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UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEVADA

In re: CORRECT CLAIM PUBLIC ADJUSTERS, LLC; Debtor.	Case No. 17-16483-leb Chapter 11 **AMENDED DISCLOSURE STATEMENT DESCRIBING CHAPTER 11 PLAN** Disclosure Statement No.: 2

Debtor-in-possession CORRECT CLAIM PUBLIC ADJUSTERS, LLC ("*Debtor*" or "*Plan Proponent*") is the debtor in this chapter 11 bankruptcy case, which was commenced on December 6, 2017 by filing a voluntary Chapter 11 petition under the United States Bankruptcy Code, 11 U.S.C. §101 *et seq*. (the "*Bankruptcy Code*") in the District of Nevada.

Chapter 11 allows a Debtor to propose a plan of reorganization (the "*Plan*").[1] The Debtor is the party proposing the Plan sent to you in the same envelope as this document.

THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR THE ENCLOSED PLAN.

In the Plan, the Debtor seeks to accomplish payments under the Plan by which various classes of claimants can have their claims treated. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one***.

[1] Except as otherwise indicated, capitalized terms used in this document and not defined herein shall have their respective meanings set forth in the Plan or, if not defined in the Plan, as defined in the Bankruptcy Code.

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Article I. INTRODUCTION

Section 1.01 Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. The commencement of a chapter 11 case creates an 'estate' comprised of all the legal and equitable interests of a debtor. Unless the bankruptcy court orders otherwise, a chapter 11 debtor may continue to operate its business and control the assets of its estate as a 'debtor in possession.'

The filing of a chapter 11 case also triggers the application of Bankruptcy Code § 362, which provides for an automatic stay of all attempts to collect upon claims against a debtor that arose before a bankruptcy filing. Generally speaking, the automatic stay prohibits interference with a debtor's property or business.

A plan of reorganization sets forth the means for satisfying all claims against, and interests in, a debtor. Although usually referred to as a plan of reorganization, a plan may provide for the liquidation of assets. Generally, a claim against a debtor arises from a normal debtor/creditor transaction, such as a promissory note or a trade credit relationship, but may also arise from other contractual agreements or other sources. An interest in a debtor is held by a party that owns the debtor, such as a shareholder.

Subject to certain limited exceptions, the bankruptcy court order confirming a plan of reorganization discharges a debtor from any debt that arose before the date of confirmation of the plan, and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

Before soliciting acceptances of a plan of reorganization, Bankruptcy Code § 1125 requires a plan proponent to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical investor typical of the holders of claims or interests in the case to make an informed judgment regarding acceptance of the plan of reorganization. This Disclosure Statement is submitted in accordance with Bankruptcy Code § 1125.

The Bankruptcy Code provides that most creditors and shareholders are to be grouped into 'classes' under a plan. As a general matter, creditors with similar legal rights are placed together in the same class and equity holders with similar legal rights are placed together in the same class. For example, creditors entitled to similar priority under the Bankruptcy Code are commonly grouped together.

Voting for or against a plan occurs by class. In other words, the Bankruptcy Code does not require that each claimant or equity holder vote in favor of a plan in order for the court to confirm the plan. Rather, the plan must be accepted by each class of claimants and shareholders (subject to an exception discussed below). A class of claimants accepts the plan if, of the claimants in the class who actually vote on the plan, such claimants holding at least two-thirds in dollar amount and more than one-half in number of allowed claims vote to accept the plan. For example, if a hypothetical class has ten creditors that vote and

the total dollar amount of those ten creditors' claim is $1,000,000, then for such class to have accepted the plan, six or more of those creditors must have voted to accept the plan (a simple majority) and the claims of the creditors voting to accept the plan must total at least $666,667 (a two-thirds majority).

However, Section 1126(f) of the Bankruptcy Code states that a class that is not impaired under a plan – along with each holder of a claim or interest of such class – are conclusively presumed to have accepted the plan. In other words, a class of claims that are not impaired under the Plan, are not entitled to vote on the plan. However, 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 this Disclosure Statement.

To confirm a plan, the bankruptcy court must determine that the requirements of Bankruptcy Code § 1129(a) have been satisfied. As the plan proponent, the Debtor believes that the Plan satisfies the confirmation requirements of the Bankruptcy Code.

Section 1.02 Purpose of This Document

The disclosure statement ("*Disclosure Statement*") is being furnished to the holders of claims against, and interests in, the Debtor pursuant to Section 1125 of the Bankruptcy Code, in connection with the solicitation of ballots for the acceptance of the enclosed Plan.

This Disclosure Statement summarizes what is in the Plan, and tells you certain information relating to the Plan, and the process the Court follows in determining whether or not to confirm the Plan. Specifically, this Disclosure Statement describes:

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

Be sure to read the Plan as well as the Disclosure Statement. If there are any inconsistencies between the Plan and the Disclosure Statement, the Plan provisions (as confirmed by the Court) will govern.

The Bankruptcy Code requires a disclosure statement to contain 'adequate information' concerning a plan, to enable parties affected by a plan to make an informed judgment about the proposed plan. Prior to the distribution of this document by the Debtor for vote solicitation on the Plan, the Court will have approved, or conditionally approved, this document as the Disclosure Statement for the Plan.

This Disclosure Statement contains summaries of certain plan provisions, statutory provisions, and of the classification and treatment of claims and interests under the plan. These summaries are qualified in their entirety by the Plan, including the definitions therein. **The Plan itself controls the actual treatment of claims against and interests in the Debtor under the Plan**.

Section 1.03 Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this disclosure statement. In other words, the terms of the Plan are not yet binding on anyone. However, if the court later confirms the plan, then the Plan will be binding on all creditors and interest holders in this case.

(a) Time and Place of the Confirmation Hearing

The hearing at which the Court will consider any objections to the Plan and determine whether to confirm the Plan (the "*Plan Confirmation Hearing*") will be held in a courtroom in the Foley Federal Building, 300 S. Las Vegas Blvd., Las Vegas, NV 89101 at the date set forth in the notice of Plan Confirmation Hearing. That notice of hearing will be distributed along with the Plan and this Disclosure Statement. THE DEBTOR WILL REQUEST CONFIRMATION OF THE PLAN AT THE CONFIRMATION HEARING. The notice of Plan Confirmation Hearing will also contain the objection deadline for filing objections to confirmation of the Plan with the Court.

(b) Deadline to Vote For or Against the Plan

Only holders of allowed claims in impaired classes and interests are entitled to vote on a Plan. Unimpaired classes and interests are deemed to have accepted the Plan, and thus are not entitled to vote. Claims not allowed under Section 502 of the Bankruptcy Code are not entitled to vote, even if your claim would appear to be in an impaired class.

If you are entitled to vote, it is in your best interest to timely vote on the ballot enclosed with the Plan, and return the ballot in the provided envelope to the balloting agent, which is: Atkinson Law Associates Ltd., Attn: Robert Atkinson, Esq., 8965 S. Eastern Avenue Suite 260, Las Vegas, Nevada, 89101. IN NO CASE SHOULD A BALLOT BE DELIVERED TO ANY ENTITY OTHER THAN THIS BALLOTING AGENT.

Unless a different date is set by the Court in the notice of the Plan Confirmation Hearing (or any other Court order or notice), your ballot must be **received** by this balloting agent at

least five (5) business days prior to the Plan Confirmation Hearing (or any other time that may be set in the notice of Plan Confirmation Hearing, or it will not be counted.

(c) Deadline for Objecting to the Confirmation of the Plan

Objections to the confirmation of the Plan must be filed with the Court and served upon Debtor's counsel (Robert Atkinson, Esq.) within the time limit specified in the notice of Plan Confirmation Hearing.

(d) Effective Date of the Plan

Unless otherwise set by Court order, the effective date of the Plan ("*Effective Date*") is set for fifteen (15) days after an order confirming this plan ("*Confirmation Order*") is docketed.

(e) Identity of Person to Contact for More Information Regarding the Plan

Any interested party desiring further information about the Plan should contact Debtor's counsel, Robert Atkinson, Esq., by the means specified at the top left corner on page 1 of this document.

Section 1.04 Disclaimers

THE COURT HAS APPROVED, OR CONDITIONALLY APPROVED, THIS DISCLOSURE STATEMENT AS CONTAINING ADEQUATE INFORMATION TO ENABLE PARTIES AFFECTED BY THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT ITS TERMS. THE COURT HAS NOT YET DETERMINED WHETHER THE PLAN MEETS THE LEGAL REQUIREMENTS FOR CONFIRMATION, AND THE FACT THAT THE COURT HAS APPROVED THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT OF THE PLAN BY THE COURT, OR A RECOMMENDATION THAT IT BE ACCEPTED.

UNLESS OTHERWISE STATED HEREIN, THE STATEMENTS AND INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND WILL NOT BE UPDATED TO REFLECT EVENTS THAT OCCUR AFTER THE DATE HEREOF. THIS FINANCIAL INFORMATION HAS NOT BEEN AUDITED.

ANY ESTIMATES OF CLAIMS SET FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE AMOUNTS OF CLAIMS ULTIMATELY ALLOWED BY THE BANKRUPTCY COURT AND/OR BY OPERATION OF LAW, AND AN ESTIMATE SHALL NOT BE CONSTRUED AS AN ADMISSION OF THE AMOUNT OF SUCH CLAIM.

IN ARRIVING AT A DECISION AS TO HOW TO VOTE ON THE PLAN, PARTIES SHOULD NOT RELY ON ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE THEIR ACCEPTANCE OR REJECTION THAT IS CONTRARY TO

INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE PLAN ITSELF.

THE DEBTOR IS PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT SOLELY FOR PURPOSES OF SOLICITING HOLDERS OF CLAIMS AND INTERESTS TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT SHOULD BE USED BY ANY PERSON OR FOR ANY OTHER PURPOSE. THE CONTENTS OF THIS DISCLOSURE STATEMENT SHALL NOT BE DEEMED AS PROVIDING ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE. YOU SHOULD RELY ON YOUR OWN ADVISORS FOR SUCH ADVICE.

THE FINANCIAL DATA RELIED UPON IN FORMULATING THE PLAN IS BASED ON INFORMATION PROVIDED BY THE DEBTOR, BASED ON ITS BUSINESS RECORDS. DEBTOR DID NOT HAVE ACCESS TO MANY OF ITS BUSINESS RECORDS FROM NOVEMBER 6, 2017 THROUGH JANUARY 15, 2018. HOWEVER, SUCH ACCESS WAS RESTORED ON JANUARY 15, 2018, AS A RESULT OF A BANKRUPTCY COURT ORDER. ACCORDINGLY, THE FINANCIAL PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTOR'S MANAGEMENT AND THEIR ADVISORS, MAY NOT ULTIMATELY BE REALIZED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET, AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE DEBTOR'S CONTROL.

THE DEBTOR CAUTIONS THAT NO REPRESENTATIONS CAN BE MADE AS TO THE ACCURACY OF THE PROJECTIONS, OR THE ABILITY TO ACHIEVE THE PROJECTED RESULTS. CONSEQUENTLY, THE PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS CONTAINED HEREIN SHOULD NOT BE REGARDED AS REPRESENTATIONS BY THE DEBTORS OR ANY OTHER PERSON THAT THE PROJECTED FINANCIAL CONDITION OR RESULTS CAN OR WILL BE ACHIEVED.

Article II. BACKGROUND

Section 2.01 Overview of the Debtor's Business

The Debtor is a Nevada limited liability company, formed on April 16, 2013.

Debtor is a 'public adjuster' in the insurance industry (working for policyholders), with primary operations in Texas. Pre-petition, it maintained leased office space in San Antonio, El Paso, and Victoria, Texas, and also in Denver Colorado.

A public adjuster works on behalf of its clients, who may be private individuals or businesses. The role of a public adjuster is to assist their policyholder clients in obtaining a superior result on an insurance claim that otherwise the policyholder cannot obtain on their own by simply filing a claim with their insurance company.

As an example, if a homeowner experiences hail damage to the residence, the homeowner can file a damage claim with their insurance company. However, some homeowners discover that their insurance carrier is reluctant to pay any damages at all, or are only willing to pay a nominal amount on the claim. The complexities of a typical insurance policy are beyond the ability of many policyholders to counter a nominal payment proposal of their carrier, or an outright declination of coverage for a damage event.

The role of the public adjuster is to be an advocate of the policyholder, with the goal to obtain a higher damage award than is possible without such advocacy. A good public adjuster is skilled in insurance claims management, damage estimates, and related matters. Public adjusters such as Debtor typically concentrate on property damage claims to real property, arising from events such as hail, fire, or water damage, rather than on vehicular damage claims.

The public adjuster industry is authorized in many states, and is typically regulated by the insurance commissioner or regulator of a state. Specific statutes and regulations control the industry in each state. For example, in Nevada, the public adjuster industry is authorized and controlled by NRS § 684A. In Texas, the industry is controlled by Chapter 4102 of the Texas Insurance Code. By statute (in Texas, it is Texas Insurance Code §4102.055(c)), every licensed public adjuster company, such as Debtor, must have at least one officer or managing individual who themselves are an individual who is a licensed public adjuster. In Debtor's case, Mr. De La Canal is that licensed individual.

Adjusters typically get paid a commission based on a percentage of the ultimate damage award obtained by their policyholder client. In Texas, that commission is capped at 10% of the claim.

To perform its work, the Debtor contracts with policyholders who have recently experienced damage. Pre-petition, Debtor undertook marketing efforts to attract clients, including having its sales agents walk around hail-damaged areas and knock on doors. Every client has a signed contract with Debtor. Upon signing of the contract, the Debtor would then use a third party to obtain the homeowners' damage claim estimate, and present that and an insurance claim to the policyholder's insurance carrier. After comparing the policyholder's damage estimate to their own damage estimate, the insurance carrier would make an offer to pay. Many times, that offer to pay is $0, or nominal amount. Regardless of the amount of the offer, the Debtor would present the offer to their policyholder client, and see if they wished to accept it, or to take the next step. If the client declined the offer, the next step is either litigation (in which the client directly contracts with a lawyer of their choosing to litigate the insurance claim), or a less-intensive step called 'appraisal', in which both sides obtain a much more comprehensive calculation of damages through the use of an appraiser (rather than a damage estimator).

Claims in litigation proceed as any normal litigation case does. The litigation attorney is provided the relevant documents (such as the policy and the damage estimate), who then prepares and files a lawsuit against the insurance carrier. Via its contract with the policyholder, Debtor is entitled to its commission on the final litigation award.

Claims in appraisal require an appraiser to be hired. The Debtor retains an appraiser on behalf of its clients, and a comprehensive appraisal report is produced by the appraiser to assess the damage and appraise the value required to repair it. The appraiser is paid for by the client from the client's portion of the ultimate award. The insurance carrier would also get an appraisal produced. If the matter still is not resolved after the two appraisals, the 'umpire' process can be invoked, whereby a third-party umpire reviews the two appraisals and makes an award decision.

As a result, the Debtor's operations are fairly easy to understand. Clients are either in litigation status, in appraisal status, have not yet been sorted into litigation or appraisal, or are in the process of being resolved without having to escalate the claim to litigation or appraisal.

Oftentimes, the insurance carrier will remit its award in a three-party check, requiring three endorsements: Debtor, the policyholder, and the mortgage company on the policyholders' damaged building. As a result, resolved claims can still take several weeks or many months to monetize, because the checks have to circulate for endorsement. Some mortgage companies are particularly slow to endorse.

Section 2.02 Events Leading to Chapter 11 Filing

Debtor is one of the larger public adjusters in the State of Texas. It grew rapidly for several reasons, mostly having to do with superior technology and marketing skills. For example, Debtor had the ability to geo-code a hail storm using commercial weather reporting data sources, identifying down to the block level which houses and commercial buildings might have hail damage, thereby massively increasing the effectiveness of its marketing efforts.

Debtor grew so fast that it required operating capital, because the cost of acquiring new customers, and paying for the damage estimates, was mismatched to the duration of payment, i.e., costs had to be incurred today in order to get a commission in several months (or longer).

To fund its cash flow needs, in April 2016 Debtor entered into a factoring agreement ("*Factoring Agreement*") with a private company called Buena Vista Finance, LLC ("*BVF*"), which is located in San Antonio, Texas. BVF's principal is David Komet. Pursuant to the Factoring Agreement, Debtor obtained funding from BVF ($800 per client, paid up front) in exchange for providing certain rights to BVF in specific client accounts of Debtor. Each of those payments tied to one specific client, and each of those client accounts were deemed to be a 'factored account' under the Factoring Agreement.

The Factoring Agreement is a complex contract. It contains a grant of a security interest to BVF via an 'all-asset' blanket lien, which BVF subsequently perfected by filing a UCC-1 financing statement. The Factoring Agreement worked well for many months; when Debtor was paid large commissions, it would pay down the factoring line, and conversely the factoring line would increase when Debtor needed additional cash flow.

On November 3, 2017, BVF declared a default on the Factoring Agreement, and on November 6, 2017, Mr. De La Canal was locked out of the database and systems of the Debtor, and all physical locations of the Debtor's business. This bankruptcy case was filed approximately four weeks later.

Section 2.03 Assets and Liabilities of the Debtor

(a) Assets of the Debtor

Debtor filed for Chapter 11 bankruptcy on December 6, 2017 (the "*Petition Date*"). The Debtor filed for bankruptcy in order to reestablish control over its assets and property, and, more importantly, to adequately protect its policyholder clients who otherwise would have not been represented on their claim. Debtor has substantial assets, but the monetization of those assets (e.g., working through the client claims) through normal operations takes time.

In its bankruptcy schedules (as amended), Debtor identified several types of assets. First, it held some sums in bank accounts, and owned various pieces of office furniture and equipment in various locations. The largest scheduled assets are the receivable expected from the client accounts, which Debtor scheduled to be in the estimated amount of $5 million, arising from its client book of business. These receivables and anticipated receivables were sorted into several categories, depending on whether the clients were in appraisal status, litigation status, etc. After Debtor's operations resumed and stabilized many weeks after the Bankruptcy Case began, the Debtor now calculates that about $3.5 million in receivables are achievable in the post-confirmation period. Post-confirmation, Debtor will work its existing book of business, and does not anticipate taking on any new clients.

Debtor also scheduled various litigation claims against various parties that it believes it holds. After investigating the matters after the Petition Date, Debtor has filed several adversary proceedings in the Bankruptcy Case. The ones filed as of the date of the filing of this document are:

- Adversary Case No. 18- 01025, filed against defendant BVF Fund II, LLC, to avoid its unperfected security interest.

- Adversary Case No. 18-01026, filed against defendant Urban Earth LLC, for breach of contract and negligence claims. The judgment sought in this suit is in the amount of $2,235,360.60.

- Adversary Case No. 18-01027, filed against defendant Buena Vista Finance, LLC, for conversion. The judgment sought in this suit is in the amount of $516,000.00.

- Adversary Case No. 18-01028, filed against defendant BVF Fund II, LLC, for conversion. The judgment sought in this suit is in the amount of $860,000.00.

- Adversary Case No. 18-01029, filed against defendants BVF Fund II, LLC, David Komet, and Jesus 'Jesse' Diaz, for intentional interference with contractual relations, negligence, civil conspiracy, and conversion. The judgment sought in this suit is in the amount of at least $82,986.52.

- Adversary Case No. 18-01035, filed against defendants OnPoint Appraisal Services, LLC and BVF Fund II, LLC. The lawsuit seeks at least $1,501,300 from defendant OnPoint for conversion of Debtor's property, and at least $4,666,500 from defendant BVF Fund II, LLC for avoidance and recovery of a fraudulent conveyance (11 U.S.C. § 548) and for turnover of property of the bankruptcy estate (11 U.S.C. § 542). This adversary case was filed as an alternative to cases 18-01027 and 18-01028 above, in the event that Fund II argues that it purchased Debtor's property from OnPoint instead of BVF.

Recipients of this Disclosure Statement may contact Debtor's counsel at the contact information in the upper-left hand corner of the first page of this document to obtain a copy of the complaints filed in these adversary proceedings.

Debtor is continuing to assess its other potential claims, and may file additional lawsuits or adversary proceedings in the future, if in its business judgment it is deemed prudent and appropriate to do so.

(b) Liabilities of the Debtor

Debtor's original schedules identified several pre-petition creditors, including both secured claims and unsecured claims. After the Bankruptcy Case was filed, a company called BVF Fund II, LLC ("*Fund II*") appeared via counsel, and filed pleadings in this case alleging that Debtor owed it over $3 million under a contract entitled a 'Consumer Report Agreement' ("*CRA*") whereby Debtor allegedly purchases indeterminate 'consumer reports' from Fund II, a term that appears to refer to scanned files that are already located in Debtor's database. Debtor's principal does not recall signing the CRA and Debtor had never received an invoice from Fund II prior to bankruptcy. In its filed proof of claim, Fund II alternatively alleges unjust enrichment. Debtor disputes the validity of Fund II's claim (both as to the contract itself and the amounts allegedly owed to Fund II), and intends to object to Fund II's claim, on several grounds.

Post-petition, Debtor has accumulated administrative expenses in running the Bankruptcy Case. As of the date of the filing of this Disclosure Statement, which is before the deadline to file a proof of claim, the Debtor's best estimate of the claims categories and amounts owed are as follows:

Creditor / class of creditors	*Estimated allowed amount of claim(s)*
Buena Vista Finance, LLC	$395,000 (=$295,000 plus its legal fees)
TD Ameritrade, LLC (vehicle #1)	$71,380.46
TD Ameritrade, LLC (vehicle #2)	$19,764.96
Bank of America, N.A.	$50,182.69
Unpaid wage claims of employees	$11,145.69
BVF Fund II, LLC	Between $0 and $3,144,885.61
Other general unsecured claims	$580,453.71
Sergio De La Canal	$30,000
IRS (priority u/s)	Between $41,128 and $72,390.55
Atkinson Law Associates (admin)	$120,000 (approx.)
Angelo Law Firm (admin)	$50,000 (approx.)
Office of the U.S. Trustee (admin)	$0 (as of confirmation date)
TOTAL	Between $1,367,772 and $4,545,103.67

Section 2.04 Insiders of the Debtor

As the 100% owner and managing member of the Debtor, Sergio De La Canal is the sole insider of the Debtor.

Section 2.05 Management of the Debtor Before and During the Bankruptcy

Pre-petition, Sergio De La Canal and Matthew Bohm were the managers of the Debtor, with Mr. De La Canal as the President of the Debtor and person in control, and Mr. Bohm as a manager who is not a member. Those two individuals remain in that capacity throughout the pre-confirmation phase of the Bankruptcy Case.

Section 2.06 Significant Events during the Bankruptcy Case

The Bankruptcy was filed on December 6, 2017. The Debtor immediately filed applications to employ general counsel (Atkinson Law Associates, Ltd.) and special counsel (Angelo Law Firm, PLLC). Both firms were subsequently approved for employment.

Debtor soon filed an emergency motion for approval of use of cash collateral. That motion was opposed by BVF, Fund II, and David Komet. A first interim cash collateral order was docketed on December 21, 2017, and a second interim cash collateral order was docketed on January 17, 2018. A final cash collateral order was docketed on February 6, 2018, and is good through May 31, 2018. All three of those orders grant replacement certain liens to BVF and Fund II. A status hearing on the final cash collateral order is set for May 22, 2018.

In December and January 2018, Debtor issued subpoenas on BVF, Fund II, David Komet, and other entities to obtain more information.

On January 5, 2018, BVF, Fund II, and David Komet filed a motion to transfer venue of this Bankruptcy Case to Texas. That motion was withdrawn without prejudice, via stipulation on March 8, 2018.

On January 17, 2018, Debtor filed a motion to hold BVF, Fund II, and Mr. Komet in civil contempt for violation of the automatic stay of bankruptcy. That motion was withdrawn, with prejudice, via stipulation on March 8, 2018.

On January 28, 2018, Debtor filed a motion to estimate the claim of Fund II. That motion was withdrawn without prejudice, via stipulation on March 8, 2018.

On April 4, 2018, Debtor filed the first five adversary proceeding cases identified above.

On April 4, 2018, Debtor timely filed its initial disclosure statement and plan. The Debtor decided to wait until the proof of claim deadline passed prior to seeking approval of the disclosure statement.

On April 11, 2018, Fund II filed its proof of claim, which asserted a secured claim in the amount of $3,144,885.

On April 17, 2018, Debtor filed the sixth adversary proceeding case identified above.

On April 19, 2018, Debtor filed a motion to estimate the claim of Fund II, for the purposes of plan confirmation only, to be either $242,400 or $343,400.

On April 20, 2018, Debtor filed a motion to extend extension of the exclusive period for Debtor to gain acceptance of its plan, by 92 days, to September 4, 2018.

Section 2.07 Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, or to the extent previously stipulated to by the Debtor, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld.

Section 2.08 Recovery of Preferential, Avoidable, or Fraudulent Transfers

The Bankruptcy Code preserves the Debtor's rights to prosecute claims and causes of action that exist outside of bankruptcy, and also empowers the Debtors to prosecute certain claims that are established by the Bankruptcy Code, including claims to avoid and recover preferential transfers, and fraudulent conveyances.

Under Section 547 of the Bankruptcy Code, a debtor's bankruptcy estate may in certain circumstances recover preferential transfers of property during the 90 days immediately before the filing of its bankruptcy petition with respect to pre-existing debts. In the case of insiders who are creditors, the Bankruptcy Code provides for one year preference period.

If you received a payment or other transfer within 90 days of the bankruptcy, or other transfer avoidable under the Code, the Debtor may seek to avoid such transfer.

Under Section 548 of the Bankruptcy Code and applicable state law, a debtor's bankruptcy estate may in certain circumstances recover fraudulent transfers of property made prior to the filing of its bankruptcy petition. As asserted in the sixth adversary proceeding case above, the Debtor believes that one such avoidance action exists, against Fund II, in the amount of at least $4,666,500. Debtor continues to investigate matters and may uncover additional such actions against one or more persons or entities.

Additionally, avoidance actions may exist under sections 544, 545, 549 and 553(b) of the Bankruptcy Code that allow a debtor to avoid and/or recover certain property. The Debtor is currently aware of one such avoidance action, under Section 544 of the Bankruptcy Code, against entity BVF Fund II, LLC, to avoid its unperfected lien. Debtor has already filed an adversary proceeding on that matter (as identified above).

Article III. SUMMARY OF THE PLAN OF REORGANIZATION

Section 3.01 How Creditors and Interest Holders are Classified under the Plan, and Their Treatment under the Plan

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

Section 3.02 Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Bankruptcy Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in such claim holder's view, the treatment under the Plan does not comply with that required by the Code. As such, pursuant to Section 1123(a)(1) of the Bankruptcy Code, the following claims are not placed in any class:

(a) Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtor's Chapter 11 case which are allowed under Section 503(b) of the Bankruptcy Code. Pursuant to Section 1129(a)(9) of the Bankruptcy Code, all administrative expenses be paid in full on the effective date of the Plan, unless a particular claimant agrees to a different treatment. The Bankruptcy Code also requires that statutory fees owed 28 U.S.C. § 1930 have been paid or will be paid on the effective date of the Plan.

The following chart lists all of the Debtor's anticipated administrative expenses as of the Effective Date, and their treatment:

UNCLASSIFIED ADMINISTRATIVE EXPENSE CLAIMS

Name	Estimated Amount Owed at Plan Confirmation	Treatment
Atkinson Law Associates Ltd. (professional fees for Debtor's counsel – final fee application)	$120,000 ±	Paid in full on the later of: (i) the Effective Date; (ii) upon Court approval of the allowed claim; or (iii) a later date if the claimant agrees to such different treatment.
Angelo Law Firm PLLC (professional fees for special counsel for Debtor – final fee application)	$50,000 ±	Paid in full on the later of: (i) the Effective Date; (ii) upon Court approval of the allowed claim; or (iii) a later date if the claimant agrees to such different treatment.
Office of the United States Trustee (statutory fees)	0.00	Paid in full on the Effective Date of the Plan, if any such fees are then due and owing.
TOTAL	**$**170,000 ±	

Notwithstanding the foregoing or anything to the contrary in the Plan, after the Effective Date the Debtor shall continue to be responsible for timely payment of all U.S. Trustee statutory fees (per 28 U.S.C. § 1930), until a final decree closing this case is entered.

(b) Priority Tax Claims

Priority unsecured tax claims include certain income, employment, property, and other taxes described by Section 507(a)(8) of the Bankruptcy Code. Section 1129(a)(9)(C) of the Bankruptcy Code requires that each holder of such a priority tax claim receive the value of such claim regular installment payments in cash that is: (i) of a total value, as of the effective date of the plan, equal to the allowed amount of such claim; (ii) over a period ending not later than five years after the Petition Date; and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan.

The following chart lists the Debtor's known Section 507(a)(8) priority tax claims and their treatment under the Plan:

UNCLASSIFIED PRIORITY UNSECURED TAX CLAIMS

Claimant	Estimated Claim Amount	Treatment
Internal Revenue Service	Between $41,128.00 (as calculated by Debtor) and $72,390.55 (per Proof of Claim #2)	• Paid in one lump sum payment on or before 12/31/2018. • In addition, interest on the claim shall accrue from the Effective Date to the date of payment, which shall be paid at the IRC 6621 statutory interest rate.

Texas Workforce Commission	$0	• Paid in one lump sum payment on or before 12/31/2018, if any such claim exists and is allowed.
Colorado Department of Labor and Employment	$41.07	• Paid in one lump sum payment on the Effective Date

Section 3.03 Classified Claims

The following table summarizes the Plan classes and their impairment:

TABLE 1: CLAIM CLASSIFICATION STRUCTURE

SECURED ALLOWED CLAIMS:

Class	Claimant	Type	Collateral	Impaired?
Class 1	Buena Vista Finance, LLC	Secured	Per UCC-1	Yes
Class 2	TD Auto Finance	Secured	2015 Nissan	Not impaired
Class 3	TD Auto Finance	Secured	2016 Nissan	Not impaired
Class 4	Bank of America, N.A.	Secured	2015 Ford F250	Not impaired

PRIORITY UNSECURED ALLOWED CLAIMS:

Class	Claimant	Impaired?
Class 5	Various employees, for pre-petition wages	Not impaired

UNSECURED ALLOWED CLAIMS:

Class	Claimant	Impaired?
Class 6	General unsecured claims	Yes
Class 7	BVF Fund II, LLC	Yes

SUBORDINATED UNSECURED ALLOWED CLAIMS:

Class	Claimant	Impaired?
Class 8	Sergio De La Canal	Yes

EQUITY INTERESTS:

Class	Claimant	Impaired?
Class 9	Sergio De La Canal	Yes

Each class and the proposed treatment that they will receive under the Plan are described below.

(a) Classes of Secured Claims

Allowed secured claims are claims secured by property of the Debtor's estate, to the extent allowed as secured claims under Section 506 of the Bankruptcy Code.
Four of the Plan classes are for allowed secured claims: the sole perfected blanket secured creditor (Buena Vista Finance, LLC) has its own class, and the three vehicle lenders (whose security interests were perfected via a title lien against a vehicle) also each have their own class. None of the secured creditors are insiders of the Debtor.

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

Class #	Description	Impaired?	Treatment
1	**Claimant**: Buena Vista Finance, LLC **Collateral**: Blanket lien on all assets, per UCC-1 **Claim amount**: $295,000.00, plus GTG Fees and Expenses (as that term is defined in Docket Entry #227)	Impaired	• Paid in full. • No interest is paid on this claim. • Per court order, $21,995.83 has been paid prior to Plan confirmation • The remaining amount [$273,004.17, plus GTG Fees and Expenses] is paid as follows: - Entire amount held in Debtor's dedicated sweep DIP account to be paid to BVF on the Effective Date. - Remainder to be paid in full on or prior to June 30, 2019. • Factoring Agreement is rejected. BVF prohibited from exercising any default remedies under the UCC except and unless Debtor defaults in its Plan payment obligations and timing, as specified above. Any power of attorney granted to BVF is revoked. Title to any items or interests previously 'factored' to BVF shall re-vest to Debtor on the Effective Date.
2	**Claimant**: TD Auto Finance **Collateral**: 2015 Nissan GT-R **Claim amount**: $71,380.46	Not impaired	• No change to loan terms • On the Effective Date, Debtor shall pay $1,312.91 to cure the default that existed on the Petition Date, along with all other amounts to cure the default and bring the account current.

3	**Claimant**: TD Auto Finance **Collateral**: 2016 Nissan NV200 **Claim amount**: $19,764.96	Not impaired	• No change to loan terms • On the Effective Date, Debtor shall pay $431.37 to cure the default that existed on the Petition Date, along with all other amounts to cure the default and bring the account current.
4	**Claimant**: Bank of America, N.A. **Collateral**: 2015 Ford F250 **Claim amount**: $50,182.69	Not impaired	• No change to loan terms • On the Effective Date, Debtor shall pay $3,055.71 to cure the default that existed on the Petition Date, along with all other amounts to cure the default and bring the account current.

(b) Classes of Priority Unsecured Claims

Certain priority claims that are referred to in Sections 507(a)(1), (4), (5), (6), and (7) of the Bankruptcy Code are required to be placed in classes.

The Debtor has one such class, who have pre-petition wage claims against the Debtor and thus are priority unsecured claim holders pursuant to Section 507(a)(4). The following chart contains their proposed treatment under the Plan:

Class #	Description	Impaired?	Treatment
5	**Claimants**: The allowed Section 507(a)(4) pre-petition wage claims of Debtor's employees	Not impaired	• Paid in full on or prior to July 31, 2019, but only after Class 1 is paid in full.

(c) Classes of General Unsecured Claims

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

Section 1122(a) of the Bankruptcy Code states that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. For this reason, the claim of Fund II has been placed in its own class, because it is not substantially similar to the other general unsecured claims. Fund II's claim is not substantially similar to other general unsecured claims for several reasons:

- Section 3.17 of the CRA implies that Debtor is to pay Fund II as a disbursement *from policyholder-client funds* as part of the disbursement of an insurance

settlement, *not Debtor's operating funds*, and therefore is not an obligation of the Debtor[2];

- Payment on Fund II's claim is subject to offsets, as a result of the multiple adversary proceedings launched by Debtor against Fund II, seeking monetary damages;
- Fund II's entire claim might be void because: (i) the CRA is unenforceable on public-policy grounds; and/or (ii) there was no meeting of the minds at the time the CRA was allegedly entered into by Debtor;
- Fund II's claim derived from the CRA has another source of payment, because if the CRA is void or is otherwise unenforceable, then Fund II has a malpractice claim against its Texas counsel who drafted the CRA;
- Fund II's claim derived from the CRA has another source of payment, because Fund II appears to have produced invoices to all affected policyholders (thereby providing justification as to why $2,000 of policyholder funds should be disbursed to Fund II instead of the policyholder) and thus can seek payment directly from a policyholder if they feel that those 'invoices' are valid;
- Fund II's claim derived from unjust enrichment has another source of payment, because Debtor's analysis of Fund II's money flow shows that the majority of funds disbursed by Fund II went into the bank accounts of an entity called OnPoint Appraisal Services, LLC, not Debtor. Therefore, Fund II could seek recovery from OnPoint and whatever persons and entities OnPoint subsequently distributed those monies to.

The following chart identifies the Plan's proposed treatment of Classes 6 and 7, which contain general unsecured claims against the Debtor:

Class #	**Description**	**Impaired?**	**Treatment**
6	**Claimants**: All allowed general unsecured claims, except for the claim of BVF Fund II, LLC	Impaired	• Paid between August 1, 2019 and November 30, 2021 (i.e., only after Classes 1 and 4 are paid in full) • Minimum of 6.8% payout percentage on allowed claims • Paid with all available operating cash flow, up to 100% of allowed claim.[3]

[2] This interpretation makes sense in light of the facts that: (i) Debtor has no records of ever paying Fund II any monies at all from its operating account; (ii) prior to bankruptcy, Debtor never received any invoice from Fund II; and (iii) during the bankruptcy case, Debtor discovered an invoice from Fund II to a policyholder.

[3] The percentage ultimately paid ranges from 6.8% to 100%, depending on assumptions. If all of the Debtor's litigation is successful and the claim of Fund II survives in full, then Debtor estimates that up to 86% of the allowed claim amounts will be paid. If none of the litigation is successful and the claim of Fund II survives in full, then 6.8% of the allowed claims will be paid. If all of the litigation is successful and the claim of Fund II is reduced to zero, then 100%

7	**Claimant**: BVF Fund II, LLC	Impaired	• Paid between August 1, 2019 and November 30, 2021 (i.e., only after Classes 1 & 4 are paid in full) • Minimum of 6.8% payout percentage on allowed claim • Subject to offset. Otherwise, paid with all available operating cash flow up to the amount of the allowed claim that is not offset.[4] • CRA is rejected. Any power of attorney granted to Fund II is revoked.

(d) Classes of Subordinated General Unsecured Claims

Subordinated general unsecured claims which have been subordinated to the claims of the general unsecured claims, pursuant to Section 510 of the Bankruptcy Code.

The Debtor has one claim against it by an insider, namely, Sergio De La Canal, who has agreed to equitably subordinate this claim relative to general unsecured claims.

The following chart identifies the Plan's proposed treatment of this Class 8:

Class #	Description	Impaired?	Treatment
8	**Claimant**: Sergio De La Canal	Impaired	• Shall receive no distribution under the Plan, unless and until the allowed claims of Classes 6 and 7 are paid in full

(e) Classes of Equity Interest Holders

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

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of the allowed claims will be paid. If none of the litigation is successful and the claim of Fund II is reduced to zero, then 42% of the allowed claims will be paid.

[4] See footnote 10 of the Plan for a description of the offsets.

The Debtor has one such equity interest holder class. The following chart identifies the Plan's proposed treatment of this Class 9:

Class #	Description	Impaired?	Treatment
9	**Interest Holder**: Sergio De La Canal	Impaired	• All equity ownership shall be surrendered by Mr. De La Canal. • 100% of equity in the reorganized Debtor shall be acquired on the Effective Date by individual Yully "Julie" Toro, for the price of $10,000. The $10,000 shall be deposited into the operating bank account of Debtor. • Ms. Toto's shares will be restricted, in that she cannot sell or transfer them prior to December 31, 2021. • After the Effective Date, Debtor shall not issue any more equity to any person or entity.

Section 3.04 Absolute Priority Rule

The absolute priority rule comes into play during the Chapter 11 plan confirmation process. Under Section 1129(b)(1) of the Bankruptcy Code, a creditor's plan objection will be upheld if the plan: (1) discriminates unfairly; or (2) is not fair and equitable with respect to each non-accepting class of claims or interests that is impaired under the plan.

For a dissenting class of impaired unsecured creditors, a plan is 'fair and equitable' only if the allowed value of the claim is to be paid in full, or if the holder of any claim or interest that is junior to the dissenting creditors will not receive or retain any property under the plan on account of such junior claim or interest. This condition, which is codified in Section § 1129(b)(2)(B)(ii) of the Bankruptcy Code, is generally referred to as the absolute priority rule. In layman's terms, the absolute priority rule describes the basic order of payment in a corporate bankruptcy: excluding unclassified claims, secured creditors get paid first, and then unsecured creditors get paid next (in order of priority), and only then do shareholders get paid, if at all. Moreover, if all unsecured claims are not paid in full, then equity interest holders generally must surrender their equity, and a new person or entity must acquire reissued equity in the reorganized Debtor.

The Plan satisfies the absolute priority rule because each successive class of claims is paid in the correct order and timing. Other than the term loans of the vehicle lenders, the secured claim of BVF (Class 1) is paid in full before Class 5; Class 5 is paid in full before Classes 6 and 7; and Classes 8 and 9 get nothing under the Plan. Moreover, equity holder Sergio De La Canal is surrendering his equity, and Ms. Toto is acquiring 100% of the equity of the Debtor for $10,000, which shall be paid to Debtor. Ms. Toto, who is not

related to Sergio De La Canal, currently works for Debtor and is very knowledgeable of its operations and client base. This is a terrific opportunity for her to advance her career and be the proud owner of a woman-owned business.

The purchase price of $10,000 is reasonable because the Plan specifies that all net profits shall be distributed to allowed claim holders, meaning that no profits shall be distributed as dividends to Ms. Toto. Indeed, because the Plan is a liquidating plan, then Ms. Toto cannot enjoy any dividends or profits as an owner of the Debtor because of Local Bankruptcy Rule 3011.1(c). As articulated in Section V(D)(ii) of the Plan: "[i]f all allowed claims are paid in full, and cash profits still exist from the operation of Debtor's business and/or from litigation proceeds and collections, or if the Debtor has otherwise undistributable funds as defined in Local Rule 3011.1(c)(1), then the Debtor shall distribute all such undistributable funds to the American Red Cross charity, pursuant to Local Rule 3011.1(c)(2). No undistributable funds shall be distributed as a dividend or other distribution to equity." As a result, the price paid by Ms. Toto for her equity is a price that is appropriate for her to invest in her future and be the owner and President of her own business for several years.

Section 3.05 Means of Implementing the Plan

(a) Funding for the Plan

The financial model attached hereto as Exhibit 1 ("*Financial Model*") outlines the Debtor's prospective post-confirmation sources and uses of income. This financial model contains estimated results only, using the Debtor's business judgment as to projections; the actual post-confirmation financial results of the Debtor (including operating revenues and expense line items, and net litigation proceeds) may significantly vary from what is projected.

The Debtor will fund the Plan with its cash flow from operations, and from net litigation proceeds. The Debtor is expected to have sufficient projected cash flow to completely fund the Plan disbursements (including the minimum level of disbursements to Classes 6 and 7). Cash flow from litigation on the Debtor's claims and causes of action may be used to supplement, and pay sooner, disbursements under the Plan.

(b) Post-Confirmation Management

After Plan confirmation, the President, person in control, and a managing individual of the reorganized Debtor will be Yully "Julie" Toto, an individual who is purchasing all of the membership equity interests of the Debtor via the confirmed Plan. Post-confirmation, Mr. De La Canal will continue to be an officer (Vice President) and also a managing individual of the Debtor, but he shall not be a member of the reorganized Debtor and shall only be an employee of the reorganized Debtor after the Effective Date. Mr. Bohm is expected to depart the company shortly after Plan confirmation. Ms. Toto currently works for the Debtor and is very familiar with the Debtor's client portfolio and operations. As noted above, Mr. De La Canal holds an individual license as a public adjuster in the State of Texas. In addition, Ms. Toro is expected to also have her individual public adjuster license in the State of Texas by the Effective Date.

(c) Post-Confirmation Operations

The reorganized Debtor may operate its business in the normal course, and may use, acquire or dispose of property and compromise or settle any claims without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order.

As a liquidating Plan, the Plan obligates Debtor to monetize, over time and in the normal course of business, its entire current portfolio of commercial and residential clients, and make distributions in accordance with the Plan provisions. That process is best described as 'working its book of business down over time' in a manner that is in the best interests of its clients, as compared to a fire-sale liquidation. In order to make the minimum distributions to Classes 6 and 7 shown in the Plan, Debtor does reserve the right to, but shall not be obligated to, take on one or more additional commercial clients after Plan confirmation.

Section 3.06 Executory Contracts and Unexpired Leases

The term 'assumption' means that that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any.

Upon Plan confirmation, the Debtor shall assume only the following two leases (collectively, the "*Assumed Leases*"):

Counterparty to Lease	**Description**
MDK Investment Group	Colorado site lease
Sandra Mendoza	El Paso site lease

No cure is required for these leases. The Plan's Confirmation Order shall constitute an order approving the assumption of the Assumed Leases. If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed above will be rejected under the Plan. If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

The deadline for filing a Proof of Claim based on a claim arising from the rejection of a lease or contract is set by the Plan to be 30 days from the date of entry of the Confirmation Order. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

Section 3.07 Risk Factors

Although the Debtor believes that the Plan will satisfy all requirements necessary for Confirmation by the Bankruptcy Court, the Debtor gives no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, the Debtor gives no assurance that modifications to the Plan will not be required for Confirmation or that such modifications would not necessitate the re-solicitation of votes. Although the Debtor believes that the Effective Date will occur soon after the Confirmation Date, the Debtor gives no assurance as to such timing.

Although Debtor believes that all adversary proceedings that have been filed to date have substantial merit, litigation is inherently a risky proposition. Information obtained through the discovery process may reduce, or even eliminate, certain claims that Debtor currently believes it holds against third parties. Moreover, even if a successful judgment is obtained, it is possible that the Debtor may not be able to collect from that person or entity on such judgment. However even if none of the litigation succeeds, the Debtor still will be able to pay out the minimum percentages to general unsecured creditor classes, as specified in the Plan.

Section 3.08 Tax Consequences of Plan

Debtor is taxed as a Schedule C business on the personal Federal income tax return of its owner, Sergio De La Canal. No tax consequences are expected to arise for Debtor directly as a result of Plan confirmation. However, as a result of the change in ownership of the equity of the Debtor (whereby Ms. Toto will be the sole shareholder upon the Effective Date), the reorganized Debtor is expected to elect to change its taxable entity type to be taxed as a C-Corporation, via IRS Form 8832. This taxation structure best matches the Plan because all post-tax profits will be distributed to creditors under the Plan. In comparison, via an S-Corporation election or as a disregarded entity, the financial results of the business would automatically roll onto the personal tax return of Ms. Toto either directly (via a Schedule C entry) or via a K-1. Thus, a C-Corporation election is cleanest; no profits would be released from the business without Ms. Toto proactively making a dividend, and doing so would be in violation of the Plan restrictions prohibiting profit distributions to the equity layer.

With respect to creditors whose claims are not impaired under the Plan, no gain or loss on the claim is expected to be incurred by those claim holders. Thus, no tax consequences are expected to arise for creditors as a result of Plan confirmation. With respect to creditors whose claims are impaired under the Plan but who are to receive a distribution under the Plan, those claim holders would be expected to incur a loss on the claim; however, Debtor cannot provide any advice as to the timing or amount of that loss, because the final payout amounts to these Classes is dependent upon the profitability of the reorganized Debtor and the success of its litigation. With respect to creditors whose claims are impaired under the Plan and who are not to receive any distribution under the Plan, those claim holders would be expected to incur a loss on the claim, possibly in this tax year. The Debtor cannot provide tax advice to any claim holder. ALL HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE

FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

Article IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in Section 1129 of the Bankruptcy Code. These include the requirements that:

- the Plan must be proposed in good faith;
- if a class of claims is impaired under the Plan, then at least one impaired class of claims must accept the plan, without counting votes of insiders;
- the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and
- the Plan must be feasible.

These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

Section 4.01 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.

As identified above, the Plan has several classes of claims that are impaired, and therefore allowed claims in these four Classes have the right to vote to accept or reject the Plan.

(a) 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 Debtor's 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 to file claims in this case was April 11, 2018 for non-governmental persons and entities, and June 4, 2018 for governmental units. ONLY CLAIMS THAT ARE

ALLOWED UNDER SECTION 502 OF THE BANKRUPTCY CODE AND OTHER APPLICABLE LAW (INCLUDING SECTIONS 506 AND 1111(a) OF THE CODE) SHALL BE TREATED IN ACCORDANCE WITH THE PLAN. DISALLOWED CLAIMS SHALL RECEIVE NOTHING UNDER THE PLAN. MOREOVER, ANY PROOF OF CLAIM THAT IS NOT TIMELY FILED BY THE APPLICABLE DEADLINE (OR DEEMED FILED UNDER 11 U.S.C. § 1111(a)) SHALL BE DISALLOWED IN ITS ENTIRETY.

(b) What Is an Impaired Claim or an 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 Section 1124 of the Bankruptcy Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

(c) Who is Not Entitled to Vote?

The holders of the following 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;
- 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;
- Holders of claims or equity interests in unimpaired classes;
- Holders of claims entitled to priority pursuant to Sections 507(a)(2), (a)(3), and (a)(8) of the Bankruptcy Code;
- Holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- Administrative expenses.

EVEN IF YOU ARE NOT ENTITLED TO VOTE ON THE PLAN, YOU HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

Section 4.02 Votes Necessary to Confirm the Plan

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

(a) Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept

the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

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.

(b) Treatment of Non-Accepting Classes

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

YOU SHOULD CONSULT YOUR OWN ATTORNEY IF A 'CRAM DOWN' CONFIRMATION WILL AFFECT YOUR CLAIM OR EQUITY INTEREST, AS THE VARIATIONS ON THIS GENERAL RULE ARE NUMEROUS AND COMPLEX.

Section 4.03 Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation.

The Debtor's liquidation analysis is shown in Exhibit 2 attached hereto. As shown in Exhibit 2, unsecured creditors would likely not receive any distribution at all if the case were converted to chapter 7. Because the Plan provides for a non-zero distribution to Classes 1 through 7, holders of those claims will receive at least as much under the Plan as they would receive if the case were converted to one under chapter 7.

Section 4.04 Feasibility

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

Debtor, as Plan proponent, asserts that it will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are to be paid on that date, which are nominal and identified and described in the specific plan treatments found in the Plan.

A plan proponent must also show that Debtor will have enough cash over the life of the Plan to make the required Plan payments. As shown in the Financial Model, the Debtor projects that it will have a total operating income / cash flow of almost $4 million between

Plan confirmation and December 31, 2021, which is more than sufficient to pay the minimum distributions proposed in the Plan. Indeed, as discussed in footnote 3 above, 100% of all allowed general unsecured claims might be paid under certain assumptions. Because the Plan simply distributes all available cash profits, the projected cash flow of the Debtor by definition meets the Plan's cash flow requirements. Confirmation of the Plan is not likely to be followed by the liquidation of, or the need for further reorganization of, the reorganized Debtor. Accordingly, the Plan is feasible.

YOU SHOULD CONSULT WITH YOUR ACCOUNTANT OR OTHER FINANCIAL ADVISOR IF YOU HAVE ANY QUESTIONS PERTAINING TO THESE PROJECTIONS.

Article V. EFFECT OF CONFIRMATION OF PLAN

Section 5.01 Discharge

The Debtor has over 1,000 existing clients and, as shown in the Financial Model, the Debtor will substantially engage in business for several years after consummation of the Plan. In addition, per Section V(C) of the Plan, Debtor may take on new commercial clients after Plan confirmation, in order to pay the minimum distribution amounts to Classes 6 and 7. Thus, Section 1141(d)(3)(B) of the Bankruptcy Code is satisfied, and Debtor is entitled to a discharge of its debts pursuant to Section 1141(d) of the Bankruptcy Code.

On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to the extent specified in Section 1141(d)(1)(A) of the Bankruptcy Code. However, the Debtor shall not be discharged from any debt imposed by the Plan. After the effective date of the Plan your claims against the Debtor will be limited to the debts imposed by the Plan.

Section 5.02 Modification of the Plan

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

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

Section 5.03 Final Decree

When the Debtor's Chapter 11 estate has been fully administered as referred to in Bankruptcy Rule 3022, the Debtor may file a motion with the Bankruptcy Court to obtain a final decree to close this Chapter 11 bankruptcy case. Pursuant to Local Bankruptcy Rule 3022, unless there are pending contested matters or adversary proceedings, a non-individual chapter 11 case is deemed fully administered 180 days after plan confirmation, and the clerk may then enter a final decree without further notice.

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Respectfully Submitted,

For DEBTOR / PLAN PROPONENT:

By: /s/ Sergio De La Canal
SERGIO DE LA CANAL
Managing Member

/s/ Robert Atkinson
ROBERT E. ATKINSON, ESQ.
Nevada Bar No. 9958
Reorganization Counsel for Debtor

EXHIBIT 1

to Disclosure Statement:

Financial Model

FINANCIAL MODEL

	Estimated				
INCOME:	Jun - Dec 2018	Annual 2019	Annual 2020	Annual 2021	Total	
Operating Revenue (all fees from insurance claim settlement):						
Fees from existing commercial clients	$1,300,000	$500,000			$1,800,000	*See Note 1*
Fees from existing residential clients	$600,000	$500,000	$400,000	$195,271	$1,695,271	
Total Commission Income (10%, per TIC §4102.104)	**$1,900,000**	**$1,000,000**	**$400,000**	**$195,271**	**$3,495,271**	
Plus reimbursement of advanced client expenses	$0	$175,500	$67,500	$27,000	$270,000	*See Note 2*
Plus recoveries from litigation	$0	$3,156,803	$0	$0	$3,156,803	*See Note 3*
Plus purchase of 100% reissued equity by Julie Toro	$10,000	$0	$0	$0	$10,000	
TOTAL REVENUES	**$1,910,000**	**$4,332,303**	**$467,500**	**$222,271**	**$6,932,074**	
Corporate Operating Expenses:						
Rent	($39,200)	($36,000)	($12,000)	($12,000)		*See Note 4*
Vehicles	($22,434)	($38,458)	($38,458)	($20,571)		*See Note 5*
New damage estimates	($579,150)	$0	$0	$0		*See Note 6*
Corporate Operations - travel, fuel, insurance, misc.	($91,000)	($156,000)	($78,000)	($39,000)		
Management Fee - Julie Toro	($105,000)	($180,000)	($108,000)	($72,000)		*See Note 7*
Management Fee - Manager #2 (De La Canal)	($70,000)	($120,000)	$0	$0		*See Note 8*
Other staff expenses	($105,000)	($180,000)	($72,000)	($36,000)		*See Note 9*
Bookkeeping / accounting	($34,559)	($59,244)	($9,000)	($9,000)		*See Note 9*
UST statutory fees	($9,750)	($4,875)	$0	$0		
Total Operating Expenses	($1,056,093)	($769,702)	($317,458)	($188,571)	($2,331,825)	
Advanced Client Expenses						
New appraisals + umpire fees	($270,000)	$0	$0	$0		*See Note 2*
Total Advanced Client Expenses	($270,000)	$0	$0	$0	($270,000)	
Litigation Fees and Expenses						
Litigation Fees and Expenses (to prosecute APs)	($100,000)	($250,000)	$0	$0		
Total Litigation Fees and Expenses	($100,000)	($250,000)	$0	$0	($350,000)	
TOTAL EXPENSES	**($1,426,093)**	**($1,019,702)**	**($317,458)**	**($188,571)**	**($2,951,825)**	
Net operating income / cash flow	**$483,907**	**$3,312,600**	**$150,042**	**$33,700**	**$3,980,248**	

ALL CASH FLOW IS PAID TO CREDITORS:

Cash paid on claims:		**Claim Amount**	**% paid**	**Paid Via Plan**	
Administrative expenses of Atkinson Law Associates Ltd.	*Approx.*	$ 120,000	100%	$ 120,000	
Administrative expenses of Angelo Law Associates PLLC	*Approx.*	$ 50,000	100%	$ 50,000	
Priority unsecured tax claim of IRS	*Up to*	$ 72,391	100%	$ 72,391	
Priority unsecured tax claim of TWC	*Approx.*	$ -	100%	$ -	
Priority unsecured tax claim of Colorado TLE		$ 41	100%	$ 41	
Class 1 - Secured claim of Buena Vista Finance	*Approx.*	$ 395,000	100%	$ 395,000	
Classes 2, 3, 4 - secured claims of vehicle lenders	*Approx.*	$ 119,922	100%	$ 119,922	
Class 5 - priority unsecured wage claims	*Approx.*	$ 11,146	100%	$ 11,146	
Class 6 - general unsecured claims	*Approx.*	$ 580,454	86%	$ 500,430	*See Note 1*
Class 7 - BVF Fund II, LLC	*Max*	$ 3,144,886	86%	$ 2,711,318	*See Note 10*
Class 9 - Subordinated claim of Sergio De La Canal	*Approx.*	$ 30,000	0%	$ -	
Total cash paid on Claims				**$3,980,248**	

NOTES:

1. Debtor reserves the right to take on one or more new commercial clients in order to make the minimum Plan distributions to Classes 6 and 7

2. Debtor estimates that approximately 600 of its clients will require an appraisal. Debtor will be advancing the costs of the appraisal ($450), and umpire if necessary ($500), and reimbursed by the client for those advanced expenses when an award is issued and a settlement is paid.

3. Debtor's estimate of the probable gross recoveries of the adversary proceedings filed by Debtor, i.e., likelihood of success times amought sought, with collections factor.

4. Reduces to executive offices only in Jan 2019 (est.: $1.000/month), in three locations (El Paso, Victoria, and San Antonio). Reduces to one executive office in 2020.

5. Vehicles paid monthly, per Plan. One car sold in December 2020, which is estimated date when that vehicle's market value is the loan value. Other two vehicles sold in end of 2021 when market value is estimated to be equal to loan value, i.e., cars are sold off to pay loans in full.

6. Debtor has 1,287 clients for which damage estimates have to be performed (both work-in-progress clients, and also litigation clients for which the litigation counsel has requested a new estimate from a source other than OnPoint). The typical cost of each damage estimate is $400, plus $50 for the roof report. $450 times 1,287 is $579,150.

7. President Julie Toro paid $15,000/month in 2018-2019. Pay reduced in half in 2020, and further reduced in 2021, to reflect the reduced workload in those years.

8. Sergio De La Canal to be paid $10,000/month in 2018-2019.

9. Other staff paid at $36,000/year. Staff to be reduced to 2 persons in 2020, and 1 person in 2021. Bookkeeping at $4,937/month through 2019, and then reduced to $2,250/quarter thereafter.

10. This line item is based on the maximum claim amount of Fund II, as shown in its proof of claim. Debtor expects that this claim amount will be reduced significantly, and possibly to zero. All excess profits of the business will be undistributable funds and distributed in accordance with Section V(D)(ii) of the Plan.

EXHIBIT 2

to Disclosure Statement:

Liquidation Analysis

EXHIBIT 2:

LIQUIDATION ANALYSIS

A. OVERVIEW

A chapter 11 plan cannot be confirmed unless the bankruptcy court determines that the Plan is in the best interests of all holders of claims and interests that are impaired by the Plan and that have not accepted the Plan. The 'best interests' test requires a bankruptcy court to find either that (i) each claim holder of an impaired class have accepted the plan, or (ii) each claim holder of an impaired class will receive or retain under the Plan on account of such claim or interest property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

In other words, each creditor who has not accepted the plan is supposed to receive more under the Plan than the amount that would be received if the Debtor was liquidated in a chapter 7 bankruptcy. Accordingly, the analysis below calculates the distributions available if the Debtor were liquidated in a Chapter 7 instead of reorganized under its Chapter 11 Plan.

B. DISCLAIMERS

The Debtor has prepared this liquidation analysis (the "*Liquidation Analysis*") based on a hypothetical liquidation under chapter 7 of the Bankruptcy Code. It is assumed, among other things, that the hypothetical liquidation under chapter 7 would be conducted under the direction of a court-appointed Chapter 7 trustee.

The determination of the costs of, and proceeds from, the hypothetical liquidation of the Debtor's assets in a chapter 7 case is an uncertain process involving the use of estimates and assumptions that may not materialize in an actual chapter 7 liquidation, and unanticipated events and circumstances could affect the ultimate results in an actual chapter 7 liquidation.

THE LIQUIDATION ANALYSIS IS NOT A VALUATION OF THE DEBTOR'S ASSETS AS A GOING CONCERN. THERE MAY BE A SIGNIFICANT DIFFERENCE BETWEEN THE LIQUIDATION ANALYSIS AND THE VALUES THAT MAY BE REALIZED IN AN ACTUAL LIQUIDATION. THIS ANALYSIS ASSUMES "LIQUIDATION VALUES" BASED ON THE DEBTOR'S BUSINESS JUDGMENT.

THE UNDERLYING FINANCIAL INFORMATION IN THE LIQUIDATION ANALYSIS WAS NOT COMPILED OR EXAMINED BY ANY INDEPENDENT ACCOUNTANTS. NEITHER THE DEBTOR NOR HIS ADVISORS MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS WOULD OR WOULD NOT APPROXIMATE THE ESTIMATES AND ASSUMPTIONS REPRESENTED IN THE LIQUIDATION ANALYSIS. ACTUAL RESULTS COULD VARY MATERIALLY.

C. NON-OPERATION

A chapter 7 trustee generally does not run a chapter 7 debtor's business, and would have to obtain court approval to do so under Section 721 of the Bankruptcy Code. Even then, a trustee may only operate the business for a limited period.

In this instance, a chapter 7 trustee would almost certainly not be able to operate the Debtor's business at all for any period of time, because the Debtor is a regulated entity. By statute (Texas Insurance Code § 4102.055(c)), every licensed public adjuster company (such as Debtor) must have at least one officer or managing individual who themselves are a person who are a licensed public adjuster. In Debtor's case, Mr. De La Canal is that licensed individual, and he likely would not be available to perform that role if this bankruptcy case were converted to chapter 7.

In short, a chapter 7 liquidation would be a traditional fire-sale liquidation and distribution of the Debtor's assets.

D. LIQUIDATION

The Debtor's value is derived entirely from achieving successful settlements and recoveries for its customers, pursuant to which Debtor is entitled to a 10% commission fee on all amounts that it recovers for its clients. That fee is earned only upon recovery actually being reached for its clients, i.e., through the Debtor's operations. In other words, the Debtor's business is entirely contingent: its fees are earned only upon a successful outcome for its customers, from its operations. Moreover, Debtor's fees are payable only at the end of the process.

Because the business cannot be operated in a chapter 7, the value of the Debtor's book of business collapses to virtually nothing, because Debtor's fees are not payable until after all of the work on a client file is completed. Every one of Debtor's clients would have to be notified of the chapter 7 conversion, and that their public adjuster is out of business. Every customer would be obligated to find another public adjuster to pursue their claim.

The only value of Debtor's book of business that could be monetized by a chapter 7 trustee would be:

i. ***Imminent Accounts Receivable***. These monies are receivables for which the debtor's work is completed, and the settlement checks are already in circulation for endorsement by the insureds, mortgage companies, etc. A chapter 7 bankruptcy estate would have a right to receive the Debtor's 10% commission fee embedded in that settlement check, because it would have been fully earned at that point. At any point in time, the value of the "checks in circulation for endorsement" is estimated by Debtor to be $300,000 to $500,000. Applying the 10% fee, the value of this "imminent accounts

receivable" income (i.e., earned but not yet paid, but will soon be paid via settlement checks in circulation) is therefore between $30,000 and $50,000. For the purpose of this Liquidation Analysis, the mid-point of $40,000 is chosen.

ii. ***Earned-But-Deferred-Income***. In its amended schedules [DE #82], Debtor identified $876,628.45 in accounts receivable that is "Fully-earned income awaiting payment". These monies have indeed been fully earned (arising from claims in which the insurer has already paid some amount on the claim), and these receivables are to be paid at the end of a successful claim process. For example, if an insurer has paid $5,000 on a claim being handled by Debtor, but the insured wants more, Debtor has earned $500 (and will earn more if the claim ultimately resolves for more than $5,000). If that claim process is interrupted by a chapter 7 conversion, the customer still owes the $500 to Debtor, because the insurer has already agreed to pay at least that much. However, a chapter 7 trustee will find it extremely difficult to monetize these receivables because they are claims of just a few hundreds of dollars spread across many hundreds of clients. The chapter 7 trustee would have to send out letters to these clients and hope that they pay; the claim against each customer is so small that litigating the claim would never be cost-effective. Accordingly, the Debtor estimates that, at most, 5% of this amount would be recovered by a chapter 7 trustee's letter-writing campaign. For the purpose of this Liquidation Analysis, the value of this asset is therefore estimated to be $43,831.00.

In addition, the Debtor does have litigation claims as assets. Specifically, the Debtor asserts that it has the following claims:[1]

- ***Litigation claims in adversary proceeding case 18-01026 against Urban Earth LLC***. Debtor currently estimates that the value of this claim is $2,235,360. A chapter 7 trustee would, in all likelihood, settle this claim out for a fraction of its gross value. For the purpose of this Liquidation Analysis only, the fraction is estimated at 15%, so the gross value of this asset is therefore estimated to be $335,304.00.

- ***Litigation claims in AP case 18-01027 against Buena Vista Finance, LLC***. Debtor currently estimates that the value of this claim is $516,000. A chapter 7 trustee would probably settle this claim out for a fraction of its gross value. For the purpose of this Liquidation Analysis only, the fraction is estimated at 15%, so the gross value of this asset is therefore estimated to be $77,400.00.

[1] Based on information and discovery obtained post-petition, the other litigation claims identified in the schedules may not exist, be of any value, or may not be cost-effective to pursue.

- ***Litigation claims in AP case 18-01028 against BVF Fund II, LLC***. Debtor currently estimates that the value of this claim is $860,000. A chapter 7 trustee would probably settle this claim out for a fraction of its gross value. For the purpose of this Liquidation Analysis only, the fraction is estimated at 15%, so the gross value of this asset is therefore estimated to be $129,000.00

- ***Litigation claims in AP case 18-01035 against OnPoint Appraisal Services and BVF Fund II, LLC***. The lawsuit seeks at least $1,501,300 from defendant OnPoint for conversion of Debtor's property, and at least $4,666,500 from defendant BVF Fund II, LLC for avoidance and recovery of a fraudulent conveyance (11 U.S.C. § 548) and for turnover of property of the bankruptcy estate (11 U.S.C. § 542). This adversary case was filed as an alternative to cases 18-01027 and 18-01028 above, in the event that Fund II argues that it purchased Debtor's property from OnPoint instead of BVF. Because this is an alternative suit, a chapter 7 trustee would either settle this case ***or*** the litigation claims in AP 18-01027 and 18-01028 above, depending on the defenses presented by Fund II. After fees and expenses, the net value of this asset is estimated to be the same as the sum of the litigation claims in AP 18-01027 and 18-01028, namely, $206,400.00.

- ***Litigation claims against BVF, David Komet, and Jesus Diaz (adversary case no. 18-01029)***. Debtor currently estimates that the value of this claim is $82,986.52. A chapter 7 trustee would probably settle this claim out for a fraction of its gross value. For the purpose of this Liquidation Analysis only, the fraction is estimated at 15%, so the gross value of this asset is therefore estimated to be $12,448.00.

The total value of these assets is:

$40,000.00	Imminent Accounts Receivable
$43,831.00	Earned-But-Deferred-Income
$335,304.00	Litigation claims against Urban Earth LLC
$206,400.00	Litigation claims in AP 18-01027 and 18-01028, or, in the alternative, in AP 18-01035
$12,448.00	Litigation claims against BVF, David Komet, and Jesus Diaz
$637,983.00	Total gross amount liquidated in a Chapter 7

However, most or all of these assets are secured by BVF, whose security interest includes 'general intangibles'. Under Texas UCC law, general intangibles includes 'things in action', i.e., litigation claims.

BVF filed a secured claim in the principal amount of $295,000 in this case, but it can be amended to add in its attorney's fees. Those attorney's fees are currently estimated to be about $100,000, but another $50,000 would be expected to be added if the case were to be converted to chapter 7. Debtor therefore estimates that BVF's total claim in this case will be about $445,000.

Payment to general unsecured claimants in a Chapter 7 is only available after the liquidated amounts are paid to creditors of higher priority. Summarizing:

$637,983.00	Total gross amount liquidated in a Chapter 7
($445,000.00)	Less payments to BVF
($35,149.00)	Less chapter 7 trustee's commission
($80,000.00)	Less chapter 7 trustee's est. atty fees and other admin expenses
($120,000.00)	Less Chapter 11 administrative expenses - ALA
($50,000.00)	Less Chapter 11 administrative expenses - ALF
($72,391.00)	Less priority unsecured taxes
($11,146.00)	Less priority unsecured wages
($175,703.00)	Total amount available to be paid to general unsecured claims
0.0%	Recovery by general unsecured on allowed claims

In other words, if this case were to be converted to one under chapter 7 of the Bankruptcy Code, **general unsecured creditors would receive no distribution on their claims**.