|--|
| <p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> | <p>Disbursement Agent: Debtor may serve as its own Disbursement Agent or may select a third party. Under no circumstances shall a third party Disbursement Agent be liable for Debtors’ failure to make payments under the Plan. Subject to Court approval, the third party Disbursement Agent shall be authorized to retain attorneys, if necessary, to object to claims, pay administrative expenses, and may collect a reasonable fee for administering Debtors’ post-confirmation estate.</p> <p>Disputed Claims: No payments shall be made on disputed claims until the dispute is resolved by settlement between the parties or a final non-appealable order of the Court. In the event of a disputed claim, the Disbursement Agent shall establish appropriate reserves limited to the potential dividend due on the disputed claim. Should there be a disputed claim, payments to claimholders of non-disputed Class 2B claims shall not cease except upon order of the Court.</p> <p>Unclaimed Property: Debtors and Debtors’ Disbursement Agent are only required to make reasonable efforts to transmit dividend payments to Class 2B creditors. Failure by a creditor to update payment address(es) or timely process dividend payments received (regardless of the form of legal payment) may result in cancellation of payments and upon approval of the Court, forfeiture of Class 2B creditor’s dividend or portion thereof.</p> |
|--|--|

14 4. Class[es] of Equity Interest Holders

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

20 Debtors are the equity interest holders. Debtors shall retain the investment property listed under
 21 Class 1.

22 D. Means of Implementing the Plan

23 1. Source of Payments

24 Payments and distributions under the Plan will be funded by the income generated from the
 25 investment property and the Debtors’ wages.

2. Post-confirmation Management – Debtors shall continue to manage their finances.

E. Risk Factors

1 Various risk factors can affect the success of a Plan and/or require future amendment(s).
2 Risk factors can include the loss of employment, disability, unexpected expenses, prolonged
3 vacancy of the investment property, etc.

4 F. Executory Contracts and Unexpired Leases

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

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

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

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

19 G. Tax Consequences of Plan

20 **Creditors and Equity Interest Holders Concerned with How the Plan May Affect
21 Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or
22 Advisors. Debtors make no representations as to how a distribution to a creditor will be
23 treated by the IRS or other taxing authority.**

24 Distributions received from the estate may be taxed. The characterization of distribution
25 for tax purposes depends upon the nature of the claim. The method of accounting utilized by a
creditor for income tax purposes may also affect the tax consequences of a distribution. In
general, the amount of gain or loss recognized by a creditor distribute will be the difference
between (i) the creditor's basis (if any) in the claim and (2) the amount of distribution.
Characterization of a distribution as ordinary income or capital gain depends generally upon
whether the distribution results from a claim which would otherwise generate ordinary income or
would constitute a return of capital.

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

1 interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest
2 holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the
3 only requirements listed in § 1129, and they are not the only requirements for confirmation.

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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 or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponents believe that classes 1, 2A and 2B are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan.

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

Only a creditor or equity interest holder 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 or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest 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 6/1/2016. Unless otherwise extended by court order, all objections to claims must be filed within sixty (60) days after entry of an order confirming the Plan.

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

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

3. Who is Not Entitled to Vote

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

- holders of claims and equity interests that have been disallowed by an order of the Court;

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

8 **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].**

9 4. Who Can Vote in More Than One Class

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

13 B. Votes Necessary to Confirm the Plan

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

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

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

22 2. Treatment of Nonaccepting Classes

23 Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm
24 the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the
Code. A plan that binds nonaccepting classes is commonly referred to as a “cram down” plan.
25 The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all
the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of

1 the Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired
2 class that has not voted to accept the Plan.

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

5 C. Liquidation Analysis

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

10 D. Feasibility

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

14 1. Ability to Initially Fund Plan

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

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

20 The Plan Proponents must also show that they will have enough cash over the life of the
21 Plan to make the required Plan payments. The Plan Proponents have provided projected
22 financial information. Those projections are listed in Exhibit G. The Plan Proponents’ financial
23 projections show that the Debtors will have an aggregate annual average cash flow, after paying
24 operating expenses and post-confirmation taxes to adequately fund the Plan.

25 V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtors

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

1 The Plan Proponent may modify the Plan at any time before confirmation of the Plan.
2 However, the Court may require a new disclosure statement and/or re-voting on the Plan. The
3 Plan Proponents may also seek to modify the Plan at any time after confirmation only if (1) the
4 Plan has not been substantially consummated and (2) the Court authorizes the proposed
5 modifications after notice and a hearing. Upon request of the Debtor, the United States trustee,
6 or the holder of an allowed unsecured claim, the Plan may be modified at any time after
7 confirmation of the Plan but before the completion of payments under the Plan, to (1) increase or
8 reduce the amount of payments under the Plan on claims of a particular class, (2) extend or
9 reduce the time period for such payments, or (3) alter the amount of distribution to a creditor
10 whose claim is provided for by the Plan to the extent necessary to take account of any payment
11 of the claim made other than under the Plan.

7 C. Final Decree

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

11 D. Vesting

12 Property of the estate will vest in the reorganized Debtors thirty (30) days after entry of
13 the final Confirmation Order

14 VI. ALTERNATIVES TO THE PROPOSED PLAN

15 A. Debtors believe that confirmation of the Plan is the best alternative for the Debtors'
16 creditors. If the Plan is not confirmed, however, the Debtors will seek other alternatives to
17 resolution of the Debtors financial condition

17 B. Conversion.

18 Debtors may seek to have their case converted to Chapter 7 if the Plan is not confirmed.
19 Creditors are encouraged to reach their own conclusions regarding this issue. Debtors believe that
20 conversion to Chapter 7 is not in the best interests of the creditors for the following reasons: (1)
21 there will not be a distribution to the unsecured creditors as Debtors personal property otherwise
22 available for distribution is exempt from liquidation; (2) there will be additional administrative
23 expenses in Chapter 7; and (3) the secured assets of the Debtors are worth less than the amounts
24 due under the security agreement.

23 C. Dismissal.

24 Dismissal of the case would, in the Debtors' opinion, lead to an unsatisfactory result as
25 well. Dismissal will likely result in secured creditor(s) initiating foreclosure proceedings on the
investment property that the Debtors are attempting to reorganize. As stated previously, limited

1 personal assets will be available for the creditors to secure judgments as they are exempt under
2 Nevada law. A dismissal would not prevent the Debtors from filing a new chapter 7 case. A
3 vote against the Plan that leads to a rejection of the Plan will not alter the status of the Debtors.
4 A vote on the Plan also does not mean a vote on alternatives to the Plan. There is no assurance
5 what turn the proceedings will take if the Plan is rejected. If you believe that the alternative to
6 confirmation is preferred to confirmation of the Plan and wish to state this desire to the Court,
7 you should consult independent counsel.

8
9 VII. CONCLUSION

10 Debtors believe that the Plan as proposed provides a better outcome for creditors than a
11 liquidation under Chapter 7 or a foreclosure of the Debtors' investment property. Debtors may
12 continue to seek reorganization alternatives if the case is dismissed. Therefore, Debtors believe
13 that the Plan as proposed should be confirmed.

14 Dated this 22nd day of November, 2016.

15 /s/ Ignacio Villarreal Moya and Maria L. Villarreal
16 Debtors/ Plan Proponents

17 /s/ Randal R. Leonard, Esq.
18 Attorney for Debtors
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1 SCHEDULE 1 – CASH FLOW ANALYSIS

2 This analysis is based on a number of estimates and assumptions that, although
 3 considered reasonable by the Debtors, are inherently subject to significant economic, business
 4 and competitive uncertainties and contingencies beyond the control of the Debtors. This analysis
 5 is also based on the Debtors' best judgement of how likely it is that Debtors will be able to retain
 6 the same level of income throughout the live of the Plan and not have income reduced. There
 7 can be no assurance that the cash flow estimates reflected in this analysis will be realized if the
 8 Debtor is unable to maintain current income and actual results may vary materially and adversely
 9 from those contained herein.

10 CURRENT AND PROJECTION MONTHLY INCOME/EXPENSE SUMMARY

| INCOME | CURRENT | PROJECTED |
|--|-------------------|-------------------|
| Rental Income | \$1,000.00 | \$1,200.00 |
| Debtors' net income from employment | \$4,656.50 | \$4,656.50 |
| Total Income | \$5,656.50 | \$5,856.50 |
| | | |
| MONTHLY EXPENSES | CURRENT | PROJECTED |
| Mortgage payment on investment property | \$933.22 | \$933.22 |
| Taxes, insurance, other expenses on investment property | \$237.22 | \$237.22 |
| Monthly Household Expenses listed on Schedule J of the Debtors' Petition | \$2,973.50 | \$2,973.50 |
| Total Expenses | \$4,143.94 | \$4,143.94 |
| | | |
| CASH FLOW | \$1,512.56 | \$1,712.56 |

SCHEDULE 2 – LIQUIDATION SUMMARY ANALYSIS

Debtors' Real Property:

| Property | FMV | Lien Amount | Equity | Exempt | Non-Exempt |
|---|---------------------|---------------------|----------------------|--------------------|---------------|
| 2205 Mariposa Avenue, Las Vegas, NV 89104 | \$169,000.00 | \$310,134.20 | (\$141,134.20) | \$0.00 | \$0.00 |
| 1416 Bracken Avenue, Las Vegas, NV 89104 | \$119,000.00 | \$47,680.02 | \$71,319.98 | \$71,319.98 | \$0.00 |
| Total | \$288,000.00 | \$357,814.22 | (\$69,814.22) | \$71,319.98 | \$0.00 |

Debtors' Personal Property:

| Property | FMV | Lien Amount | Equity | Exempt | Non-Exempt |
|------------------|--------------------|---------------|--------------------|--------------------|---------------|
| Financial Assets | \$7,700.00 | \$0.00 | \$7,700.00 | \$7,700.00 | \$0.00 |
| Household goods | \$4,000.00 | \$0.00 | \$4,000.00 | \$4,000.00 | \$0.00 |
| Motor Vehicles | \$2,134.00 | \$0.00 | \$2,134.00 | \$2,134.00 | \$0.00 |
| Other (N/A) | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Total | \$13,834.00 | \$0.00 | \$13,864.00 | \$13,864.00 | \$0.00 |

Based on the valued shown above together with the allowed exemptions under Nevada law, Debtors submit that there wouldn't be any distributions to creditors under a Chapter 7 case.