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

In re:

BITE THE BULLET LLC.;

Debtor.

Case No. 18-12813-leb
Chapter 11

**AMENDED DISCLOSURE STATEMENT
DESCRIBING CHAPTER 11 PLAN**

Disclosure Statement No.: 2

Debtor-in-possession BITE THE BULLET LLC. (“Debtor” or “Plan Proponent”) is the debtor in this chapter 11 bankruptcy case, which was commenced on May 16, 2018 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

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

4 However, Section 1126(f) of the Bankruptcy Code states that a class that is not impaired
5 under a plan – along with each holder of a claim or interest of such class – are conclusively
6 presumed to have accepted the plan. In other words, all classes of claims that are not
7 impaired under the Plan are not entitled to vote on the plan. However, even if you are not
8 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.

9 To confirm a plan, the bankruptcy court must determine that the requirements of
10 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.

11 **Section 1.02 Purpose of This Document**

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

15 This Disclosure Statement summarizes what is in the Plan, and tells you certain
16 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:

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

27 Be sure to read the Plan as well as the Disclosure Statement. If there are any
28 inconsistencies between the Plan and the Disclosure Statement, the Plan provisions (as
29 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

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

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

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

7 **(d) Effective Date of the Plan**

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

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

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

15 **Section 1.04 Disclaimers**

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

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

29 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

1 INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE
2 PLAN ITSELF.

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

11 THE FINANCIAL DATA RELIED UPON IN FORMULATING THE PLAN IS BASED
12 ON INFORMATION PROVIDED BY THE DEBTOR, BASED ON ITS BUSINESS
13 RECORDS. THE FINANCIAL PROJECTIONS, WHILE PRESENTED WITH
14 NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF
15 ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED
16 REASONABLE BY THE DEBTOR'S MANAGEMENT AND THEIR ADVISOR, MAY
17 NOT ULTIMATELY BE REALIZED, AND ARE INHERENTLY SUBJECT TO
18 SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY,
19 REGULATORY, MARKET, AND FINANCIAL UNCERTAINTIES AND
20 CONTINGENCIES, MANY OF WHICH ARE BEYOND THE DEBTOR'S CONTROL.

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

28 **Article II. BACKGROUND**

29 **Section 2.01 Overview of the Debtor's Business**

30 The Debtor is a Nevada limited liability company, formed on March 5, 2013.

31 Debtor is an ammunition remanufacturer, with one leased facility in Las Vegas used for
32 both production and office headquarters.

33 Debtor assembles the raw components to produce a finished remanufactured ammunition
34 round. The company does not produce the underlying raw components. The brass casings
35 are purchased used, and they are refurbished by subcontractors to prepare them for a
36 reload. From there, Debtor loads the refurbished brass casings with new powder, a
37 projectile, and primer.

1 Most of Debtor's sales are online, through its website, to consumers. Debtor also sells to
2 non-consumer end users such as small and large police departments across the country.

3 Debtor's business is very competitive, and margins are usually thin. Consumers are price-
4 sensitive and remanufacturers have to compete not only against other remanufacturers, but
5 also against consumer perceptions that 'new' ammunition is superior to remanufactured
6 ammunition. As a result, customers who need to purchase a particular caliber of
7 ammunition – say, a 50-round box of .223 caliber rounds – often purchase from online
8 sellers based solely on price.

9 Debtor holds a Federal firearms license that is appropriate for its line of business.
10 Specifically, it holds a Federal Firearms License Type 06, which is for 'Manufacturer of
11 Ammunition for Firearms Other Than Ammunition for Destructive Devices or Armor
12 Piercing Ammunition.' That license is in good standing, and has been for many years.
13 Unlike guns, the manufacture and sale of ammunition is only lightly regulated in the
14 United States, requiring a producer to have only an FFL 6 license. Debtor only
15 manufactures ammunition, not guns.

16 The company started with one manual reloading machine with capabilities of 20,000
17 rounds per month, and grew rapidly through 2017. As of the Petition Date, it had the
18 equipment and labor capacity of making up to 3.6 million rounds per month at its Las
19 Vegas facility.

20 Debtor's sole managing member is David Zitiello Jr. ("Zitiello"). He owns 50% of the
21 company's equity. The other 50% of the equity is owned by members David and Diane
22 Meister (together, "Meister" or the "Meisters"), who are married and live in Ohio, and are
23 'silent partners' pursuant to the company's operating agreement. They are the aunt and
24 uncle of Zitiello.

25 **Section 2.02 Events Leading to Chapter 11 Filing**

26 In 2017, Debtor applied for and obtained an SBA loan by and through Meadows Bank.
27 That loan funded in mid-2017. Those funds were used to pay off an existing bank loan and
28 a hard money loan. In addition, Meister immediately caused Debtor to transfer
29 \$102,140.24 to Meister as a paydown of his prior capital contribution.

2017 was the Debtor's busiest year. It invested in automated machinery to streamline
operations and save on payroll and contract labor.

In the second half of 2017, online sales to California comprised approximately 70% of
Debtor's sales. Unfortunately, a new law passed in California, effective as of January 1,
2018, that prohibits California residents from making online purchases of ammunition.
Debtor's sales were crushed immediately in January 2018, and have never recovered.
Moreover, Debtor struggled in the first quarter with inventory issues and raw material
pricing relating to last-minute sales to California residents in December 2017.

Debtor obtained unsecured loans to address its financing needs and buy time to adjust to
the new reality. Sales unfortunately did not recover. In early May 2018, Zitiello made the

1 difficult decision to consult with bankruptcy counsel. This bankruptcy case was filed
2 shortly thereafter.

3 Just prior to and after the Petition Date, Debtor substantially stripped down its operations to
4 'bare bones' level (cutting staff, selling equipment, reducing its leased space, etc.), and has
5 now reached cash-flow breakeven at 375,000 rounds per month, which is the existing level
6 of sales and which Debtor believes is sustainable into the future. Debtor has no free
available cash flow to invest in advertising, and depends on customers to find it mostly via
word of mouth and online searches.

7 If the chapter 11 reorganization plan does not get confirmed, the Debtor will convert to
8 case to chapter 7 and be liquidated.

9 **Section 2.03 Assets and Liabilities of the Debtor**

10 **(a) Assets of the Debtor**

11 Debtor filed for Chapter 11 bankruptcy on May 16, 2018 (the "Petition Date").

12
13 In its bankruptcy schedules (as amended), Debtor identified several types of assets. First, it
14 held some sums in bank accounts, some office furniture, and had a small amount of
15 accounts receivable (which has since been collected). The largest scheduled assets are: (i)
16 inventory (most of which has been sold since the Petition Date, but constantly being
replenished via normal operations); (ii) tools and equipment, and (iii) heavy machinery
used in ammo loading.

17 Post-petition, Debtor identified litigation claims against the Meisters, specifically for
18 \$292,999.81 in transfers made to them prior to the Petition Date. Debtor has filed an
19 adversary proceeding in the Bankruptcy Case to avoid and recover those transfers under
20 Sections 547 and 548 of the Bankruptcy Code. Recipients of this Disclosure Statement
21 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 complaint filed in this adversary
proceeding.

22 Debtor is not aware of any other potential claims against third parties. However, if it does
23 so become aware, then it may file additional lawsuits or adversary proceedings in the
future, if in its business judgment it is deemed prudent and appropriate to do so.

24 **(b) Liabilities of the Debtor**

25
26 Debtor's original schedules identified several pre-petition creditors, including the secured
claim of Meadows Bank and unsecured claims from a number of creditors.

27
27 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 creditors and amounts owed are as
28 follows:
29

<i>Creditor / class of creditors</i>	<i>Estimated allowed amount of claim(s)</i>
Class 1 – Secured (Meadows Bank)	\$561,183.78
Class 2 - General unsecured claims	Up to \$1,515,819.06 ²
Priority unsecured tax claims	\$4,799.49
Other priority unsecured claims	None
Atkinson Law Associates (admin)	\$30,000 (approx.)
Office of the U.S. Trustee	\$0 (as of confirmation date)

Section 2.04 Insiders of the Debtor

As the 50% owner and managing member of the Debtor, Zitello is an insider of the Debtor. The other insider is the Zitello's aunt and uncle, David and Diane Meister, who also hold 50% of the Debtor's equity.

Section 2.05 Management of the Debtor Before and During the Bankruptcy

Before and during the Bankruptcy Case, Zitello was the sole managing member of the Debtor.

Section 2.06 Significant Events during the Bankruptcy Case

On the Petition Date, the Debtor immediately filed an application to employ (Atkinson Law Associates, Ltd.) as its general reorganization counsel. This firm was subsequently approved for employment.

On June 6, 2018, Debtor entered into a stipulation with Meadows Bank regarding the use of its cash collateral. An order approving that stipulation was entered on June 7, 2018.

On June 8, 2018, Debtor filed a motion to sell a piece of heavy equipment, namely, an automatic ammunition loader, for \$80,000. The Debtor provided evidence that this equipment was unused and was significant excess production capacity at the Debtor's current production levels. This motion was opposed by the United States Trustee and David Meister, but was supported by Meadows Bank. The Debtor replied to the oppositions, and at the hearing on this motion the Court approved the sale. An order was entered on July 3, 2018.

On July 4, 2018, Debtor filed its adversary proceeding case against the Meisters, as discussed above.

² The Meisters filed an amended proof of claim (POC #12) in the amount of \$795,859.21. The Debtor has filed an objection to the majority of that claim. If that claim is allowed in full, then the size of Class 2 is the amount shown in the table above. If that claim is reduced by \$561,000.00, then the size of Class 2 would be \$954,819.06.

1 On July 12, 2018, Debtor filed its first disclosure statement and proposed reorganization
2 plan. The Court conditionally approved that disclosure statement. The Meisters filed an
3 objection to the final approval of the disclosure statement, and to plan confirmation, to
4 which the Debtor replied. At the plan confirmation hearing, the Court noted that the
5 confirmation hearing date for this small business case was held beyond the 45-day limit of
6 11 U.S.C. § 1129(e), which resulted in the development and filing of this Disclosure
7 Statement No. 2 and Plan No. 2.

8 On September 25, 2018, the Meisters filed a master proof of claim, which they
9 subsequently amended on October 5, 2018. The debtor filed an objection to that proof of
10 claim, and the hearing date on that objection is currently set for October 30, 2018.

11 **Section 2.07 Claims Objections**

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

16 Pursuant to Local Rule 3007(d), all objections to claims in a chapter 11 case must be filed
17 within sixty (60) days after entry of an order confirming the chapter 11 plan.

18 **Section 2.08 Recovery of Preferential, Avoidable, or Fraudulent Transfers**

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

23 Under Section 547 of the Bankruptcy Code, a debtor's bankruptcy estate may in certain
24 circumstances recover preferential transfers of property during the 90 days immediately
25 before the filing of its bankruptcy petition with respect to pre-existing debts. In the case of
26 insiders who are creditors, the Bankruptcy Code provides for one year preference period.
27 If you received a payment or other transfer within 90 days of the bankruptcy, or other
28 transfer avoidable under the Code, the Debtor may seek to avoid such transfer.

29 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 adversary proceeding case described above, the Debtor believes that one
such 547/548 avoidance action exists, against the Meisters, in the amount of \$292,999.81.
Debtor continues to investigate matters and may uncover additional such actions against
one or more persons or entities, including against David Zitiello, Jr.

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 not currently aware of any such claims.

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

<u>Name</u>	<u>Estimated Amount Owed at Plan Confirmation</u>	<u>Treatment</u>
Atkinson Law Associates Ltd. (professional fees for Debtor's counsel – final fee application)	\$30,000 ±	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.
TOTAL	\$30,000 ±	

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) Fees due under chapter 123 of title 28 of the United States Code

Under this Plan, past due fees imposed under 28 U.S.C. § 1930(a)(6) (and any other amounts that may be due under chapter 123 of title 28 of the United States Code), if any, shall be paid in full before or on the Effective Date of the Plan. After the Effective Date of the Plan, Debtor shall timely file quarterly reports in the form prescribed by the United States Trustee; such reports shall be filed within 20 days following the end of each calendar quarter (including any fraction thereof) until the case has been converted, dismissed or closed by entry of a final decree. Debtor shall pay in full when due the fees imposed under 28 U.S.C. § 1930(a)(6) for each quarter (including any fraction thereof) until this chapter 11 case is converted, dismissed, or closed by entry of a final decree.

(c) 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 all of the Debtor's known priority tax claims:

UNCLASSIFIED PRIORITY UNSECURED TAX CLAIMS

<u>Claimant</u>	<u>Claim Amount</u>	<u>Treatment</u>
Internal Revenue Service	\$230.82	• Paid in one lump sum payment on the Effective Date.
Clark County Assessor	\$4,568.67	• Paid in one lump sum payment on the Effective Date.
TOTAL	\$4,799.49	

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	Meadows Bank	Secured	Per UCC-1	Yes

PRIORITY UNSECURED ALLOWED CLAIMS:

N/A

UNSECURED ALLOWED CLAIMS:

Class	Claimant	Impaired?
Class 2	General unsecured claims	Yes

EQUITY INTERESTS:

Class	Claimant	Impaired?
Class 3	David Zitiello, Jr. (50%); David and Diane Meister (50%)	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.

Class 1 of the Plan is for the sole secured creditor (Meadows Bank).

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

<u>Class #</u>	<u>Description</u>	<u>Impaired?</u>	<u>Treatment</u>
1	Claimant: Meadows Bank Collateral: Blanket lien on all assets, per UCC-1	Impaired	<ul style="list-style-type: none"> Fully-amortized over 9 years (108 months), starting from the first day of the first month after entry of the Plan Confirmation Order. Interest rate is WSJ Prime + 2.25%, adjusted every calendar quarter. On the Effective Date, Debtor shall remit \$65,000 of the equipment sale proceeds to Meadows Bank, which shall be

			<p>applied against and shall reduce the principal balance of the loan</p> <ul style="list-style-type: none"> New principal balance shall be: (1) amount shown on the Meadows proof of claim, owed as of the Petition Date, less (2) any principal payments made on the loan between the Petition Date and the Effective Date of the Plan; plus (3) reasonable attorney's fees and costs and other costs of collection incurred by Meadows Bank as part of this Bankruptcy Case; less (4) the \$65,000 principal payment.
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For illustrative purposes only: if the unpaid principal on the day before the Effective Date is \$560,000, then after the \$65,000 principal payment made by Debtor on the Effective Date, the new loan principal going forward would be \$495,000. That new loan principal is amortized over 9 years (108 months). Assuming a current interest rate of 7.75%, then the initial monthly payment after Plan Confirmation would be \$6,380.30, in this example.

(b) Class 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 is unaware of any such creditors.

(c) Class 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.

The Plan proposes one class of allowed general unsecured claims against the Debtor.

<u>Class #</u>	<u>Description</u>	<u>Impaired?</u>	<u>Treatment</u>
2	Claimants: All allowed general unsecured claims	Impaired	<ul style="list-style-type: none"> This class is collectively paid a total of \$16,500 from the operating cash flow of Debtor, as follows: \$1,500 in 2020, and \$15,000 in 2021. In addition, this class will be paid 80% of the net proceeds of the adversary proceeding (AP Case no. 18-01065) filed by Debtor against

			David and Diane Meister. That lawsuit seeks avoidance and recovery of \$292,999.81 in transfers of Debtor's property made to the Meisters in the pre-petition period.
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'Net proceeds' is defined as: (i) gross proceeds arising from these claims that are actually received by Debtor, whether via settlement, collections on a judgment, or otherwise; less (ii) attorney's fees and costs of suit to prosecute these claims.

By way of example only, if the suit produces \$200,000 in net proceeds, then 80% of this amount (= \$160,000) shall be distributed to this class as a one-time payment. Alternatively, if the suit produces only \$10,000 in net proceeds, then 80% of this amount (= \$8,000) shall be distributed to this class as a one-time payment. All payments to Class 6 on this asset shall be made within 30 days of receipt of gross proceeds.

The other 20% of the net proceeds shall be retained by Debtor and used to fund its operations.

(d) Class of Equity Interest Holders

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a limited liability company, such as the Debtor, the equity interest holders are the members.

The Debtor has one equity interest holder class. The following chart identifies the Plan's proposed treatment of this Class 3:

<u>Class #</u>	<u>Description</u>	<u>Impaired?</u>	<u>Treatment</u>
3	Interest Holders: David Zitiello Jr. (50%) David and Diane Meister (50%)	Impaired	<ul style="list-style-type: none"> All existing equity interests in the Debtor shall be terminated. The Debtor shall issue new equity, with 100% of all ownership equity interest in the Debtor to be purchased by Zito Holdings Corp ("ZHC") which is a newly-formed Nevada corporation owned entirely by David Zitiello, Jr. ZHC shall purchase this equity via a capital contribution of \$5,000 to the Debtor.

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 provides that each successive class of claims is paid in the correct order and timing. Class 1 is the term loan of Meadows Bank, Class 2 is paid pursuant to the Plan schedule, and Class 3 gets nothing under the Plan. [As noted in the plan treatment for Class 3, 100% of the new equity of the reorganized Debtor shall be acquired by ZHC for \$5,000, which shall be paid to Debtor.] The Plan Proponent asserts that this amount is approximately equal to the equity value of the reorganized debtor, given that the financial model (attached as Exhibit 1 hereto) anticipates that no cash profits from operations will be generated from now through 2021 because of the Plan's distributions to unsecured creditors. Discounting future cash flows beyond that Plan distribution period at a discount rate appropriate for this relatively new start-up business (65%) results in an equity value of approximately \$5,000. Thus, the absolute priority rule is satisfied.

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 may significantly vary from what is projected.

As shown in Exhibit 1, the Debtor will fund the Plan with its cash flow from operations, and from net litigation proceeds.

(b) Post-Confirmation Management

After Plan confirmation, the Manager of the reorganized Debtor will be David Zitiello, Jr., who shall continue with his current \$4,000/month compensation for the duration of the Plan.

1 **(c) Post-Confirmation Operations**

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

7 The Debtor shall pay the post-confirmation charges that it incurs for professionals' fees and
8 expenses (including fees relating to the preparation of professional fee applications, and all
9 fees and expenses relating to the prosecution of various litigation claims and adversary
10 proceedings that have or may be filed by the Debtor), and may do so (and may employ
11 such professionals) all without application to the Bankruptcy Court.

12 **Section 3.06 Executory Contracts and Unexpired Leases**

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

16 Upon Plan confirmation, the Debtor shall assume only the following lease (the "Assumed
17 Lease"):

<u>Counterparty to Lease</u>	<u>Description</u>
Equus Business Center, L.P.	Las Vegas site lease

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

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

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

31 **Section 3.07 Risk Factors**

32 Although the Debtor believes that the Plan will satisfy all requirements necessary for
33 Confirmation by the Bankruptcy Court, the Debtor gives no assurance that the Bankruptcy

1 Court will reach the same conclusion. Moreover, the Debtor gives no assurance that
2 modifications to the Plan will not be required for Confirmation or that such modifications
3 would not necessitate the re-solicitation of votes. Although the Debtor believes that the
4 Effective Date will occur soon after the Confirmation Date, the Debtor gives no assurance
5 as to such timing.

6 Although Debtor believes that the adversary proceeding against Meister has substantial
7 merit, litigation is inherently a risky proposition. Information obtained through the
8 discovery process may reduce, or even eliminate, certain claims that Debtor currently
9 believes it holds against the Meisters. Moreover, even if a successful judgment is obtained,
10 it is possible that the Debtor may not be able to collect on such judgment.

11 The largest risk factor to successful plan consummation over time is the ongoing and ever-
12 changing political and regulatory environment relating to ammunition sales. Conservative
13 political parties tend to favor lightly regulated ammunition sales, and liberal political
14 parties tend to favor heavy regulations and/or taxes on ammunition sales. As shown by the
15 California event described above, Debtor has no control over what any State government or
16 the Federal government may choose to regulate, including the legality and taxation of
17 online ammunition sales.

18 As noted in the Disclaimers section above (Section 1.04), the financial model attached
19 hereto as Exhibit 1, while presented with numerical specificity, is necessarily based on a
20 variety of estimates and assumptions which, though considered reasonable by the Debtor,
21 may not ultimately be realized, and are inherently subject to significant business,
22 economic, competitive, industry, regulatory, market, and financial uncertainties and
23 contingencies, many of which are beyond the Debtor's control.

24 **Section 3.08 Tax Consequences of Plan**

25 No tax consequences are expected to arise for Debtor directly as a result of Plan
26 confirmation. However, as a result of the change in ownership of the equity of the Debtor
27 (whereby ZHC will be the sole shareholder upon the Effective Date), the reorganized
28 Debtor is expected to elect to be taxed as a disregarded entity on the consolidated return of
29 ZHC.

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

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

3 **Article IV. CONFIRMATION REQUIREMENTS AND PROCEDURES**

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

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

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

14 **Section 4.01 Who May Vote or Object**

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

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

21 As identified above, all Plan classes are impaired, and therefore allowed claims in all
22 Classes have the right to vote to accept or reject the Plan.

22 **(a) What Is an Allowed Claim or an Allowed Equity Interest?**

23 Only a creditor or equity interest holder with an allowed claim or an allowed equity interest
24 has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1)
25 the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been
26 scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of
27 claim or equity interest, unless an objection has been filed to such proof of claim or equity
28 interest. When a claim or equity interest is not allowed, the creditor or equity interest
29 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 September 19, 2018 for non-governmental
persons and entities, and November 13, 2018 for governmental units. **ONLY CLAIMS**

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

8 **(b) What Is an Impaired Claim or an Impaired Equity Interest?**

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

13 **(c) Who is Not Entitled to Vote?**

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

- 15 • Holders of claims and equity interests that have been disallowed by an order of the
 16 Court;
- 17 • Holders of other claims or equity interests that are not 'allowed claims' or 'allowed
 18 equity interests' (as discussed above), unless they have been allowed for voting
 19 purposes;
- 20 • Holders of claims or equity interests in unimpaired classes;
- 21 • Holders of claims entitled to priority pursuant to Sections 507(a)(2), (a)(3), and
 22 (a)(8) of the Bankruptcy Code;
- 23 • Holders of claims or equity interests in classes that do not receive or retain any
 24 value under the Plan; and
- 25 • Administrative expenses.

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

28 **Section 4.02 Votes Necessary to Confirm the Plan**

29 If impaired classes exist, the Court cannot confirm the Plan unless (i) at least one impaired
 class of creditors has accepted the Plan without counting the votes of any insiders within
 that class, and (ii) 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.

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

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

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

3 A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in
4 amount of the allowed equity interests in the class, who vote, cast their votes to accept the
5 Plan.

6 **(b) Treatment of Non-Accepting Classes**

7 Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm
8 the Plan if the non-accepting classes are treated in the manner prescribed by Section
9 1129(b) of the Bankruptcy Code. A plan that binds non-accepting classes is commonly
10 referred to as a 'cram down' plan. The Bankruptcy Code allows the Plan to bind non-
11 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.

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

15 **Section 4.03 Liquidation Analysis**

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

19 The Debtor's liquidation analysis is shown in Exhibit 2 attached hereto. As shown in
20 Exhibit 2, if the case were converted to chapter 7, all creditors would receive less
21 distribution in a chapter 7 as compared to the Plan, and unsecured creditors might possibly
22 receive nothing at all in a liquidation. Because the Plan provides for a substantive
distribution to Class 2, 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.

23 **Section 4.04 Feasibility**

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

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

28 A plan proponent must also show that Debtor will have enough cash over the life of the
29 Plan to make the required Plan payments. As shown in the Financial Model, the Debtor

1 projects that it will have operating income / cash flow sufficient to pay the distributions
2 proposed in the Plan. Accordingly, the Plan is feasible.

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

6 **Article V. EFFECT OF CONFIRMATION OF PLAN**

7 **Section 5.01 Discharge**

8 Pursuant to Section 1141(d)(1)(A) of the Bankruptcy Code, Debtor shall be granted a
9 discharge of its debts. On the Effective Date, the Debtor shall be discharged of liability for
10 payment of all debts, claims, and liabilities from any debt that arose before the date of the
11 confirmation, to the maximum extent specified in Section 1141(d) of the Bankruptcy Code.
12 However, the payment liability imposed on Debtor by this Plan on all allowed unclassified
and classified claims shall be new obligations of the Debtor as of the Effective Date.

13 **Section 5.02 Modification of the Plan**

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

16 Upon request of the Debtor, the United States Trustee, or the holder of an allowed
17 unsecured claim, the Plan may be modified at any time after confirmation of the Plan but
18 before the completion of payments under the Plan, to: (1) increase or reduce the amount of
19 payments under the Plan on claims of a particular class; (2) extend or reduce the time
20 period for such payments; or (3) alter the amount of distribution to a creditor whose claim
21 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.

22 **Section 5.03 Final Decree**

23 When the Debtor's Chapter 11 estate has been fully administered as referred to in
24 Bankruptcy Rule 3022, the Debtor may file a motion with the Bankruptcy Court to obtain a
25 final decree to close this Chapter 11 bankruptcy case. Pursuant to Local Bankruptcy Rule
26 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.

27 # # # # #
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29

1 Respectfully Submitted,
2

For DEBTOR / PLAN PROPONENT:

3 By: /s/ David Zitiello Jr.
4 DAVID ZITIELLO JR.
5 *Managing Member*

6 /s/ Robert Atkinson
7 ROBERT E. ATKINSON, ESQ.
8 Nevada Bar No. 9958
9 *Attorney for Debtor*
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EXHIBIT 1
to Disclosure Statement:

Financial Model

FINANCIAL MODEL

	EXISTING MONTHLY	<----- Estimated ----->				
INCOME:		ANNUAL:	Dec-18	2019	2020	2021
Rounds sold per month	365,000					
Average revenue per round	\$0.185					
		INCOME:				
Total Revenue per Month	\$67,525	Total Revenue	\$67,525	\$810,300	\$810,300	\$810,300
COGS per round	\$0.132	Plus new equity purchase	\$5,000			
Total COGS	(\$48,180)	Total COGS	(\$48,180)	(\$578,160)	(\$578,160)	(\$578,160)
TOTAL GROSS INCOME	\$19,345	TOTAL GROSS INCOME	\$24,345	\$232,140	\$232,140	\$232,140
Corporate Operating Expenses:		Corporate Operating Expenses:				
Rent	(\$1,480)	Rent	(\$1,480)	(\$17,760)	(\$17,760)	(\$17,760)
Meadows loan	(\$6,380)	Meadows loan*	(\$6,380)	(\$78,096)	(\$79,296)	(\$79,296)
Staff	(\$8,000)	Staff	(\$8,000)	(\$96,000)	(\$96,000)	(\$96,000)
Insurance	(\$500)	Insurance	(\$500)	(\$6,000)	(\$6,000)	(\$6,000)
Search engine / online advertising	(\$500)	Search engine / online advertising	(\$500)	(\$6,000)	(\$6,000)	(\$6,000)
Other costs of operation/utilities	(\$750)	Other costs of operation/utilities	(\$750)	(\$9,000)	(\$9,000)	(\$9,000)
Bookkeeping / accounting	(\$250)	Bookkeeping / accounting	(\$250)	(\$3,000)	(\$3,000)	(\$3,000)
Total Operating Expenses	(\$17,860)	Total Operating Expenses	(\$17,860)	(\$215,856)	(\$217,056)	(\$217,056)
TOTAL EXPENSES	(\$17,860)	TOTAL EXPENSES	(\$17,860)	(\$215,856)	(\$217,056)	(\$217,056)
Net operating income / cash flow	\$1,485	NET PROFIT (= cash to pay creditors)	\$6,485	\$16,284	\$15,084	\$15,084
		Payment of UST fees		(\$975)		
		Payment to priority unsecured tax claims	(\$4,799)			
		Payment to ALA	(\$1,500)	(\$15,000)	(\$13,500)	
		Payment to Class 2			(\$1,500)	(\$15,000)
		Total payments to creditors	(\$6,299)	(\$15,975)	(\$15,000)	(\$15,000)
		NET FREE CASH FLOW AFTER PAYMENTS	\$186	\$309	\$84	\$84

Note: this model of operating cash flows excludes any recoveries from the Meister adversary proceeding, which will be distributed to Class 2 in accordance with the Plan.

* The interest rate on the Meadows loan is variable, tied to the WSJ prime rate. The U.S. is currently in an increasing interest-rate environment. The model assumes a 0.50% rate increase in both 2019 and 2020.

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 or interest holder of an impaired class have accepted the plan, or (ii) each claim or interest 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 not be able to operate the Debtor's business at all for any period of time, because the Debtor is a regulated entity, and the chapter 7 trustee would not be able to operate a business with a Federal firearms license.

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

D. LIQUIDATION

Because the business cannot be operated in a chapter 7, the value of the Debtor's book of business collapses to nothing. The majority of the Debtor's machinery and tools, and all of the Debtor's inventory, cash, accounts receivable, and equipment is collateral under the Meadows Bank loan.

i. Impact on Class 1 (secured claim of Meadows Bank)

Although Meadows Bank is expected to vote to accept the Plan (and thus satisfy the best interests test), the analysis of the impact of chapter 7 liquidation is presented:

On the Petition Date, the book value of the Debtor's secured assets included \$254,000 in machinery and equipment. Of that, the L250 Ammo Loader, which was sold in the bankruptcy, had a book value of \$90,000. Hence, the book value of the remaining equipment and machinery is \$164,000. Upon liquidation, the Debtor estimates that a foreclosure auction would net ~35% of book value, or \$57,400. Another \$600 in office furniture exists, and was scheduled. As for inventory, approximately \$65,000 in book value inventory currently exists, of which the liquidation value is likely only 10% of that amount, or \$6,500.

As for the other secured assets, the Debtor currently has not accounts receivable, but does have substantial bank account balances, all of which are secured assets.

The liquidation analysis for Class 1 is thus:

\$57,400.00	Liquidation value of machinery and equipment (est.)
\$600.00	Liquidation value of office furniture (est.)
\$6,500.00	Liquidation value of inventory
\$65,000.00	Approximate bank balance – Meadows Bank account
<u>\$45,000.00</u>	<u>Approximate bank balance – Wells Fargo Bank DIP account</u>
\$174,500.00	Liquidation value of Debtor's secured assets

The Meadows Bank loan balance is currently approximately \$550,000, and the Plan proposes to pay that principal in full, with interest. In contrast, Meadows Bank would only receive (per above) \$174,500 from the liquidation of the secured assets of the Debtor. Accordingly, the best interests test for Class 1 is met.

ii. Impact on Class 2 (general unsecured claims)

The Debtor has a small amount of small tools and equipment that is not secured by the Meadows Bank loan. Liquidation of the Debtor's few unsecured assets would generate an estimated \$1,500.

The only substantive unsecured asset of Debtor that could be monetized by a chapter 7 trustee would be the adversary proceeding against the Meisters. That lawsuit is already being pursued by the Debtor, and the debtor will not have to pay the administrative overhead of a trustee to pursue that suit (namely, a chapter 7 trustee enjoys a commission off of the liquidation of that asset, while the Debtor does not). In addition, a chapter 7 trustee is usually less interested in protracted litigation and thus has more incentive to settle early, for less money, as compared to a highly motivated debtor-plaintiff.

For the purposes of this calculation, assume that the net litigation proceeds from the Meister AP is \$200,000. The recovery to unsecured creditors would be as follows:

Per the Plan:

\$16,500.00	Total Plan distributions to Class 2
<u>\$160,000.00</u>	Total net proceeds distributed to Class 2 (80% of \$200,000)
\$176,500.00	Total distributions to Plan Class 2
\$1,515,819.06	Total claims in Class 2 (if Meister POC is allowed in full)
11.6%	Recovery by general unsecured on allowed claims

In a Chapter 7 Liquidation:

Scenario 1 (Large recovery on Meister AP): Assume that a chapter 7 trustee settles the litigation for \$150,000, but incurs \$25,000 in attorney's fees to obtain that settlement. In this scenario:

\$1,500.00	Total liquidation value of unsecured assets
<u>\$150,000.00</u>	Total gross proceeds from litigation
\$151,500.00	Total gross liquidated assets in a Chapter 7
(\$10,825.00)	Less chapter 7 trustee's commission
(\$40,000.00)	Less chapter 7 trustee's est. atty fees and other admin expenses

1	(\$30,000.00)	Less Chapter 11 administrative expenses - ALA
2	\$85,675.00	Total distributions to Plan Class 2
3	\$1,515,819.06	Total claims in Class 2 (if Meister POC is allowed in full)
4	5.6%	Recovery by general unsecured on allowed claims

5 Under the scenario above, in a chapter 7 conversion the distribution to unsecured
6 creditors would be approximately 5.6%, as compared to a 12.6% estimated recovery via the
7 proposed Plan.

8 *Scenario 2 (no recovery on Meister AP):* In an alternate scenario, suppose the
9 litigation fails and nets nothing.

- 10 • In this scenario, the distribution under the Plan to Class 2 would only be the
11 base \$16,500.00, which is 1.0%.
- 12 • However, in a chapter 7 liquidation, the only unsecured assets in this scenario
13 would be the \$1,500 unsecured small tools and equipment. This liquidated
14 value would be consumed by the administrative costs of the estate, meaning
15 that in a chapter 7 liquidation in this scenario the distribution under the Plan to
16 Class 2 would be \$0.

17 *Conclusion:* In short, if this case were to be converted to one under chapter 7 of the
18 Bankruptcy Code, **general unsecured creditors would receive less than half distribution
19 on their claim, as compared to the proposed Plan distributions, and possibly no
20 distributions at all.** Accordingly, the best interests test for Class 2 is met.

21 *iii. Impact on Class 3 (equity)*

22 In both the Plan and in a liquidation, equity security interest holders receive nothing.
23 Accordingly, the best interests test is met for this class, because \$0 under the Plan to this class
24 “is not less than the amount that such holder would so receive or retain if the debtor were
25 liquidated under chapter 7”.
26
27
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