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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION**

IN RE:	§	BANKRUPTCY NO.
	§	
ELOY LEAL	§	415-44232-RFN-11
	§	
	§	
DEBTOR-IN-POSSESSION	§	CHAPTER 11

ELOY LEAL
DISCLOSURE STATEMENT, DATED OCTOBER 6, 2016

In Re: Eloy Leal
Bankruptcy Case No. 15-44232-RFN-11, Disclosure Statement
Dated: October 6, 2016

INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the small business Chapter 11 case of Eloy Leal (“Debtor”). This Disclosure Statement contains information about Eloy Leal and describes the Chapter 11 Reorganization Plan (the “Plan”) filed by the Debtor on October 6, 2016.

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.

The proposed distributions under the Plan are discussed at pages 5, 6, 7, 8 & 9 of this Disclosure Statement. **General unsecured creditors are classified in Class 4 - 5, and will receive distribution under the Plan for their allowed claims.**

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims of the type you hold (i.e., what you will receive on your claim if the plan is confirmed),
- 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 Eloy Leal believes the Plan is feasible, and how the treatment of your claim under the Plan compares to what you would receive on your claim in liquidation, and
- The effect of confirmation of the Plan.

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

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

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. *Time and Place of the Hearing to Confirm the Plan*

The hearing at which the Court will determine whether to confirm the Plan will take place on November 9, 2016 at 9:30 a.m., in the Courtroom at Room 204, U.S. Courthouse, 501 W. Tenth Street, Fort Worth, Texas.

2. *Deadline for Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot to:

Craig D. Davis
Davis, Ermis & Roberts, P.C.
1010 N. Center, Suite 100
Arlington, Texas 76011
Fax: (972) 262-3264
Email: davidavisandroberts@yahoo.com

See Section IV. (A) below for a discussion of voting eligibility requirements.

Your ballot must be received by Mr. Davis in the Office of Debtor's Counsel by October 27, 2016 by 5:00 p.m. or it will not be counted.

3. *Deadline for Objecting to the Adequacy of Disclosure and Confirmation of the Plan*

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon Craig D. Davis, Counsel for the Debtor by November 2, 2016 by 5:00 p.m.

4. *Identity of Person to Contact for More Information*

Creditors should talk with an attorney about their rights and responsibilities in this Case. All Creditors should have their attorneys contact the attorney for Eloy Leal, who is:

Craig D. Davis
Davis, Ermis & Roberts, P.C.
1010 N. Center, Suite 100
Arlington, Texas 76011
Tel: (817) 265-8832
Fax: (972) 262-3264
Email: davidavisandroberts@yahoo.com

If a Creditor does not have an attorney but still wants more information, that Creditor can call Eloy Leal's attorney directly. HOWEVER, REMEMBER THAT ELOY LEAL'S ATTORNEY CANNOT GIVE CREDITORS LEGAL OR FINANCIAL ADVICE BECAUSE ELOY LEAL'S ATTORNEY REPRESENTS ELOYLEAL, NOT THE CREDITORS.

II. BACKGROUND

A. Description and History of Eloy Leal Business, Events Leading to Bankruptcy Filing, and Significant Events During the Bankruptcy Case

Eloy Leal started a State Farm Agency on March 1, 1985. Mr. Leal grew this agency and has been very successful for several years. Mr. Leal first started having a down turn in his business during the financial crisis of 2008. A few years after this down turn, Mr. Leal and his ex-wife went through a divorce. During this time, Mr. Leal's financial resources were focused on attorney's fees for the divorce and other expenses such as finding a new place to live, etc., that are common in a divorce. These combined events used up most of his financial resources and he was unable to pay the Internal Revenue Service. Now that Mr. Leal's divorce is finalized and his personal life has stabilized Mr. Leal's insurance agency is thriving again and he will be able to pay his debt through a Chapter 11 Plan of Reorganization.

B. Projected Recovery of Avoidable Transfers

The Debtor does not intend to pursue preference, fraudulent conveyance, or avoidance actions.

C. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for the voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. Eloy Leal does not currently plan to object to any of the filed claims.

D. Current and Historical Financial Conditions

A copy of the most recent post-petition operating report filed since the commencement of the Debtor's bankruptcy is attached as Exhibit A.

Eloy Leal's assets are "exempt" pursuant to Section 522 of the Bankruptcy Code and applicable Texas Law and are not available for distribution to unsecured creditors.

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

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

As required by the Code, the Plan places its claims in various 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.**

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. Therefore, Eloy Leal has *not* placed the following claims in any class:

1. Administrative Expenses

Administrative expenses are costs or expenses of administering Eloy Leal's chapter 11 case which are allowed under § 507(a)(2) of the Code. The Code requires all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

Craig D. Davis, Eloy Leal's Counsel in this matter intends to make application to the Court for approval of the fees he has incurred in representing Eloy Leal in this Chapter 11 case. The amount of those fees is subject to Court approval and they are expected to be less than \$40,000.

All trade and service debts and obligations, including 2015 and beyond ad valorem taxes, incurred in the normal course of business by Eloy Leal on or after the Petition Date will be paid when due in the ordinary course of Eloy Leal's affairs unless a different time for payment is specified in this Plan. In addition, all quarterly fees to the United States Trustee will be paid until such time that Eloy Leal's case is closed, converted, or dismissed.

2. Priority Tax Claims

Priority tax claims are unsecured income, employment, and other taxes described

By § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 7 years from the order of relief.

The following are the § 507(a)(8) priority tax claims that Eloy Leal proposes to pay under the Plan and their proposed treatment under the Plan:

1.01 Internal Revenue Service

Allowed Priority Internal Revenue Service (“IRS”) Claims are impaired and shall be satisfied as follows: The Allowed amount of all Tax Creditor Claims shall be paid out of the revenue from the continued operations of the business. The Tax Creditor Claims are alleged to be the IRS Claims for 1040 taxes and other federal taxes asserted to be approximately \$133,482.97. The Plan intends to treat the IRS claim as a priority Class 1 claim. The Class 1 claim will be paid in full over an 84 month period from the date of the petition, commencing on the Effective Date with interest at a rate of 4% per annum. The monthly payment to the IRS will be approximately \$1,757.00. Failure of the Debtor to meet the payment obligations set forth in the Plan shall constitute an event of default under the plan that is not timely cured herein. In addition, upon a default under the Plan, the administrative collection powers and the rights of the IRS shall be reinstated as they existed prior to the filing of the bankruptcy petition, including, but not limited to, assessment of taxes, the filing of a notice of a Federal (or state) tax lien and the powers of levy, seizure, and sale under the Internal Revenue Code. The below stated provisions apply to the IRS:

- (a) If the Debtor or its successor in interest fails to make any Plan payments, and deposits of any currently accruing employment or sales tax liability, fails to make payment of any tax to the Internal Revenue Service within 10 days of the due date of such deposit or payment, or if the debtor or its successor in interest fails to file any required federal or state tax return by the due date of such return, then the United States may declare that the Debtor in default of the Plan. Failure to declare a default does not constitute a waiver by the United States of the right to declare that the successor in interest or Debtor is in default, if not cured under (c) below.
- (b) If the United States declares the Debtor or the successor in interest to be in default of the Debtor’s obligations under the Plan, then the entire imposed liability, together with any unpaid current liabilities, shall become due and payable immediately upon written demand to the Debtor or the successor in interest.
- (c) If full payment is not made within 14 days of such demand, then the Internal Revenue Service may collect any unpaid liabilities through the administrative collection provisions of the Internal Revenue Code. The IRS shall only be required to send two notices of default and upon the third event of default, the IRS may proceed to collect on all accounts owed without recourse to the Bankruptcy

- Court and without further notice to the Debtor.
- (d) The collection statute expiration date will be extended from the Petition Date until substantial default under the Plan.
 - (e) All payment will be sent to: Leo Carey/ IRS, 1100 Commerce Street, Mail Code 5027 DAL, Dallas, Texas 75242.

The Internal Revenue Service shall not be bound by any release provisions in the Plan that would release any liability of the responsible persons of the Debtor to the IRS. The Internal Revenue Service may take such actions as it deems necessary to assess any liability that may be due and owing by the responsible persons of the Debtor to the Internal Revenue Service; but the Internal Revenue Service shall not take action to actually collect from such persons unless and until there is a default under the plan, and as set forth in paragraph (4) (a)-(d) above. The Class 1 creditor is impaired under this Plan.

United States Trustee Fees.

All fees required to be paid by 28 U.S.C. § 1930(a)(6) (“U.S. Trustee Fees”) will accrue and be timely paid until the case is closed, dismissed, or converted to another chapter of the Code. Any U.S. Trustee Fees owed on or before the effective date of this Plan will be paid on the effective date.

C. **Classes of Claims and Equity Interests**

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

1. *Classes of Secured Claims*

Allowed Secured Claims are claims secured by property of the Debtor’s bankruptcy estate to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral securing the creditor’s claim is less than the amount of the creditor’s allowed claim, the deficiency will be classified as a general unsecured claim, however, Eloy Leal’s Plan treats all claims in class two (2) as fully secured.

2.01 Tarrant County

Tarrant County is the holder of a prepetition claim for unpaid ad valorem property taxes for tax year 2015. Tarrant County is also the holder of an administrative expense claim for ad valorem property taxes for tax year 2015. Tarrant County shall receive payment in full of all amounts owed for tax year 2015 in the ordinary course of business

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prior to the state law delinquency date without being required to file and serve an administrative expense claim and request for payment as a condition of allowance as set forth in 11 U.S.C. Section 503(b)(1)(D). The liens that secure year 2015 ad valorem property taxes plus all penalties and interest that may accrue shall remain attached to the property and shall retain their priority pursuant to state law. Tarrant County shall receive interest on its prepetition claim from the Petition Date through the Effective Date of the Plan at the state statutory rate of 1% per month and post-Effective Date interest at the state statutory rate of 12% per annum pursuant to 11 U.S.C. Sections 506(b), 511 and 1129. Tarrant County shall receive payment of its prepetition claim in monthly installments that commence no later than 60 days from entry of the confirmation order. The length of payment of Tarrant County's claim shall be calculated to pay its claim in full with interest no later than the fifth anniversary of the petition date. Tarrant County retains the liens that secure all amounts owed for tax year 2015 as well as the priority of those liens pursuant to state law. Notwithstanding any other provision in the Plan, in the event the Debtor/Reorganized Debtor disputes Tarrant County's claim, the Debtor/Reorganized Debtor shall make payments pursuant to the Plan which shall be applied to the undisputed amount of the claim. The Debtor/Reorganized Debtor shall have 60 days from the Effective Date to object to Tarrant County's claim. If no claim objection is filed by this deadline, Tarrant County's claim shall be deemed allowed. In the event of a default under the plan, Tarrant County will provide notice of the default to counsel for the Debtor/Reorganized Debtor. The Debtor/Reorganized Debtor shall have 14 days from the date of the notice to cure the default. In the event the Debtor/Reorganized Debtor fails to cure the default, Tarrant County shall be entitled to pursue collection of all amounts owed pursuant to state law outside of the Bankruptcy Court. In the event of a third default, Tarrant County shall be entitled to pursue collection of all amounts owed pursuant to state law outside the Bankruptcy Court without further notice. Failure to timely pay post-petition taxes prior to the state law delinquency date shall constitute an event of default under the plan.

2.02 State Farm Bank

State Farm Bank is the holder of two pre-petition secured claims. One is secured by Mr. Leal's commercial building and the second is secured by Mr. Leal's 2013 F150 Lariat. These claims will be paid directly by Mr. Leal.

2. *Classes of General Unsecured Claims*

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

The following chart identifies the Plan's proposed treatment of Classes 3 through 4, which contain general unsecured claims against the Debtor:

Class #	Description	Impaired?	Treatment
3	General Unsecured Class Unsecured portion of IRS;	Yes	Distributions will be paid starting 60 days after Confirmation, over a ten (10) year period
4	Marianne Elizabeth Leal	Yes	Debtor will pay \$1000.00 per month directly to this creditor until the balance is paid in full starting June 1, 2016.

D. Means of Implementing the Plan

Source of Payments

Payments and distributions under the Plan will be funded by the following:

Normal operations of the insurance agency.

E. Risk Factors

The proposed Plan has the following risks:

The primary risk factor to the success of Eloy Leal's Plan is the possibility that the sales will under perform and not be sufficiently profitable to fund the payments required by the Plan.

F. Executory Contracts and Unexpired Leases

None

G. Tax Consequences of Plan

Creditors Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys And/Or Advisors.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These **include** the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan; the Plan must distribute to each creditor at least as much as the creditor would receive in a Chapter 7 liquidation case, unless the creditor 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.

A. Who May Vote or Object

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

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

In this case, Eloy Leal believes that all classes are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan.

1. *What Is an Allowed Claim?*

Only a creditor with an allowed claim has the right to vote on the Plan. Generally, a claim 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, (unless an objection has been filed to such proof of claim). When a claim is not allowed, the creditor holding the claim cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing a proof of claim in this case was August 25, 2016.

2. *What Is an Impaired Claim?*

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

3. *Who is Not Entitled to Vote*

The holders of the following five types of claims are *not* entitled to vote:

- holders of claims that have been disallowed by an order of the Court;
- holders of other claims that are not “allowed claims” (as discussed above), unless they have been “allowed” for voting purposes.
- holders of claims in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507 (a)(2), (a)(3), and (a)(8) of the Code; 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 AND TO THE ADEQUACY OF THIS DISCLOSURE STATEMENT.

4. *Who Can Vote in More Than One Class*

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

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) all impaired classes have voted to accept the Plan, or the Plan is eligible to be confirmed by “cram down” on non-accepting classes, as discussed below and (2) at least one impaired class of creditors has accepted the Plan.

1. *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.

2. *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 §1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a “cram down” plan. The 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 § 1129(a)(8) of the Code, 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, AS THE VARIATIONS ON THIS GENERAL RULE ARE NUMEROUS AND COMPLEX.

C. **Liquidation Analysis**

To confirm the Plan, the Court must find that all creditors who do not accept the Plan will receive at least as much under the Plan as such creditors would receive in a Chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as Exhibit B. Eloy Leal believes that this requirement has been satisfied because virtually all of his property is exempt under applicable State or Bankruptcy law, the insurance agency has limited assets, and the IRS has a large priority claim that would be paid prior to any distribution to unsecured creditors in a liquidation scenario.

D. **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, the Debtors.

1. *Ability to Initially Fund Plan*

Eloy Leal will fund this through the operations of the insurance agency.

2. *Ability to Make Future Plan Payments and Operate Without Further Reorganization*

Eloy Leal believes that he will have enough cash over the life of the Plan to make the required Plan payments.

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtors

Confirmation of the Plan does not discharge any debt provided for in the Plan until the court grants a discharge on completion of all payments under the Plan, or as otherwise provided in § 1141 (d)(5) of the Code. Eloy Leal will not be discharged from any debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

B. Closing of This Case

Eloy Leal intends to ask the Court to close this case once her Plan has been confirmed and payments have commenced. If the Court grants such a Motion, Eloy Leal, can avoid continuing to pay the substantial quarterly fees that are due to the United States Trustee in Chapter 11 cases. The Court may or may not grant this request.

C. Modification of Plan

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

Upon request of Eloy Leal, 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 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.

D. Retention of Jurisdiction

Despite the entry of the Confirmation Order, the Court will retain jurisdiction over certain aspects of this case as specified in the Plan.

E. Final Decree & Discharge

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, Eloy Leal, intends to file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion. Eloy Leal also intends to seek a discharge from its debts at that time.

F. Sale Of Assets

Eloy Leal shall retain the power to sell any asset of the Estate upon motion and notice to all Creditors pursuant to Bankruptcy Code § 363.

G. Alternatives to the Plan

Although the Disclosure Statement is intended to provide information to assist in the formation of a judgment as to whether to vote for or against the Plan and although creditors are not being offered through that vote an opportunity to express an opinion concerning alternatives to the Plan, a brief discussion of alternatives to the Plan may be useful. Eloy Leal believes the proposed Plan to be in the best interests of creditors and does not favor any alternative to the proposed Plan. In arriving at that conclusion, Eloy Leal assesses the alternatives as follows:

1. *Chapter 7 Liquidation Analysis*

Eloy Leal could convert this Case to Chapter 7 where a bankruptcy trustee would be appointed to liquidate and distribute assets. In the event that the Court does not confirm a plan of reorganization in this case, conversion to Chapter 7 will likely result. Eloy Leal believes this alternative to be unsatisfactory because Unsecured Creditors would receive less in a Chapter 7 bankruptcy proceeding as opposed to the proposed dividend under Eloy Leal's proposed plan of reorganization.

2. *Dismissal of the Case*

Dismissal of the Chapter 11 case would most likely lead to the same unsatisfactory result as a Chapter 7 liquidation. In addition, if the Debtors' case was dismissed or converted, all unsecured claims would receive nothing.

The vote on the Plan does not include a vote on alternatives to the Plan. There is no assurance what turn the proceedings will take if the Plan fails to be accepted. If you believe that there is an alternative that is preferable to the Plan and you wish to urge it upon the Court, you should consult counsel.

Dated: October 6, 2016

Respectfully submitted,

/s/ Eloy Leal
Eloy Leal

/s/ Craig D. Davis

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