

1 ANGELA J. LIZADA, ESQ.
2 Nevada Bar No. 11637
3 LIZADA LAW FIRM, LTD.
4 501 S. 7TH St.
5 Las Vegas, NV 89101
6 Phone: (702) 979-4676
7 Fax: (702) 979-4121
8 angela@lizadalaw.com
9 *Counsel for Debtor*

7 **UNITED STATES BANKRUPTCY COURT**
8 **DISTRICT OF NEVADA**

9 In re

10 CALVARY COMMUNITY
11 ASSEMBLY OF GOD, INC., a
12 Nevada nonprofit corporation,

13 Debtor.

Case No.: 17-13475

Chapter 11

14 **DISCLOSURE STATEMENT**

15
16 This Chapter 11 Disclosure Statement (Disclosure Statement) relates to the accompanying
17 Chapter 11 Plan 1. The Plan proposes to restructure the financial affairs of the above-named
18 Debtor. You may be entitled to vote on the Plan.

19 The voting rules are explained below, along with a summary of the Plan and other relevant
20 information.

21 This Disclosure Statement is explanatory only. The Plan will be the binding document, if
22 it is confirmed by the court.

23 *Your rights may be affected. Read these papers carefully and discuss them with your*
24 *attorney. (If you do not have an attorney, you may wish to consult one.)* Definitions and rules of
25 construction are as set forth below and in the Plan.

26 **PART 1. SUMMARY OF PLAN**

27 **Article I of the Plan** divides creditors and interest holders into the following groups. The
28 precise treatment proposed for each group is specified in Exhibit A to the Plan. What follows is
only a summary. Please review the Plan carefully.

- 1 • **Unclassified claims**, such as costs of administering this bankruptcy case, generally
2 are entitled to be paid in full on the Plan’s Effective Date, which is defined in the
3 Plan and should be a short time after the Plan is confirmed.
- 4 • **Classes 1 and 2 – Secured Claims** (divided into subclasses 1A, 1B, 2A, 2B, etc.)
5 consist of claims secured by Collateral (such as a mortgage/deed of trust secured
6 by a house, a car loan secured by the car, or any other claim secured by a lien on
7 property of the bankruptcy estate), which generally are entitled to be paid in full,
8 over time, with interest. Class 1 is reserved for claims secured *only* by real estate
9 that is an individual Debtor’s principal residence. Class 2 contains all other secured
10 claims.
- 11 • **Class 3 – Priority Claims** (divided into subclasses 3A, 3B, etc.) consists of
12 “priority” unsecured claims (for example, wages due to employees that were
13 earned, but unpaid, within 180 days before the bankruptcy petition was filed).
- 14 • **Class 4 – General Unsecured Claims** consists of “general” unsecured claims
15 (claims that are not entitled to “priority” under the Bankruptcy Code and that are
16 not secured by Collateral), which will receive, over time, the following estimated
17 percentage of their claims (or fixed percentage, if the Plan so provides): ___%.
18 *Exception:* the Plan may designate a subclass of small “convenience class” claims
19 which will be paid in full on the Effective Date, and in rare situations the Plan may
20 designate additional unsecured subclasses.
- 21 • **Class 5 – “Interests”:** if Debtor is an organization then “interests” means
22 ownership interests – such as corporate stock, or a partner’s interest in a partnership
23 – and if Debtor is an individual, then Debtor is the interest holder. This class will
24 remain unchanged unless otherwise stated in the exhibits to the Plan or this
25 Disclosure Statement.

26 **Article II of the Plan** governs “executory” contracts and unexpired leases (a contract is
27 generally defined as executory when both Debtor and the other party to the contract have not yet
28 fully performed their obligations, and the unperformed obligations of both parties are significant
enough that either party’s breach would excuse the other party from performing). Exhibit B to the
Plan specifies whether, on the Effective Date, each such contract or lease (a) will be “assumed” as
an obligation of the reorganized Debtor (generally meaning that defaults will be cured and the
agreement will be reinstated), or (b) will be assumed and then instantaneously assigned to a
specified person, or (c) will be “rejected” (meaning that Debtor will no longer perform under the
agreement, and the other party can file a claim for damages resulting from that rejection (§ 502(g)).

29 **Article III of the Plan** explains how Debtor will implement the Plan, and exhibits to this
30 Disclosure Statement describe whether payments under the Plan will be made out of cash on hand,
31 future income, sale(s) of property(ies), or other sources of funding, including supporting
32 calculations. If Debtor is an individual, and if any holder of an allowed unsecured claim objects,
33 then the value of property to be distributed under the Plan must be not less than Debtor’s projected
34 disposable income for 5 years (60 months) from the first Plan payment, or for the total payment
35 period under the Plan, whichever is longer (§ 1129(a)(15)).

36 **Article IV of the Plan** provides that Debtor will be discharged from existing debts as
37 provided in § 1141(d). Generally this means that (1) if Debtor is *not an individual* then the
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1 discharge occurs when the Plan is confirmed (except for a liquidating Plan), and (2) if Debtor is
2 *an individual* then (a) the discharge will not occur unless and until Debtor completes all payments
3 under the Plan (all payments for the Plan Term, as specified in Exhibit A to the Plan), unless the
4 court orders otherwise in certain situations, and (b) Debtor will not be discharged from debts that
5 are nondischargeable under § 523. Article IV of the Plan also specifies certain effects of
6 confirmation, including that creditors are prevented from attempting to collect preconfirmation
7 obligations except in specific circumstances or in accordance with the terms of the Plan.

8 **Article V of the Plan** includes General Provisions, such as how the Plan can be modified,
9 and a provision that if the Plan complies with certain technical rules then it can be confirmed even
10 if one or more classes of creditors or interest holders vote to reject the Plan (§ 1129(b)).

11 **PART 2. VOTING ON PLAN, AND OBJECTIONS**

12 **A. Who may vote:** You are entitled to vote on the Plan unless: (1) your claim or interest
13 is Disputed (as defined in the Plan); (2) your class is to receive no distribution (presumed to reject
14 the Plan); (3) your class is “unimpaired” (presumed to accept the Plan – see Exhibit A to the Plan
15 for the proponent’s designation of which classes are “impaired”) (§ 1124); or (4) your claim is
16 unclassified (and thus is required by law to be paid in full) (§§ 1123(a)(1) & 1129(a)(9)(A) & (C)).
17 If your claim or interest is Disputed then you must file a motion to have it allowed for voting
18 purposes (you must do that soon, so that your motion can be heard before votes are counted) (Rule
19 3018(a)).

20 **B. Who may vote in more than one class:** If your claim has been allowed in part as a
21 secured claim and in part as an unsecured claim, or if you otherwise hold claims or interests in
22 more than one class, you are entitled to accept or reject the Plan in each capacity and you should
23 return one ballot for each claim or interest.

24 **C. How to vote:** Fill out and return the attached ballot (if you are entitled to vote) *by the*
25 *deadline* and according to the other instructions in the enclosed order or court-approved notice
26 regarding voting and procedures.

27 **D. Effect of vote:** The Plan will be confirmed only if (1) it is accepted by each impaired
28 class, or (2) it is accepted by at least one impaired class (without counting the votes of “insiders,”
as defined in § 101(31)) and the court determines that the Plan is “fair and equitable” (as defined
by § 1129(b)) to all rejecting classes of creditors, and (3) it meets all of the other legal requirements
for confirmation. A class of creditors accepts the Plan if a majority in number and at least two-
thirds in dollar amount of the claims in that class are timely voted in favor of the Plan (§ 1126(c)).
A class of interests accepts the Plan if at least two-thirds of those interests are timely voted in favor
of the Plan (§ 1126(d)).

E. Solicitation of votes: Nobody is permitted to solicit your vote to accept or reject any
plan during the bankruptcy case unless, at or before the time of the solicitation, you have been
provided with the plan or a summary of the plan and a written disclosure statement that has been
approved by the court as containing adequate information for you to make an informed judgment
about the plan. Then any person may solicit your vote for or against the Plan.

1 **F. Who may object:** Even if you are not entitled to vote, you can object to confirmation
2 of the Plan if you believe that the requirements for confirmation are not met (and if you are a party
3 in interest in this bankruptcy case). For the deadlines and procedures, see the enclosed order or
4 court-approved notice.

5 **PART 3. FINANCIAL INFORMATION**

6 **A. Assets.** Debtor currently owns 1) real property (138-14-601-005, 138-14-601-006, 138-
7 14-601-013, and 138-14-601-014) with a BPO value of \$11,533,750.00; 2) 1997 Ford E350 van
8 with maximum value of \$7,000.00; 3) Inventory for school and church of unknown value,
9 consisting of furniture, electronics, and office supplies; and 4) Debtor in Possession Bank
10 Accounts.

11 **B. Secured Claims.** AG Financial has a secured claim against the real property outlined
12 above in the amount of \$3,659,055.84.

13 **C. Purchase Offers.** There is an offer that has been presented to purchase 138-14-601-013
14 and a portion of 138-14-601-014, which are both unimproved parcels for \$992,800.00, or for 138-
15 14-601-013 alone for over \$650,000.00.

16 **D. Reorganization of Employees.** Debtor has restructured its staff in a manner that has
17 reduced annual salaries by over \$79,000.00 per year. Benefits have been reduced for savings of
18 over \$50,000.00 per year.

19 **E. Change in Operations of Debtor.** Debtor's past income has come primarily from the
20 private school tuition from August through May, however, Debtor's financial problem came about
21 largely from a drop in students and resulted in the grade levels offered being reduced. It has become
22 apparent that the income from preschool is more lucrative and more stable. As such, Debtor has
23 been seeking more enrollment in the preschool, and has had a sizeable increase in enrollment for
24 the preschool in the last sixty (60) days. Debtor intends to continue to market and increase
25 enrollment at the preschool, as it is more profitable and stable than the private school income.

26 **F. Financial Status of Debtor Since Filing.** Debtor's financial status has already greatly
27 improved since filing bankruptcy. The first two months showed more liabilities than income, but
28 as the changes above have been begun to be implemented, Debtor's show excess of receipts of
disbursements beginning in August 2017. In July 2017, total receipts were \$72,429.00, but
disbursements were \$125,373.00, however, in August 2017, the total receipts were \$89,744.00 and
total disbursements were \$48,523.00, for excess of \$41,221.00. The September and October 2017
MOR's have not been produced due to difficulty obtaining reports from Chaney and Associates,
but the Debtor's financial situation continues to progress towards profitability. Since August 2017,
Debtor has continued to implement additional cuts and continue to take efforts that have resulted
in higher enrollment, thus it is expected that Debtor will continue to have excess of \$41,221.00 per
month going forward after disbursements that can go towards the recommended plan payments.

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PART 4. OTHER INFORMATION

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2 **A. Background/Risk Factors.** (1) Debtor's history: Prior to February 2016, Debtor did
3 not have any budgeting practice in place. Once knowledgeable board members joined, the issues
4 were discovered, but Debtor was beginning to fall behind on the mortgage. Debtor missed two
5 mortgage payments and a demand for acceleration was made or the real property would be sold.
6 Debtor filed bankruptcy to reorganize to save the property and to bring current its payroll taxes;
7 (2) Debtor is two months behind in MOR due to failure of the bookkeeper to provide the necessary
8 information. Debtor is now conducting all work in house so that future reports are timely and to
9 ensure appropriate checks and balances on all items; and (3) exit strategy: Debtor has cut many
10 teacher aid positions and multiple church positions that could be fulfilled by volunteers.
11 Additionally, benefits offered to the Pastor and Assistant/Youth Pastor have been reduced
12 significantly. Every expense is being reconsidered for potential reduction or elimination. Debtor
13 is beginning to emphasize the preschool and seek enrollment for the preschool program as it is a
14 more stable revenue source (no summer breaks). Debtor hopes to sell a vacant portion of the four
15 parcel property to satisfy all debts under the bankruptcy, other than the principal of the mortgage.
16 If there are sufficient funds from any sale, a portion would go towards the principal and a portion
17 reserved for savings to protect against any future slow times. Debtor intends to seek a refinance of
18 the property to satisfy the principal of the mortgage and potentially dismiss the bankruptcy.

19 **B. Litigation. Debtor might sue you if, for example, you received a transfer of funds
20 or any other property from Debtor that is avoidable under the Bankruptcy Code.** Other types
21 of claims also may be made, and the Plan proponent has not completed investigations, but the
22 anticipated and pending legal proceedings by or against Debtor are listed in an exhibit to this
23 Disclosure Statement.

24 **C. Feasibility:** The Plan cannot be confirmed unless the court finds it feasible. A Plan is
25 feasible if confirmation of the Plan is not likely to be followed by Debtor's liquidation or need for
26 further financial reorganization, unless such liquidation or reorganization is proposed in the Plan
27 (§ 1129(a)(11)). The Plan proponent believes it is feasible because, both on the Effective Date and
28 for the duration of the Plan, the proponent estimates that Debtor will have sufficient cash to make
all distributions.

D. Tax consequences of the Plan: (1) Tax consequences to the debtor: The tax
consequences to Debtor of the Plan's implementation, including but not limited to tax attribute
reduction and the recognition of gain or loss on any sale of Debtor's assets (and the projected tax
thereon), have been taken into account and are properly reflected in the financial projections
attached to this Disclosure Statement and Exhibits A and B to the Plan.

(2) Tax consequences to holders of claims and interests: You should consult your own
accountant, attorney and/or advisors as to the tax effect to you of Plan transactions.

E. Liquidation analysis: The Plan cannot be confirmed unless the court finds that, for
each impaired class of claims or interests that has not accepted the Plan, the class will receive or
retain no less than if Debtor's bankruptcy estate were liquidated under chapter 7 of the Bankruptcy
Code. A liquidation analysis is attached as an exhibit to this Disclosure Statement.

F. Special procedures: This Disclosure Statement and the accompanying Plan, with exhibits, are the principal documents for Debtor’s proposed financial restructuring, but the court may authorize more lengthy documents to be filed separately (a Plan supplement), or may authorize shorter documents to be served on some classes. Streamlined procedures are encouraged, both to save costs and because that may provide creditors and other parties in interest with more meaningful disclosure. For example, the court may consider: (1) whether, instead of receiving the full Plan and Disclosure Statement, some classes should receive a “court approved summary” such as a brief table showing the proposed treatment of each class, with prominent instructions on how to request a copy of the full documents and/or review them online (per § 1125(b) & (c) and Rule 3017(d)(1)); (2) whether to establish special procedures for transmitting documents and information “to beneficial holders of stock, bonds, debentures, notes, and other securities” (per Rule 3017(e)), (3) whether to adjust any deadlines (see Rule 9006(c)), and (4) whether to adopt any other special procedures.

I declare under penalty of perjury under the laws of the United States that the foregoing and the factual assertions in the attached exhibits are true and correct.

Signature:

/s/ Bruce Morris
PASTOR BRUCE MORRIS
Chairman of Board
Authorized Signor
Calvary Community Assembly of God, Inc.

Date: 11/24/2017

Signature:

/s/ Angela J. Lizada
ANGELA J. LIZADA, ESQ.
NV Bar No. 11637
Lizada Law Firm, Ltd.
Attorney for Debtor

Date: 11/24/2017