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10 **UNITED STATES BANKRUPTCY COURT**

11 **DISTRICT OF NEVADA**

12 In re:

Case No.: 16-16342-ABL  
Chapter 11

13 PARAGON POOLS,

14 Debtor.

15  
16 **FIRST AMENDED DISCLOSURE STATEMENT TO**  
17 **ACCOMPANY DEBTOR'S PLAN OF REORGANIZATION**  
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1 **1. INTRODUCTION**

2 On November 28, 2016, Paragon Pools, a Nevada corporation, (“Debtor”) filed its voluntary petition for  
3 relief under Chapter 11 of the Bankruptcy Code, thereby commencing the above-captioned bankruptcy case  
4 (“Chapter 11 Case”) in the United States Bankruptcy Court for the District of Nevada. Debtor has prepared this  
5 Disclosure Statement (“Disclosure Statement”) in connection with the solicitation of votes on its proposed Plan  
6 of Reorganization (“Plan”) to treat the Claims of Creditors of Debtor and the Persons holding Equity Securities  
7 in Debtor. Capitalized terms not otherwise defined herein will have the same meanings as are ascribed to such  
8 terms in the Plan.

9 The various exhibits to this Disclosure Statement included herewith are incorporated into and are a part  
10 of this Disclosure Statement. The Plan is included as **Exhibit A** herewith. Any interested party desiring further  
11 information should contact:

12 ANDERSEN LAW FIRM, LTD.  
13 Attn: Ryan A. Andersen, Esq.  
14 101 Convention Center Drive, Suite 600  
15 Las Vegas, Nevada 89109  
16 Telephone: 702-522-1992  
17 Email: randersen@andersenlawlv.com

18 Interested parties may also obtain further information from the Bankruptcy Court at its website:  
19 <http://www.nvb.uscourts.gov> (PACER account may be required).

20 **2. INFORMATION REGARDING THE PLAN AND DISCLOSURE STATEMENT**

21 The objective of a Chapter 11 case is the confirmation (i.e., approval by the bankruptcy court) of a plan  
22 of reorganization. A plan describes in detail (and in language appropriate for a legal contract) the means for  
23 satisfying the claims against, and equity interests in, a debtor. After a plan has been filed, the holders of such  
24 claims and equity interests that are impaired (as defined in section 1124 of the Bankruptcy Code) are permitted  
25 to vote to accept or reject the plan. Before a debtor or other plan proponent can solicit acceptances of a plan,  
26 section 1125 of the Bankruptcy Code requires Debtor or other plan proponent to prepare a disclosure statement  
27 containing adequate information of a kind, and in sufficient detail, to enable those parties entitled to vote on the  
28 plan to make an informed judgment about the plan and whether they should accept or reject the plan.

29 The purpose of this Disclosure Statement is to provide sufficient information about Debtor and the Plan  
30 to enable Creditors to make an informed decision in exercising their rights to accept or reject the Plan. This  
31 Disclosure Statement will be used to solicit acceptances of the Plan only after the Bankruptcy Court has found  
32 that this Disclosure Statement provides adequate information in accordance with section 1125 of the Bankruptcy  
33 Code and has entered an order approving this Disclosure Statement. Approval by the Bankruptcy Court is not  
34 an opinion or ruling on the merits of this Disclosure Statement and it does not mean that the Plan itself has been  
35 or will be approved by the Bankruptcy Court.

36 After the appropriate Persons have voted on whether to accept or reject the Plan, there will be a hearing  
37 on the Plan to determine whether it should be confirmed. At the Confirmation Hearing, the Bankruptcy Court  
38 will consider whether the Plan satisfies the various requirements of the Bankruptcy Code. The Bankruptcy Court  
39 will also receive and consider a Ballot Summary that will present a tally of the votes of Classes accepting or  
40 rejecting the Plan cast by those entitled to vote. Once confirmed, the Plan will be treated essentially as a contract  
41 binding on all Creditors, holders of Equity Interests, and other parties-in-interest in the Chapter 11 Case, as  
42 provided herein.



THIS DISCLOSURE STATEMENT IS NOT THE PLAN. FOR THE CONVENIENCE OF CREDITORS AND HOLDERS OF EQUITY SECURITIES, THE PLAN IS SUMMARIZED IN THIS DISCLOSURE STATEMENT. ALL SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF. **IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN, THE PLAN WILL CONTROL.**

**3. REPRESENTATIONS**

Unless otherwise specifically noted, the financial information in this Disclosure Statement has not been subject to audit. Instead, this Disclosure Statement was prepared from information compiled from records maintained in the ordinary course of Debtor’s business. Debtor has attempted to be accurate in the preparation of this Disclosure Statement.

Other than as stated in this Disclosure Statement, Debtor has not authorized any representations or assurances concerning Debtor and its operations or the value of its assets. Therefore, in deciding whether to accept or reject the Plan, you should not rely on any information relating to Debtor or the Plan other than that contained in this Disclosure Statement or in the Plan itself.

**4. GENERAL OVERVIEW OF THE PLAN**

The following is a general overview of the provisions of the Plan. This overview is qualified in its entirety by reference to the provisions of the Plan. Except to the extent that the holder of an Allowed Claim agrees to a less favorable treatment, their treatment shall be as set forth herein. The Plan should be consulted for a more detailed description of the terms and provisions of the Plan.

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Allowed Administrative Claims and Allowed Priority Tax Claims are not designated as Classes. The holders of such unclassified Claims shall be paid in full under the Plan consistent with the requirements of section 1129(a)(9)(A) of the Bankruptcy Code and thus are not entitled to vote on the Plan. As of November 29, 2016, the only known and unpaid Administrative Claims are Professionals Fees of Debtor’s general reorganization counsel, the law firm of Andersen Law Firm, Ltd., in the approximate amount of \$7,000.00 and U.S. Trustee’s Fees, which are current. At present, Debtor anticipates that the total remaining unpaid Administrative Claims as of the Confirmation Hearing will total no more than \$10,000.00.

The proposed distributions under the Plan to Each Class are summarized as follows:

Class	Description	Treatment	Estimated Claims	Estimated Distribution
Class 1	Priority Non-Tax Claims	Unimpaired	\$0.00	100%
Class 2	BB&T Claim	Impaired	\$1,487,672.67	24%
Class 3	General Unsecured Claims	Impaired	\$92,842.07	100%
Class 4	Equity Interests in Debtor	Unimpaired	N/A	N/A

The known Priority Non-Tax Claims in Class 1 are as follows: None.

With respect to BB&T Claim in Class 2, Debtor believes there is one (1) creditor in Class 2 with a Claim totaling \$1,487,672.67.

With respect to the General Unsecured Claims in Class 3, the Debtor believes there are fifteen (15) creditors with Claims totaling \$92,842.07

With respect to the Equity Interests in Class 4, Debtor believes there is one interest holder, Debtor’s President and sole shareholder, Mr. Joseph M. Vassallo (“Vassallo”).





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**5. SUMMARY OF THE VOTING PROCESS**

**5.1. Who May Vote to Accept or Reject the Plan**

Generally, holders of allowed claims or equity interests that are “impaired” under a plan are permitted to vote on the plan. A claim is defined by the Bankruptcy Code and the Plan to include a right to payment from a debtor. An equity interest represents an ownership stake in a debtor. In order to vote, a creditor must first have an allowed claim. The solicitation of votes on the Plan will be sought only from those holders of Allowed Claims whose Claims are impaired and which will receive property or rights under the Plan. As explained more fully below, to be entitled to vote, a Claim must be both “Allowed” and “Impaired.”

**5.2. Summary of Voting Requirements**

In order for the Plan to be confirmed, the Plan must be accepted by at least one noninsider, impaired class of claims. A class of claims is deemed to have accepted a plan when allowed votes representing at least two-thirds (2/3) in amount and a majority in number of the claims of the class actually voting cast votes in favor of a plan. Debtor is soliciting votes from holders of Allowed Claims in Class 2 and Class 3, which are the only Classes impaired under the Plan.

Debtor will have the right to supplement this Disclosure Statement as to additional impaired Classes, if any. The treatment of each Class is described in the Plan and is summarized in this Disclosure Statement.

**A VOTE FOR ACCEPTANCE OF THE PLAN BY THOSE HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE IS MOST IMPORTANT. DEBTOR ASSERTS THAT THE TREATMENT OF CREDITORS UNDER THE PLAN IS THE BEST ALTERNATIVE FOR CREDITORS, AND DEBTOR RECOMMENDS THAT THE HOLDERS OF ALLOWED CLAIMS VOTE IN FAVOR OF THE PLAN.**

**6. GENERAL INFORMATION ABOUT DEBTOR’S BUSINESS**

**6.1. Overview of Business and Historical Operating Results**

Debtor is a Nevada corporation that is a licensed and bonded contractor that designs and constructs in-ground custom pools and spas for commercial and residential properties throughout the Las Vegas Valley and surrounding geographic area. Debtor was founded in 2001 by Joseph M. Vassallo (“Vassallo”), bringing to Debtor experience and relationships that Vassallo had developed since he began designing and constructing pools in 1987. Many of Debtor’s current subcontractors are ones that Vassallo brought with him when he founded Debtor. With the guidance of Vassallo, and the support of its subcontractors and employees, Debtor has established an outstanding reputation as a premier pool and spa contractor in the State of Nevada. Debtor strives to consistently deliver superior quality workmanship and innovative designs, for which it has won many design awards.

**6.2. The BB&T Claim**

While Debtor’s revenue was sufficient to cover its operating expenses, a large obligation owed to Branch Banking & Trust Company (“Bb&T”) caused a significant business disruption requiring Debtor’s bankruptcy filing.

Specifically, Debtor owes certain debts to BB&T, and BB&T has filed a Claim in the Case asserting that it has an unsecured claim of \$1,487,672.67 (“BB&T Claim”). Debtor does not dispute the BB&T Claim. The BB&T Claim arises from a state court judgment entered in favor of BB&T and against Debtor in the amount of \$1,387,867.59 (“Judgment”). On or about November 18, 2016, in an effort to collect the Judgment, BB&T garnished \$53,619.55 from Debtor’s operating account which represented all of the operating cash available to Debtor. This liquidity crisis prompted Debtor’s bankruptcy filing, so that Debtor could attempt to address its debts in an organized and unified proceeding.

1 **7. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE**

2 **7.1. Retention and Interim Compensation of Professionals**

3 On January 12, 2017, the Court entered an *Order Granting Application for Entry of an Order*  
 4 *Authorizing the Employment and Retention of Andersen Law Firm, Ltd. as Attorneys for the Debtor-In-*  
 5 *Possession Nunc Pro Tunc as of the Petition Date*, ECF No. 43, by which the Court authorized Debtor to employ  
 6 Andersen Law Firm, Ltd. as its general reorganization counsel. On March 30, 2017, the Court entered an *Order*  
 7 *Granting First Application of Andersen Law Firm, Ltd. for Allowance of Compensation for Services Rendered*  
 8 *and Reimbursement for Expenses Incurred*, ECF No. 55, by which the Court allowed interim compensation in  
 9 the amount of \$16,459.50 and reimbursement of expenses in the amount of \$171.85.

10 **7.2. Authorization to Pay Critical Vendors**

11 In order to allow Debtor to continue certain critical relationships with certain of its vendors, Debtor  
 12 sought authority to make certain payments to some of its vendors and subcontractors, as these vendors were  
 13 requiring such payments as a condition of doing business with Debtor. Without these critical vendors and  
 14 subcontractors, Debtor would have quickly had to cease business operations. The Court entered an *Order*  
 15 *Authorizing Payment of Critical Vendors* on January 12, 2017, by which Debtor was authorized to pay certain  
 16 prepetition claims of critical vendors and subcontractors, to the extent set forth in such order. ECF No. 44. To  
 17 the extent a critical vendor's claim has already been paid, either in whole or in part, pursuant to such order, it is  
 18 no longer accounted for in the repayment estimates and feasibility analysis discussed herein, to the extent of any  
 19 such payment.

20 **7.3. The BB&T Claim and Settlement of the Same**

21 After filing the Bankruptcy Case, Debtor quickly sought to resolve the issues presented by the BB&T  
 22 Claim, and, to that end, on February 9, 2017, Debtor and BB&T entered into a Settlement Agreement providing  
 23 for negotiated treatment of BB&T's claim, among other issues. The Court approved the settlement with BB&T  
 24 pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure through an *Order Approving Settlement*,  
 25 entered by the Court on March 30, 2017. ECF No. 69.

26 **7.4. Disclosure Statement and Confirmation**

27 Debtor intends to seek conditional approval of the Disclosure Statement on an ex parte basis pursuant  
 to Rule 3017.1 of the Federal Rules of Bankruptcy Procedure. The Court will hold a hearing on confirmation  
 of the Plan on June 21, 2017, at 11:00 a.m. All briefing deadlines related to confirmation of the Plan will be  
 specified in the order granting conditional approval of this Disclosure Statement ("Conditional Disclosure  
 Statement Order"), which order will be served on all creditors and parties in interest in this Bankruptcy Case.

**8. DETAILED DESCRIPTION OF THE PLAN**

**8.1. Treatment of Unclassified Claims Under the Plan**

**8.1.1. Treatment of Administrative Claims**

Each Allowed Administrative Claim shall be paid by Reorganized Debtor (or otherwise satisfied in  
 accordance with its terms) upon the latest of: (i) such date as may be fixed by the Bankruptcy Court, or as soon  
 thereafter as practicable; (ii) the fourteenth (14th) Business Day after such Claim is Allowed, or as soon  
 thereafter as practicable; and (iii) such date as the holder of such Claim and, prior to the Effective Date, Debtor,  
 and after the Effective Date, Reorganized Debtor, shall agree upon. For the avoidance of doubt, notwithstanding  
 anything to the contrary herein, Debtor or Reorganized Debtor, as the case may be, hereby reserve any and all  
 defenses or offsets to challenge any Administrative Claims.



**8.1.2. Treatment of Priority Tax Claims**

Each Allowed Priority Tax Claim, if any, will be paid in full by Reorganized Debtor on the later of: (i) the fourteenth (14th) Business Day after the date on which an order allowing such Claim becomes a Final Order; or (ii) such other time as is agreed to by the holder of such Claim and Debtor prior to the Effective Date or Reorganized Debtor after the Effective Date.

**8.2. Classification and Treatment of Claims and Equity Interests Under the Plan**

**8.2.1. Treatment of Class 1: Priority Non-Tax Claims**

The legal, equitable and contractual rights of the Holders of allowed Class 1 Claims are unaltered. Except to the extent that a Holder of an Allowed Class 1 Claim (i) has been paid by Debtor prior to the effective date of the Plan, or (ii) otherwise agrees to different treatment, each Holder of an Allowed Class 1 Claim shall receive, in full and final satisfaction of such allowed Class 1 Claim, payment in full in cash on or as soon as reasonably practicable after (i) the effective date of the Plan, (ii) the date such allowed Class 1 Claim becomes Allowed or (iii) such other date as may be ordered by the Bankruptcy Court.

Class 1 is an Unimpaired Class and is deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. The Holder of an Allowed Class 1 Claim is not entitled to vote to accept or reject the Plan.

**8.2.2. Treatment of Class 2: BB&T Claim**

BB&T shall receive on account of the BB&T Claim payment as set forth in the Settlement Agreement, which is summarized as follows: Debtor shall pay BB&T the sum of \$361,000.00 in sixty (60) monthly installments of \$6,106.67 each, on the first business day of each calendar month, commencing the first calendar month following the Effective Date of the Plan.

Class 2 is an Impaired Class. The Holder of an Allowed Class 2 Claim is entitled to vote to accept or reject the Plan.

**8.2.3. Treatment of Class 3: General Unsecured Claims**

Except to the extent that a Holder of an Allowed Class 3 Claim (i) has been paid by Debtor prior to the Effective Date of the Plan, or (ii) otherwise agrees to different treatment, each Holder of an Allowed Class 3 Claim shall receive, in full and final satisfaction of such allowed Class 3 Claim, payment in full through twelve (12) equal monthly installments, commencing on the Initial Distribution Date and continuing thereafter on the Periodic Distribution Date. The Debtor estimates such payments will be \$7,736.84 per month, for total payments of \$92,842.07.

Class 3 is an Impaired Class. The Holder of an Allowed Class 3 Claim is entitled to vote to accept or reject the Plan.

**8.2.4. Treatment of Class 4: Equity Interests**

On the Effective Date, Debtor's Equity Interest Holders will retain their Equity Interests. Accordingly, on the Effective Date of the Plan, Debtor's Equity Interest Holders will receive their Pro Rata share of Equity Interests in Reorganized Debtor.

Class 4 is an Unimpaired Class and is deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. The Holder of an Allowed Class 4 Claim is not entitled to vote to accept or reject the Plan.





**8.3. Means of Plan Implementation**

**8.3.1. Plan Implementation Steps Occurring on the Effective Date**

On the Effective Date, without any further action by Debtor or Reorganized Debtor, all of Debtor’s assets shall vest in Reorganized Debtor, subject to the terms and conditions of the plan.

On and after the Effective Date, Reorganized Debtor shall continue to exist as a separate entity in accordance with applicable law, and shall retain all licenses necessary to its operations that existed as of the Petition Date. Debtor’s existing articles of incorporation, bylaws, corporate resolutions (as amended, supplemented or modified) will continue in effect for Reorganized Debtor following the Effective Date, except to the extent such documents are amended in conformance with the plan or by proper corporate action after the Effective Date.

Reorganized Debtor’s articles of incorporation and/or bylaws shall be amended as necessary to satisfy the provisions of the plan and the Bankruptcy Code, which shall include, among other matters, pursuant to section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity interests, but only to the extent required by the Bankruptcy Code.

**8.3.2. Notice of Effectiveness**

When all of the steps contemplated by Article 4.1 of the Plan have been completed, Reorganized Debtor shall file with the Bankruptcy Court and serve upon all Creditors and all potential holders of Administrative Claims known to Reorganized Debtor (whether or not disputed), a Notice of Effective Date of Plan. The Notice of Effective Date of Plan shall include notice of the Administrative Claim Bar Date.

**8.3.3. Operations of Reorganized Debtor**

From the Effective Date until the dissolution of Reorganized Debtor, Debtor’s present management, including specifically Vassallo as president and qualified person, shall be the sole officer of Reorganized Debtor with full authority to make all decisions and take all actions on behalf of Reorganized Debtor to effectuate the plan.

**8.3.4. No Governance Action Required**

As of the Effective Date: (i) the adoption, execution, delivery and implementation or assignment of all contracts, leases, instruments, releases and other agreements related to or contemplated by the plan; and (ii) the other matters provided for under or in furtherance of the plan involving corporate action to be taken by or required of Debtor shall be deemed to have occurred and be effective as provided herein, and shall be authorized and approved in all respects without further order of the Bankruptcy Court or any requirement of further action by the members or managers of Debtor.

**8.3.5. Executory Contracts and Unexpired Leases**

All executory contracts and unexpired leases that were not previously rejected shall be deemed assumed by Reorganized Debtor on the Effective Date. Entry of the Confirmation Order shall constitute as of the Effective Date approval for Debtor to assume each executory contract and unexpired lease to which Debtor was a party as of the Confirmation Date, unless such executory contract or unexpired lease is specifically rejected pursuant to the Plan. All proofs of Claims with respect to Claims arising from the rejection of any executory contract or unexpired lease must be filed within thirty (30) days after the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection.

Through the Plan, Debtor is assuming each of the two unexpired vehicle leases with Hyundai Lease Titling Trust. Debtor was and remains current on each of these two unexpired vehicle leases. Debtor is rejected no executory contracts or unexpired leases through the Plan.



**8.4. Conditions to Plan Confirmation**

**8.4.1. Conditions to Confirmation**

The Confirmation Order shall have been entered and be in form and substance reasonably acceptable to Debtor.

**8.4.2. Conditions to Effectiveness**

The following are conditions precedent to the occurrence of the Effective Date: (i) the Plan and all Plan Supplement documents, including any amendments, modifications or supplements thereto, shall be reasonably acceptable to Debtor; (ii) the Confirmation Order shall have been entered and become a Final Order in a form and in substance reasonably satisfactory to Debtor; (iii) all actions, documents, certificates and agreements necessary to implement the plan shall have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable governmental units in accordance with applicable laws.

**9. RISK FACTORS**

In addition to risks discussed elsewhere in this Disclosure Statement, the Plan and the transactions contemplated by the Plan involve the following limitations and risks, which should be taken into consideration.

**9.1. Debtor Has No Duty to Update**

The statements in this Disclosure Statement are made by Debtor as of the date hereof, unless otherwise specified in the Plan. The delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth in the Plan since that date. Debtor has no duty to update this Disclosure Statement unless ordered to do so by the Bankruptcy Court.

**9.2. Projections Are Not Assured and Actual Results Will Vary**

Certain information in this Disclosure Statement is forward-looking, and contains estimates and assumptions that might ultimately prove to be incorrect, and projections that may differ materially from actual future results. Debtor believes that the projections of future performance upon which the treatments under the Plan are based are reasonable and fairly represent the future performance of its business operations. However, there are uncertainties associated with all assumptions, projections and estimates, and they should not be considered assurances or guarantees of the amount of funds that will be distributed, the amount of Claims in the various Classes that will be allowed, or the success or results of Reorganized Debtor’s business operations.

**9.3. No Admissions Made**

Nothing contained herein shall constitute an admission of any fact or liability by Debtor or any other party nor shall it be deemed evidence of the tax or other legal effects of the Plan on Debtor or on Holders of Claims.

**9.4. No Waiver of Right to Object or Right to Recover Transfers and Estate Assets**

Unless specifically provided in the Plan, a Creditor’s vote for or against the Plan does not constitute a waiver or release of any claims or rights of Debtor (or any other party in interest) to object to that Creditor’s Claim, or recover any preferential, fraudulent or other voidable transfer or Estate assets, regardless of whether any claims of Debtor or its Estate are specifically or generally identified herein.

**9.5. Bankruptcy Law Risks and Considerations**

**9.5.1. Confirmation of Plan Is Not Assured**

Although Debtor believes the Plan will satisfy all requirements for Confirmation, the Bankruptcy Court might not reach that conclusion. Confirmation requires, among other things, a finding by the Bankruptcy Court



1 that it is not likely there will be a need for further financial reorganization and that the value of Distributions to  
 2 dissenting members of impaired classes of creditors would not be less than the value of distributions such  
 3 creditors would receive if Debtor were liquidated under chapter 7 of the Bankruptcy Code. Debtor believes that  
 4 the future performance of its business provides for the payment in full of the obligations providing for under the  
 5 Plan without the necessity of outside moneys or other events or occurrences outside the control of Debtor.  
 6 Finally, the Debtor may not be able to satisfy the absolute priority rule, unless all Impaired Classes vote in favor  
 7 of the Plan. Although Debtor believes that the Plan will not be followed by a need for further financial  
 8 reorganization and that dissenting members of Impaired Classes of Creditors will receive Distributions at least  
 9 as great as they would receive in a liquidation under Chapter 7, there can be no assurance that the Bankruptcy  
 10 Court will conclude that these tests have been met.

### 6 **9.5.2. Projected Value of Estate Assets in Liquidation Might Not Be Realized**

7 In the Best Interests Analysis discussed herein, Debtor has projected the value of the Estate's assets that  
 8 would be available for payment of expenses and Distributions to Holders of Allowed Claims, as set forth in the  
 9 Plan in the event of liquidation of the Assets. Debtor has made certain assumptions in its Best Interests Analysis  
 10 in arriving at a liquidation distribution, which should be read carefully.

### 11 **9.6. Risks Related to Debtor's Business Operations**

12 The following discussions of risks that relate to Debtor's business should be read as also being applicable  
 13 to the business of Reorganized Debtor on and after the Effective Date.

14 The longer the Chapter 11 Case continues, the more likely it is that customers, suppliers and other parties  
 15 may lose confidence in Debtor's ability to successfully reorganize its business and will seek to establish  
 16 alternative relationships. Consequently, Debtor might lose valuable contracts and other business relationships in  
 17 the course of the Chapter 11 Case.

18 So long as the Chapter 11 Case continues, Debtor's management and employees will be required to  
 19 devote significant time and effort to dealing with Debtor's reorganization instead of focusing exclusively on  
 20 business operations. Furthermore, so long as the Chapter 11 Case continues, Debtor will be required to incur  
 21 substantial costs for professional fees and other expenses associated with the proceedings.

## 22 **10. POST EFFECTIVE DATE OPERATIONS**

### 23 **10.1. Title to Property; Discharge; Injunction**

#### 24 **10.1.1. Vesting of Assets**

25 Subject to the provisions of the plan, the Assets shall be transferred to and revested in Reorganized  
 26 Debtor on the Effective Date.

#### 27 **10.1.2. Discharge of Claims**

Pursuant to and to the fullest extent permitted by section 1141(d) of the Bankruptcy Code, and except  
 as otherwise specifically provided in the Plan or in any contract, instrument or other agreement or document  
 created pursuant to the Plan, the Distributions, rights and treatment that are provided in the Plan shall be in  
 complete satisfaction, discharge and release, effective as of the Effective Date, of Claims, Equity Interests and  
 causes of action of any nature whatsoever, including any interest accrued on Claims or Equity Interests from and  
 after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against,  
 and Equity Interests in, Debtor, Reorganized Debtor, or any of its assets or properties, regardless of whether any  
 property shall have been distributed or retained pursuant to the Plan on account of such Claims and Equity  
 Interests, including demands, liabilities and causes of action that arose before the Effective Date, any liability to  
 the extent such Claims or Equity Interests relate to services performed by employees of Debtor prior to the

1 Effective Date and that arise from a termination of employment, any contingent or noncontingent liability on  
 2 account of representations or warranties issued on or before the Effective Date and all debts of the kind specified  
 3 in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not: (i) a Proof of Claim or  
 4 Equity Interest based upon such debt, right or Equity Interest is filed or deemed filed pursuant to section 501 of  
 5 the Bankruptcy Code; (ii) a Claim or Equity Interest based upon such debt, right or Equity Interest is Allowed  
 6 pursuant to section 502 of the Bankruptcy Code; or (iii) the Holder of such a Claim or Equity Interest has  
 7 accepted the Plan. Any default by Debtor or its Affiliates and Insiders with respect to any Claim or Equity  
 8 Interest that existed immediately prior to or on account of the filing of the Chapter 11 Case shall be deemed  
 9 cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all  
 10 Claims and Equity Interests subject to the Effective Date occurring.

### 11 **10.1.3. Release of Liens**

12 Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or  
 13 document created pursuant to the Plan, on the Effective Date and concurrently with the applicable Distributions  
 14 made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured  
 15 Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges or other security  
 16 interests against any property of the Estate shall be fully released and discharged, and all of the right, title and  
 17 interest of any Holder of such mortgages, deeds of trust, Liens, pledges or other security interests shall revert to  
 18 Reorganized Debtor and its successors and assigns.

### 19 **10.1.4. Releases by Debtor**

20 Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided  
 21 in the Plan, for good and valuable consideration, including the service of the Released Parties to facilitate  
 22 the expeditious reorganization of Debtor and the implementation of the restructuring contemplated by  
 23 the Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by  
 24 Debtor, Reorganized Debtor and the Estate from any and all Claims, obligations, rights, suits, damages,  
 25 causes of action, remedies and liabilities whatsoever, including any derivative Claims asserted or  
 26 assertable on behalf of Debtor, whether known or unknown, foreseen or unforeseen, existing or  
 27 hereinafter arising, in law, equity or otherwise, that Debtor, Reorganized Debtor, the Estate, or its  
 Affiliates would have been legally entitled to assert in their own right (whether individually or collectively)  
 or on behalf of the Holder of any Claim or Equity Interest or other Entity, based on or relating to, or in  
 any manner arising from, in whole or in part, Debtor, the Chapter 11 Case, Debtor's restructuring, the  
 subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated  
 in the Plan, the business or contractual arrangements between Debtor and any Released Party, the  
 restructuring of Claims and Equity Interests prior to or in the Chapter 11 Case, the negotiation,  
 formulation or preparation of the Plan, the Disclosure Statement or related agreements, instruments or  
 other documents, upon any other act or omission, transaction, agreement, event or other occurrence  
 taking place on or before the Confirmation Date, other than Claims or liabilities arising out of or relating  
 to any act or omission of a Released Party that constitutes willful misconduct or gross negligence to the  
 extent such act or omission is determined by a Final Order to have constituted willful misconduct or gross  
 negligence. The foregoing release shall not apply to any express contractual or financial obligations or  
 any right or obligations arising under or that is part of the Plan or any agreements entered into pursuant  
 to, in connection with or contemplated by the Plan.

### 28 **10.1.5. Releases by Holders of Claims and Equity Interests**

29 As of the Effective Date, each Holder of a Claim or an Equity Interest shall be deemed to have  
 30 conclusively, absolutely, unconditionally, irrevocably and forever released and discharged Debtor,  
 31 Reorganized Debtor, and the Released Parties from any and all Claims, Equity Interests, obligations,  
 32 rights, suits, damages, causes of action, remedies, and liabilities whatsoever, including any derivative  
 33 Claims asserted on behalf of Debtor, whether known or unknown, foreseen or unforeseen, existing or  
 34 hereafter arising, in law, equity or otherwise, that such entity would have been legally entitled to assert

(whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, Debtor, Debtor's restructuring, the Chapter 11 Case, the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the Plan, the business or contractual arrangements between Debtor and any Released Party, the restructuring of Claims and Equity Interests prior to or during the Chapter 11 Case, the negotiation, formulation or preparation of the Plan, the Disclosure Statement, or related agreements, instruments or other documents, upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Confirmation Date, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence to the extent such act or omission is determined by a Final Order to have constituted willful misconduct or gross negligence. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under the Plan or any document, instrument or agreement executed to implement the Plan.

#### 10.1.6. Injunction

Except as otherwise expressly provided in the Plan or for obligations issued pursuant to the Plan, all Entities who have held, hold or may hold Claims or Equity Interests that have been released, discharged, or exculpated pursuant to the Plan, are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, Debtor, Reorganized Debtor, or the Released Parties: (i) commencing or continuing in any manner any action or other proceeding of any kind on account of, in connection with or with respect to any such Claims or Equity Interests; (ii) enforcing, attaching, collecting or recovering by any manner or means any judgment, award, decree or order against Debtor, Reorganized Debtor, or the Released Parties on account of or in connection with or with respect to any such Claims or Equity Interests; (iii) creating, perfecting or enforcing any encumbrance of any kind against Debtor, Reorganized Debtor, or the Released Parties or the property or estate of Debtor, Reorganized Debtor, or the Released Parties on account of or in connection with or with respect to any such Claims or Equity Interests; (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from Debtor, Reorganized Debtor, or the Released Parties or against the property or Estate of Debtor, Reorganized Debtor, or the Released Parties on account of or in connection with or with respect to any such Claims or Equity Interests unless such Holder has filed a motion requesting the right to perform such setoff on or before the Confirmation Date, and notwithstanding an indication in a Proof of Claim or Equity Interest or otherwise that such Holder asserts, has or intends to preserve any right of setoff pursuant to section 553 of the Bankruptcy Code or otherwise; and (v) commencing or continuing in any manner any action or other proceeding of any kind on account of, in connection with or with respect to any such Claims or Equity Interests released or settled pursuant to the Plan.

#### 10.1.7. Exculpation

Upon and effective as of the Effective Date, Debtor and its directors, officers, employees, attorneys, and other professional advisors and agents will be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including section 1125(e) of the Bankruptcy Code. Except with respect to any acts or omissions expressly set forth in and preserved by the Plan, the Disclosure Statement or related documents, the Exculpated Parties shall neither have nor incur any liability to any Entity for any prepetition or postpetition act taken or omitted to be taken in connection with, or arising from or relating in any way to, the Chapter 11 Case, including the operation of Debtor's businesses during the pendency of the Chapter 11 Case; formulating, negotiating, preparing, disseminating, implementing and/or effecting the Disclosure Statement and the Plan (including any related contract, instrument, release or other agreement or document created or entered into in connection therewith); the solicitation of votes for the Plan and the pursuit of confirmation and consummation of the Plan; the administration of the Plan and/or the property to be distributed under the Plan; and any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of Debtor. In all respects, each Exculpated Party shall be entitled to

1 rely upon the advice of counsel concerning his, her or its respective duties under, pursuant to or in  
 2 connection with the Plan. Notwithstanding anything herein to the contrary, nothing in the foregoing  
 3 “Exculpation” shall (i) exculpate any person or entity from any liability resulting from any act or omission  
 4 constituting fraud, willful misconduct, gross negligence, criminal conduct, malpractice, or (ii) limit the  
 5 liability of the professionals of the Exculpated Parties to their respective clients pursuant to Nevada Rule  
 6 of Professional Conduct 1.8(h)(1).

## 4 10.2. Settlement and Preservation of Rights of Action

### 5 10.2.1. Compromise and Settlement

6 Notwithstanding anything contained in the Plan to the contrary, the allowance, classification, and  
 7 treatment of all Allowed Claims and their respective distributions and treatments hereunder, takes into account  
 8 the relative priority and rights of the Claims and the Equity Interests in each Class in connection with any  
 9 contractual, legal and equitable subordination rights relating thereto whether arising under general principles of  
 10 equitable subordination, section 510(b) and (c) of the Bankruptcy Code or otherwise. As of the Effective Date,  
 11 any and all contractual, legal and equitable subordination rights, whether arising under general principles of  
 12 equitable subordination, section 510(b) and (c) of the Bankruptcy Code or otherwise, relating to the allowance,  
 13 classification and treatment of all Allowed Claims and their respective distributions and treatments hereunder  
 14 are settled, compromised, terminated and released pursuant hereto.

11 The Confirmation Order will constitute the Bankruptcy Court’s finding and determination that the  
 12 settlements reflected in the Plan are (i) in the best interests of Debtor, their estate and all Holders of Claims and  
 13 Equity Interests, (ii) fair, equitable and reasonable, (iii) made in good faith and (iv) approved by the Bankruptcy  
 14 Court pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019. The Confirmation Order shall  
 15 approve the releases by all Entities of all such contractual, legal and equitable subordination rights or Causes of  
 16 Action that are satisfied, compromised and settled pursuant hereto.

15 In accordance with the provisions of the plan and pursuant to section 363 of the Bankruptcy Code and  
 16 Bankruptcy Rule 9019, without any further notice to or action, order or approval of the Bankruptcy Court, after  
 17 the Effective Date (1) Reorganized Debtor may, in its sole and absolute discretion, compromise and settle Claims  
 18 against them and (2) Reorganized Debtor may, in its sole and absolute discretion, compromise and settle Causes  
 19 of Action against other Entities.

### 18 10.2.2. Preservation of Rights of Action

#### 19 10.2.2.1. Maintenance of Causes of Action

20 Except as otherwise provided in the Plan or Confirmation Order, after the Effective Date, Reorganized  
 21 Debtor shall retain all rights to commence, pursue, litigate or settle, as appropriate, any and all Causes of Action,  
 22 whether existing as of the Commencement Date or thereafter arising, in any court or other tribunal including,  
 23 without limitation, in an adversary proceeding Filed in the Chapter 11 Case.

#### 23 10.2.2.2. Preservation of Causes of Action Not Expressly Settled or Released

24 Unless a claim or Cause of Action against a Holder of a Claim or an Equity Interest or other Entity is  
 25 expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order (including,  
 26 without limitation, the Confirmation Order), Debtor expressly reserves such claim or Cause of Action for later  
 27 adjudication by Debtor or Reorganized Debtor (including, without limitation, claims and Causes of Action not  
 specifically identified or of which Debtor may presently be unaware or which may arise or exist by reason of  
 additional facts or circumstances unknown to Debtor at this time or facts or circumstances that may change or  
 be different from those Debtor now believe to exist) and, therefore, no preclusion doctrine, including, without  
 limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel  
 (judicial, equitable or otherwise) or laches shall apply to such claims or Causes of Action upon or after the



1 Confirmation or Consummation of the Plan based on the Disclosure Statement, the Plan or the Confirmation  
 2 Order, or any other Final Order (including, without limitation, the Confirmation Order). In addition, Debtor and  
 3 Reorganized Debtor expressly reserve the right to pursue or adopt any claims alleged in any lawsuit in which  
 4 Debtor is a plaintiff, defendant or an interested party, against any Entity, including, without limitation, any  
 5 parties in such lawsuits.

### 10.3. Post Confirmation Reporting and Quarterly Fees to the Office of the U.S. Trustee

6 Prior to the Effective Date, Debtor, and after the Effective Date, Reorganized Debtor, is obligated to pay  
 7 the Office of the United States Trustee (the "U.S. Trustee") quarterly fees based upon all disbursements in  
 8 accordance with the sliding scale set forth in 28 U.S.C. § 1930(a)(6). These fees accrue throughout the pendency  
 9 of the Chapter 11 Case, until entry of a final decree. U.S. Trustee fees paid prior to confirmation of the Plan will  
 10 be reported in operating reports required by sections 704(8), 1106(a)(1), 1107(a) of the Bankruptcy Code, and  
 11 the U.S. Trustee Guidelines. All U.S. Trustee quarterly fees accrued prior to confirmation of the Plan will be  
 12 paid on or before the Effective Date pursuant to section 1129(a)(12) of the Bankruptcy Code. All U.S. Trustee  
 13 fees accruing post-confirmation are due on a calendar quarter basis and will be reported on post-confirmation  
 14 operating reports as required by the U.S. Trustee Guidelines.

## 11. CERTAIN FEDERAL INCOME TAX CONSEQUENCES

15 The following summary does not constitute either a tax opinion or tax advice to any person. No  
 16 representations regarding the effect of implementation of the plan on individual Creditors are made herein or  
 17 otherwise. Rather, the tax disclosure is provided for informational purposes only. All Creditors are urged to  
 18 consult their respective tax advisor regarding the tax consequences of the plan.

19 Creditors, holders of Equity Securities, and any Person affiliated with the foregoing are strongly urged  
 20 to consult their respective tax advisor regarding the federal, state, local, and foreign tax consequences which  
 21 may result from the confirmation and consummation of the Plan. This Disclosure Statement shall not in any way  
 22 be construed as making any representations regarding the particular tax consequences of the confirmation and  
 23 consummation of the Plan to any Person. This Disclosure Statement is general in nature and is merely a summary  
 24 discussion of potential tax consequences and is based upon the Internal Revenue Code of 1986, as amended (the  
 25 "IRC"), and pertinent regulations, rulings, court decisions, and treasury decisions, all of which are potentially  
 26 subject to material and/or retroactive changes.

27 Under the IRC, there may be federal income tax consequences to Debtor, its Creditors, its holders of  
 Equity Securities, and/or any Person affiliated therewith as a result of confirmation and consummation of the  
 Plan.

Upon the confirmation and consummation of the Plan, Priority Creditors and Creditors will receive  
 either a full payment of their respective Claims or a partial payment of their respective Claims. The payment of  
 Claims will consist of principal, and in some cases, could include interest. The federal income tax consequences  
 to Creditors and their affiliates arising from the Plan will vary depending upon, among other things, the type of  
 consideration received by the Creditor in exchange for its Claim, whether the Creditor reports income using the  
 cash or accrual method of accounting, whether the Creditor has taken a "bad debt" deduction with respect to its  
 Claim, whether the Creditor received consideration in more than one tax year, and whether the Creditor is a  
 resident of the United States. If a Creditor's Claim is characterized as a loss resulting from a debt, then the extent  
 of the deduction will depend on whether the debt is deemed wholly worthless or partially worthless, and whether  
 the debt is construed to be a business or nonbusiness debt as determined under IRC § 166.

Creditors should consult their tax advisor regarding the tax treatment (including federal, state, local, and  
 foreign tax consequences) of their respective allowed Claims. This disclosure is not a substitute for tax planning  
 and specific advice for Persons affected by the Plan.

1 **12. CONFIRMATION**

2 **12.1. Confirmation of the Plan**

3 Pursuant to section 1128(a) of the Bankruptcy Code, the Bankruptcy Court will hold a hearing regarding  
4 confirmation of the Plan at the United States Bankruptcy Court for the District of Nevada, 300 Las Vegas Blvd.  
5 South, Las Vegas, Nevada 89101, **on June 21, 2017, at 11:00 a.m.** The confirmation hearing may be adjourned  
6 or continued from time to time by the Court or Debtor without further notice other than adjournments announced  
7 in open Court.

8 **12.2. Objections to Confirmation**

9 Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation  
10 of a plan. Any objections to confirmation of the Plan must be in writing, must state with specificity the grounds  
11 for any such objections, and must be filed with the Bankruptcy Court and served upon Counsel for Debtor so as  
12 to be received on or before the **date and time specified in the Conditional Disclosure Statement Order.** For  
13 the Plan to be confirmed, the Plan must satisfy the requirements stated in section 1129 of the Bankruptcy Code.  
14 In this regard, the Plan must satisfy, among other things, the following requirements.

15 **12.2.1. Best Interest of Creditors and Liquidation Analysis**

16 Often called the “best interests” test, section 1129(a)(7) of the Bankruptcy Code requires that a  
17 bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provides, with respect to each class,  
18 that each holder of a claim or an equity interest in such class either (a) has accepted the plan or (b) will receive  
19 or retain under the plan property of a value, as of the effective date of the plan, that is not less than the amount  
20 that such holder would receive or retain if Debtor is liquidated under chapter 7 of the Bankruptcy Code. To make  
21 these findings, the bankruptcy court must: (a) estimate the Cash liquidation proceeds that a chapter 7 trustee  
22 would generate if Debtor’s Chapter 11 Case was converted to chapter 7 cases and the assets of such debtor’s  
23 estates was liquidated; (b) determine the liquidation distribution that each non-accepting holder of a claim or an  
24 equity interest would receive from such liquidation proceeds under the priority scheme dictated in chapter 7; and  
25 (c) compare such holder’s liquidation distribution to the distribution under the plan that such holder would  
26 receive, if the plan were confirmed.

27 In chapter 7 cases, unsecured creditors and equity interest holders of a debtor are paid from available  
assets generally in the following order, with no junior class receiving any payments until all amounts due to  
senior classes have been paid fully or any such payment is provided for: (a) holders of secured claims (to the  
extent of the value of their collateral); (b) holders of priority claims; (c) holders of unsecured claims; (d) holders  
of debt expressly subordinated by its terms or by order of the bankruptcy court; and (e) holders of equity interests.

Accordingly, the Cash amount that would be available for satisfaction of Claims (other than Secured  
Claims) would consist of the proceeds resulting from the disposition of the unencumbered assets of Debtor,  
augmented by the unencumbered Cash held by Debtor at the time of the commencement of the liquidation. Such  
Cash would be reduced by the amount of the costs and expenses of the liquidation and by such additional  
administrative and priority claims that may result from termination of Debtor’s businesses and the use of chapter  
7 for purposes of liquidation.

Debtor believes that confirmation of the Plan will provide each Holder of an Allowed Claim with a  
greater recovery than the value of any distributions if the Chapter 11 Case was converted to a case under chapter  
7 of the Bankruptcy Code because, among other reasons, Debtor does not own significant, valuable assets which  
could be economically liquidated for an amount of money greater than the value of the payments to be made  
through the Plan.

In addition, distributions in chapter 7 cases may not occur for a longer period of time than distributions  
under the Plan, thereby reducing the present value of such distributions. In this regard, it is possible that



1 distribution of the proceeds from liquidation could be delayed for a significant period, while the chapter 7 trustee  
 2 and its advisors become knowledgeable about, among other things, the Chapter 11 Case and the Claims against  
 Debtor.

3 A copy of Debtor's liquidation analysis is attached hereto as **Exhibit B**. Under the Plan, the impaired  
 4 Classes of Claims and Equity Securities is Class 2 and Class 3. Debtor asserts that the value provided under the  
 Plan to these Classes is not less than they would receive in liquidation.

### 5 **12.2.2. Feasibility**

6 Section 1129(a) (11) of the Bankruptcy Code requires that the Bankruptcy Court find that confirmation  
 7 is not likely to be followed by the liquidation of Reorganized Debtor or the need for further financial  
 reorganization, unless the Plan contemplates such liquidation. For purposes of demonstrating that the Plan meets  
 8 this "feasibility" standard, Debtor has analyzed the ability of Reorganized Debtor to meet its obligations under  
 the Plan and to retain sufficient liquidity and capital resources to conduct its business.

9 The Plan requires provides payments totaling 24% of Allowed Class 2 Claims, such payments to be  
 10 made in sixty equal monthly installments of \$6,106.67. Further, Debtor currently estimates it has \$92,842.07 of  
 Class 3 Claims, and proposes to pay such Claims in full through twelve equal monthly payments estimated to  
 11 be \$7,736.84 each. A review of the Debtor's Monthly Operating Reports filed in the Chapter 11 Case shows  
 that the Debtor has sufficient cash flow to make the payments required by the Plan.

12 Debtor believes that the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the  
 13 Bankruptcy Code. Therefore, confirmation is not likely to be followed by liquidation or the need for further  
 financial reorganization of Debtor or any successor under the Plan. In connection with the development of the  
 14 Plan and for the purposes of determining whether the Plan satisfies this feasibility standard, Debtor analyzed  
 their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources.

### 15 **12.2.3. Accepting Impaired Class**

16 Since at least one Class of Claims is impaired under the Plan, for the Plan to be confirmed, the Plan must  
 be accepted by at least one impaired Class of Claims (not including the votes of insiders of Debtor).

### 17 **12.2.4. Acceptance of Plan**

18 For an impaired Class of Claims to accept the Plan, those representing at least two-thirds (2/3) in amount  
 19 and a majority in number of the Allowed Claims voted in that Class must be cast for acceptance of the Plan.

### 20 **12.2.5. Confirmation Over the Objection of a Dissenting Class**

21 If there is less than unanimous acceptance of the Plan by impaired Classes of Claims or Equity  
 22 Securities, the Bankruptcy Court nevertheless may confirm the Plan at Debtor's request. Section 1129(b) of the  
 Bankruptcy Code provides that if all other requirements of section 1129(a) of the Bankruptcy Code are satisfied  
 23 and if the Bankruptcy Court finds that: (i) the Plan does not discriminate unfairly and (ii) the Plan is fair and  
 equitable with respect to the rejecting Class(es) of Claims or Equity Securities impaired under the Plan, the  
 24 Bankruptcy Court may confirm the Plan despite the rejection of the Plan by dissenting impaired Class of Claims  
 or Equity Securities. Debtor will request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy  
 Code with respect to any impaired Class or Claims or Equity Securities which does not vote to accept the Plan.  
 25 Debtor believes that the Plan satisfies all of the statutory requirements for Confirmation, that Debtor has  
 complied with or will have complied with all the statutory requirements for Confirmation of the Plan, and that  
 26 the Plan is proposed in good faith. At the Confirmation Hearing, the Bankruptcy Court will determine whether  
 the Plan satisfies the statutory requirements for Confirmation.



**12.2.6. Allowed Claims**

1 You have an Allowed Claim if: (i) you or your representative timely file a proof of Claim and no  
2 objection has been filed to your Claim within the time period set for the filing of such objections; (ii) you or  
3 your representative timely file a proof of Claim and an objection was filed to your Claim upon which the  
4 Bankruptcy Court has ruled and allowed your Claim; (iii) your Claim is listed by Debtor in its respective  
5 Schedules or any amendments thereto (which are on file with the Bankruptcy Court as a public record) as  
6 liquidated in amount and undisputed and no objection has been filed to your Claim; or (iv) your Claim is listed  
7 by Debtor in its Schedules as liquidated in amount and undisputed and an objection was filed to your Claim  
8 upon which the Bankruptcy Court has ruled to allow your Claim. Under the Plan, the deadline for filing  
9 objections to Claims is thirty (30) days following the Effective Date. If your Claim is not an Allowed Claim, it  
10 is a Disputed Claim and you will not be entitled to vote on the Plan unless the Bankruptcy Court temporarily or  
11 provisionally allows your Claim for voting purposes pursuant to Bankruptcy Rule 3018. If you are uncertain as  
12 to the status of your Claim or Equity Interest or if you have a dispute with Debtor, you should check the  
13 Bankruptcy Court record carefully, including the Schedules of Debtor, and you should seek appropriate legal  
14 advice.

**12.2.7. Impaired Claims and Equity Interests**

10 Impaired Claims and Equity Securities include those whose legal, equitable, or contractual rights are  
11 altered by the Plan, even if the alteration is beneficial to the Creditor or Equity Interest holder, or if the full  
12 amount of the Allowed Claims will not be paid under the Plan. Holders of Claims which are not impaired under  
13 the Plan are deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and Debtor  
14 need not solicit the acceptances of the Plan of such unimpaired Claims. Holders of Claims or Equity Securities  
15 which are to receive nothing under the Plan are deemed to have rejected the Plan pursuant to section 1126(g) of  
16 the Bankruptcy Code. As such, only holders of Claims in Impaired Class 2 and Class 3 under the Plan are entitled  
17 to vote.

**12.2.8. Voting Procedures**

**12.2.8.1. Submission of Ballots**

17 All Creditors entitled to vote will be sent a Ballot, together with instructions for voting, a copy of this  
18 approved Disclosure Statement, and a copy of the Plan. You should read the Ballot carefully and follow the  
19 instructions contained therein. Please use only the Ballot that was sent with this Disclosure Statement. You  
20 should complete your Ballot and return it as follows:

20 ANDERSEN LAW FIRM, LTD.  
21 Attn: Ryan A. Andersen, Esq.  
22 101 Convention Center Drive, Suite 600  
23 Las Vegas, Nevada 89109  
24 Telephone: 702-522-1992  
25 Email: randers@andersenlawlv.com

23 **TO BE COUNTED YOUR BALLOT MUST BE RECEIVED AT THE ADDRESS LISTED  
24 ABOVE BY 5:00 P.M. ON JUNE 7, 2017.**

**12.2.8.2. Incomplete Ballots**

25 Unless otherwise ordered by the Bankruptcy Court, Ballots which are signed, dated, and timely received,  
26 but on which a vote to accept or reject the Plan has not been indicated, will be counted as a vote to accept the  
27 Plan.



**12.2.8.3. Withdrawal of Ballots**

A Ballot may not be withdrawn or changed after it is cast unless the Bankruptcy Court permits you to do so after notice and a hearing to determine whether sufficient cause exists to permit the change.

**12.2.8.4. Questions and Lost or Damaged Ballots**

If you have any questions concerning these voting procedures, if your Ballot is damaged or lost, or if you believe you should have received a Ballot but did not receive one, you should contact Debtor’s counsel at the address listed above.

**13. ALTERNATIVES TO THE PLAN**

**13.1. Alternative Plans of Reorganization**

Under the Bankruptcy Code, a small business debtor has an exclusive period of one hundred and twenty (180) days from the entry of the order for relief during which time, assuming that no trustee has been appointed by the Bankruptcy Court, only a debtor may propose a plan. After the expiration of the initial one hundred and eighty (180) day period and any extensions thereof, Debtor, or any other party-in-interest, may propose a different plan provided the exclusivity period is not further extended by the Bankruptcy Court.

**13.2. Liquidation Under Chapter 7**

If a plan cannot be confirmed, a Chapter 11 case may be converted to a case under Chapter 7, in which a Chapter 7 trustee would be elected or appointed to liquidate the assets of debtor for distribution to their creditors and holders of equity interest in accordance with the priorities established by the Bankruptcy Code. For a discussion of the effect that a Chapter 7 liquidation would have on the recovery by creditors, see Article 12.2.1 “Confirmation of the Plan—Best Interest of Creditors and Liquidation Analysis.” As previously stated, Debtor believes that a liquidation under Chapter 7 would result in a substantially reduced recovery of funds by its Estate because of: (i) additional Administrative Expenses involved in the appointment of a trustee for Debtor and attorneys and other professionals to assist such trustee; and (ii) additional expenses and Claims, some of which would be entitled to priority, which would be generated during the liquidation. Accordingly, Debtor believes that holders of certain classes of Claims may be expected to receive substantially smaller distributions pursuant to a Chapter 7 liquidation than under the Plan.

**14. PREFERENCE AND OTHER AVOIDANCE ACTIONS**

A bankruptcy trustee (or the entity as debtor-in-possession) may avoid as a preference a transfer of property made by a debtor to a creditor on account of an antecedent debt while a debtor was insolvent, where that creditor receives more than it would have received in a liquidation of the entity under Chapter 7 of the Bankruptcy Code had the payment not been made, if: (i) the payment was made within ninety (90) days before the date the bankruptcy case was commenced; or (ii) if the creditor is found to have been an “insider” as defined in the Bankruptcy Code, within one (1) year before the commencement of the bankruptcy case. A debtor is presumed to have been insolvent during the ninety (90) days preceding the commencement of the case.

A bankruptcy trustee (or the entity as debtor-in-possession) may avoid as a fraudulent transfer a transfer of property made by a debtor within two (2) years (and under applicable Nevada law, four (4) years) before the date the bankruptcy case was commenced if: (i) debtor received less than a reasonably equivalent value in exchange for such transfer; and (ii) was insolvent on the date of such transfer or became insolvent as a result of such transfer, such transfer left debtor with an unreasonably small capital, or debtor intended to incur debts that would be beyond debtor’s ability to pay as such debts matured.

Debtor has analyzed the possibility of potential avoidance actions, and does not believe it has any viable claims that are cost-effective to pursue or which will yield a meaningful recovery for creditors.



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**15. RECOMMENDATION AND CONCLUSION**

**Debtor believes the Plan provides the best possible recovery for Creditors and, therefore, recommends that all creditors who are entitled to vote on the Plan vote to accept the Plan.**

Dated this 9th day of May, 2017.

PARAGON POOLS,  
a Nevada corporation:

By: /s/ Joseph M. Vassallo  
Joseph M. Vassallo,  
its President

Prepared and submitted by:

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