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ATTORNEYS FOR DEBTOR

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

IN RE §
MICHAEL THOMAS INSURANCE AGENCY, INC § Case No. 17-30011
DEBTOR §

**DISCLOSURE STATEMENT OF MICHAEL THOMAS INSURANCE AGENCY, INC
PURSUANT TO SECTION
1125 OF THE BANKRUPTCY CODE DATED MAY 24, 2017**

**TO: ALL PARTIES-IN-INTEREST, THEIR ATTORNEYS OF RECORD AND TO THE
HONORABLE UNITED STATES BANKRUPTCY JUDGE:**

I

INTRODUCTION

Identity of the Debtor

Michael Thomas Insurance Agency, Inc. (“Debtor”) filed its voluntary Chapter 11 case in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (“Court”) on January 2, 2017. Debtor is a Texas corporation located in Duncanville, Texas which owns a commercial building. Debtor purposes to restructure its current indebtedness and continue its operations to provide a dividend to the unsecured creditors of Debtor.

Purpose of Disclosure Statement; Source of Information

Debtor submits this Disclosure Statement (“Disclosure Statement”) pursuant to Section 1125 of the Code to all known Claimants of Debtor for the purpose of disclosing that information which the Court has determined is material, important, and necessary for Creditors of Debtor in order to arrive at an intelligent, reasonably informed decision in exercising the right to vote for acceptance or rejection of the Debtor’s Plan of Reorganization dated May 24, 2017 (“Plan”). This Disclosure

Statement describes the operations of the Debtor contemplated under the Plan. You are urged to study the Plan in full and to consult with your counsel about the Plan and its impact upon your legal rights. Any accounting information contained herein has been provided by the Debtor.

Explanation of Chapter 11

Chapter 11 is the principal reorganization chapter of the Code. Pursuant to Chapter 11, a Debtor is authorized to reorganize its business for its own benefit and that of its creditors and equity interest holders. Formulation of a Plan is the principal purpose of a Chapter 11 reorganization case. A Plan sets forth the means for satisfying claims against and interests in the Debtor. After a Plan has been filed, it must be accepted by holders of claims against, or interests in, the Debtor. Section 1125 of the Code requires full disclosure before solicitation of acceptances of a Plan. This Disclosure Statement is presented to Claimants to satisfy the requirements of Section 1125 of the Code.

Explanation of the Process of Confirmation

Even if all Classes of Claims accept the Plan, its confirmation may be refused by the Court. Section 1129 of the Code sets forth the requirements for confirmation and, among other things, requires that a Plan of reorganization be in the best interests of Claimants. It generally requires that the value to be distributed to Claimants may not be less than such parties would receive if the Debtor were liquidated under Chapter 7 of the Code.

Acceptance of the Plan by the Creditors and Equity Interest Holders is important. In order for the Plan to be accepted by each class of claims, the creditors that hold at least two thirds (2/3) in amount and more than one-half (1/2) in number of the allowed claims actually voting on the Plan in such class must vote for the Plan and the equity interest holders that hold at least two-thirds (2/3) in amount of the allowed interests actually voting on the Plan in such class must vote for the Plan. Chapter 11 of the Code does not require that each holder of a claim against, or interest in, the Debtor vote in favor of the Plan in order for it to be confirmed by the Court. The Plan, however, must be accepted by: (i) at least the holder of one (1) class of claims by a majority in number and two-thirds (2/3) in amount of those claims of such class actually voting; or (ii) at least the holders of one (1) class of allowed interests by two-thirds (2/3) in amount of the allowed interests of such class actually voting.

The Court may confirm the Plan even though less than all of the classes of claims and interests accept it. The requirements for confirmation of a Plan over the objection of one or more classes of claims or interests are set forth in Section 1129(b) of the Code.

Confirmation of the Plan discharges the Debtor from all of their pre-confirmation debts and liabilities except as expressly provided for in the Plan and Section 1141(d) of the Code. Confirmation makes the Plan binding upon the Debtor and all claimants, equity interest holders and other parties-in-interest, regardless of whether or not they have accepted the Plan.

Voting Procedures

Unimpaired Class. Claimants in Classes 1 and 5 are not impaired under the Plan. Such Class is deemed to have accepted the Plan.

Impaired Classes. The Classes 2 through 4 Claimants are impaired as defined by Section 1124 of the Code. The Debtor is seeking the acceptance of the Plan by Claimants in Classes 2 through 4. Each holder of an Allowed Claim in Classes 2 through 4 may vote on the Plan by completing, dating and signing the ballot sent to each holder and filing the ballot as set forth below.

Except to the extent permitted by the Bankruptcy Court pursuant to Rule 3018 of the Bankruptcy Rules, ballots that are received after the Voting Deadline will not be accepted or used by the Debtor in connection with the Debtor's request for confirmation of the Plan.

Unless otherwise directed by the Court, all questions as to the validity, form, eligibility (including time of receipt) acceptance and revocation or withdrawal of ballots or master ballots will be determined by the Debtor in its sole discretion, whose determination will be final and binding.

For all Classes, the ballot must be returned to Eric A. Liepins, 12770 Coit Road, Suite 1100, Dallas, Texas 75251. In order to be counted, ballots must be **RECEIVED** no later than at the time and on the date stated on the ballot.

Best Interests of Creditors Test

Section 1129(a)(7) of the Code requires that each impaired class of claims or interests accept the Plan or 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 was liquidated under Chapter 7 of the Bankruptcy Code. If Section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, each holder of a claim of such class will receive or retain under the Plan, on account of such claim, property of a value, as of the Effective Date of the Plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims. In order for the Plan to be confirmed, the Bankruptcy Court must determine that the Plan is in the best interests of the Debtor's creditors. Accordingly, the proposed Plan must provide the Debtor's creditors with more than they would receive in a Chapter 7 liquidation. It is anticipated that in a Chapter 7 liquidation, the Debtor's creditors, other than the secured creditors, would receive nothing. Accordingly, since the Plan proposes a substantial dividend to all creditors, such creditors are receiving more than they would receive in a Chapter 7 liquidation. Accordingly, the Plan satisfies the requirements of Section 1129(a)(7).

Cramdown

The Court may confirm the Plan even though less than all of the classes of claims and interests accept it. The requirements for confirmation of a Plan over the objection of one or more classes of claims or interests are set forth in Section 1129(b) of the Code.

II **REPRESENTATIONS**

[Note: Paragraphs in brackets to be included after the Bankruptcy Court approves this Disclosure Statement.]

[This Disclosure Statement is provided pursuant to Section 1125 of the Code to all of the Debtor known Creditors and other parties in interest in connection with the solicitation of acceptance of its Plan, as amended or modified. The purpose of this Disclosure Statement is to provide such information as will enable a hypothetical, reasonable investor, typical of the holders of Claims, to make an informed judgment in exercising its rights either to accept or reject the Plan. A copy of the Plan is attached hereto as **Exhibit "A"**.]

[After a hearing on notice, the Court approved this Disclosure Statement as containing information of the kind and in sufficient detail adequate to enable a hypothetical, reasonable investor typical of the classes being solicited to make an informed judgment about the Plan.]

The information contained in this Disclosure Statement has been derived from the Debtor, unless specifically stated to be from other sources.

NO REPRESENTATIONS CONCERNING THE DEBTOR ARE AUTHORIZED BY THE DEBTOR OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. THE DEBTOR RECOMMENDS THAT ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN WHICH IS NOT CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN REACHING YOUR DECISION ON HOW TO VOTE ON THE PLAN. ANY REPRESENTATION OR INDUCEMENT MADE TO YOU NOT CONTAINED HEREIN SHOULD BE REPORTED TO THE ATTORNEYS FOR DEBTOR WHO SHALL DELIVER SUCH INFORMATION TO THE COURT FOR SUCH ACTION AS MAY BE APPROPRIATE

ANY BENEFITS OFFERED TO THE CREDITORS ACCORDING TO THE PLAN WHICH MAY CONSTITUTE "SECURITIES" HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE FEDERAL SECURITIES AND EXCHANGE COMMISSION ("SEC"), THE TEXAS SECURITIES BOARD, OR ANY OTHER RELEVANT GOVERNMENTAL AUTHORITY IN ANY STATE OF THE UNITED STATES. IN ADDITION, NEITHER THE SEC, NOR ANY OTHER GOVERNMENTAL AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN. ANY REPRESENTATIONS TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. FOR THE FOREGOING REASON, AS WELL AS BECAUSE OF THE IMPOSSIBILITY OF MAKING ASSUMPTIONS, ESTIMATES AND PROJECTIONS INTO THE FUTURE WITH ACCURACY, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS COMPLETELY ACCURATE, ALTHOUGH EVERY REASONABLE EFFORT HAS BEEN MADE TO ENSURE THAT SUCH INFORMATION IS ACCURATE. THE APPROVAL BY THE COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE COURT OF THE PLAN OR GUARANTEE THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

THE DEBTOR BELIEVES THAT THE PLAN WILL PROVIDE CLAIMANTS WITH AN OPPORTUNITY ULTIMATELY TO RECEIVE MORE THAN THEY WOULD RECEIVE IN A LIQUIDATION OF THE DEBTOR'S ASSETS, AND SHOULD BE ACCEPTED. CONSEQUENTLY, THE DEBTOR URGES THAT CLAIMANTS VOTE FOR THE PLAN.

DEBTOR DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS CORRECT, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. THE PLAN WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT, AND EACH CREDITOR AND INTEREST HOLDER IS URGED TO CAREFULLY REVIEW THE PLAN PRIOR TO VOTING ON IT.

III

FINANCIAL PICTURE OF THE DEBTOR

History and Background of the Debtor

Michael Thomas purchased the building located at 606 N. Main Street, Duncanville, Texas ("Property") in 2006. Over the years he has made a number of improvements to the building. The Debtor was formed in 2011. The Property was refinanced with Bank of DeSoto ("Bank") in 2011. The Property has been used as an insurance agency for a number of years. Additionally, part of the Property has been finished out as a hair salon. The Debtor has been informally renting out the salon side of the building over the years. As a result of a slow down in the insurance business the Debtor fell behind on his payments to the Bank. When the Debtor went to catch up the payments, the Bank refused to accept the payments and sought to foreclose on the Property. The Debtor filed this bankruptcy case to allow it to keep the Property and repay the Bank and its other creditors.

Post-Petition Operations

Since the filing of the Bankruptcy, the Debtor has worked hard to generate and maintain operations. The Debtor has entered into formal lease agreements with two tenants on the Property which provide the Debtor with steady income in the amount of \$1,100 per month. The Debtor has increased marketing efforts in an effort to attract new business. The Debtor has begun to see the results of this marketing effort with increased revenues. The Debtor is currently under a Court order to provide monthly payments to its secured lender. The Debtor is current with those payments. The Debtor believes that it can maintain operations at its current level to allow it to provide a dividend to the unsecured creditors.

Future Income and Expenses Under the Plan

Under the terms of the Plan, the creditors will receive cash payments from the Debtor's operations. The projections of the revenues and expenses for the next year is attached hereto as Exhibit "B". The Debtor believes these projections to be feasible based upon the levels of revenue the company has been able to maintain during the bankruptcy.

Post-Confirmation Management

Upon Confirmation of the Debtor's Plan, Michael Thomas will remain president of the Debtor. The Debtor is currently owned by 100% by Mr. Thomas. Mr Thomas will receive a salary of \$30,000 per year.

IV.

ANALYSIS AND VALUATION OF PROPERTY

The Debtor's assets consists of a piece of real property located at 606 N. Main Street, Duncanville, Texas. The Debtor believes the current value of the Property is equal to the debt owed to the secured creditor. However, if the Property was liquidated, the Debtor believed the amount received would not be sufficient to cover the secured creditors debt. A breakdown of the assets and the liquidation value is attached hereto as Exhibit C.

V.

SUMMARY OF PLAN OF REORGANIZATION

The Debtor's Plan will break the existing claims into 5 categories of Claimants. Tax Creditors and Unsecured Claimants will receive cash payments beginning on the Effective Date.

Satisfaction of Claims and Debts: The treatment of and consideration to be received by holders of Allowed Claims or interests pursuant to this Articles 5 and 6 of this Plan shall be the sole an exclusive means for full settlement, release and discharge of their respective Claims, Debts, or interests. On the Confirmation Date, the Reorganized Debtor shall assume all duties, responsibilities and obligations for the implementation of this Plan.

Class 1 Claimants (Allowed Administrative Claims of Professionals and US Trustee) are unimpaired and will be paid in cash and in full on the Effective Date of this Plan. Professional fees are subject to approval by the Court as reasonable. Debtor's attorney's fees approved by the Court and payable to the law firm of Eric Liepins, P.C. will be paid immediately following the later of Confirmation or approval by the Court out of the available cash. This case will not be closed until all allowed Administrative Claims are paid in full. Class 1 Creditor Allowed Claims are estimated as of the date of the filing of this Plan to not exceed the amount of \$10,000 including Section 1930 fees. Section 1930 fees shall be paid in full prior to the Effective Date. The Debtor is required to continue to make quarterly payments to the U.S. Trustee and shall be required to file post-confirmation operating reports until this case is closed. The Class 1 Claimants are not impaired under this Plan.

Class 2 Claimants (Allowed Property Tax Claims) are impaired and shall be satisfied as follows: The Debtor owes real and business property taxes to Dallas County. Dallas County has filed a Proof of Claim in the amount of \$3,222.62. The Debtor is unsure whether the real property taxes portion of this claim has been paid. The Debtor had been making payments to its secured lender which included payments for ad valorem taxes for most of 2016 and the Debtor is currently unaware of whether the secured lender used those funds to pay the 2016 taxes. To the extent these Ad Valorem Taxes have not been paid, they will receive post-petition pre-confirmation interest at the state statutory rate of 1% per month and post-confirmation interest at the rate of 12% per annum. The Debtor shall pay the Allowed amount of the Class 2 claimant of Dallas County in full within 60 months of the Petition Date. Based upon the claim filed and the projected confirmation date the approximate total amount of the monthly payment to the Class 2 creditors will be \$90. The Class 2 claimants shall retain their liens on the Debtor's property until paid in full under this Plan.

The Class 2 Creditors are impaired under this Plan.

Class 3 Claimants (Allowed Secured Claim of Bank of DeSoto ("Bank")) are impaired and shall be satisfied as follows: On or about October 14, 2011, the Debtor executed that certain Real Estate Lien Note in the original principal amount of \$143,634.23 ("Note"). The Note was secured by that certain Deed of Trust covering certain real property commonly known as 606 N. Main Street, Duncanville, Texas ("Property"), more fully described in the Deed of Trust. Bank asserted a claim in the amount of \$143,029.61. The Debtor believes the value of the Property is equal to the amount of the Proof of Claim. The Debtor shall execute a New Bank Note in the amount of \$143,029.61 ("New Note"). The New Note shall be secured by the Property. The New Note shall bear interest at the rate of 5.5% per annum and be payable commencing on the Effective Date, based upon a 240 month amortization and shall be payable in 59 equal monthly installments of \$985.87 and one payment of all outstanding principal and interest on the 60th month following the Effective Date.

Class 3 Claimant is impaired under this Plan.3.

Class 4 Claimants (Allowed Unsecured Creditors) are impaired and shall be satisfied as follows: All Allowed Unsecured Creditor claims shall be paid in full in 4 equal monthly installments commencing on the Effective Date.

Class 4 Claimants are impaired under this Plan.

Class 5 (Current Interest Holders) are not impaired under the Plan and shall be satisfied as follows: The current shareholders will receive no payments under the Plan, and the current interest holder shall retain their existing interests.

The Class 5 Interest Holder is not impaired under this Plan.

ARTICLE VI
MECHANICS/IMPLEMENTATION OF PLAN

Debtor anticipates using the on-going business income of the Debtor to fund the Plan. All payments under the Plan shall be made through the Disbursing Agent.

VII.
FEASIBILITY OF PLAN

The projections set forth on Exhibit "B" are based upon the Debtor's current operations. The Debtor has not projected any significant increases in income over the life of the Plan. Based upon the projections, the Debtor believes the Plan to be feasible.

VIII.
RETENTION OF JURISDICTION

The Bankruptcy Court's jurisdiction shall be retained under the Plan as set forth in Article XIV of the Plan.

This Plan shall be the sole and exclusive remedy for any Creditor of the Debtor dealt with herein, so long as Debtor is not in default under the Plan.

IX.
ALTERNATIVES TO DEBTOR'S PLAN

If the Debtor's Plan is not confirmed, the Debtor's bankruptcy case may be converted to a case under Chapter 7 of the Code, in which case a trustee would be appointed to liquidate the assets of the Debtor for distribution to its Creditors in accordance with the priorities of the Code. Generally, a liquidation or forced sale yields a substantially lower amount. Given the nature of the Debtor's property, a Chapter 7 proceeding would most likely not provide any funds for unsecured creditors. A Liquidation Analysis is attached hereto as Exhibit C.

X
STATUS OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

To the extent there are any unexpired leases or executory contracts, which have not been assumed or dealt with in this Plan prior to the Effective Date, they are rejected. However, the Debtor specifically assumes the current leases with the tenants at the Property in this Plan.

XI

RISKS TO CREDITORS UNDER THE DEBTOR'S PLAN

Claimants should be aware that there are a number of substantial risks involved in consummation of the Plan. The risk connected with this Plan is the Debtor's ability to continue to obtain revenues at the levels necessary to fund the Plan. The Debtor is proposing to make payments based upon the Debtor's current levels and past performance can not guaranty future revenues levels. The Plan contemplates that there will be excess funds to pay Creditor Claims.

XII.

TAX CONSEQUENCES TO THE DEBTOR

Implementation of the Plan may result in federal income tax consequences to holders of Claims, Equity Interest Holders, and to the Debtor. Tax consequences to a particular Creditor or Equity Interest Holder may depend on the particular circumstances or facts regarding the Claim of the Creditor or the interests of the Equity Interest Holder. In this case, all creditors will be paid in full. **CLAIMANTS ARE URGED TO CONSULT THEIR OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN TO THEM UNDER FEDERAL AND APPLICABLE STATE AND LOCAL TAX LAWS.**

XIII.

PENDING OR ANTICIPATED LITIGATION

The Debtor has evaluated potential claims which may be brought. The Debtor does not believe any claims under the provision of the Bankruptcy Code exist which would be beneficial for the Debtor to pursue or which would result in a higher return to the creditors.

Dated: May 24, 2017.

Respectfully submitted,

Michael Thomas Insurance Agency, Inc.

/s/ Michael Thomas
Michael Thomas, President

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ATTORNEY FOR DEBTOR

EXHIBIT C LIQUIDATION ANALYSIS

ASSETS	Chapter 7	Chapter 11
CASH	4,000	4,000
REAL ESTATE	106,000 ¹	145,000
TOTAL		
LIABILITIES		
ADMINISTRATIVE	10,000	10,000
TAXES	3,000	3,000
SECURED CREDITOR	145,000	145,000
UNSECURED CREDITORS	2,500	2,500
UNSECURED DIVIDEND	0%	100%

¹Debtor bases this number on the appraisal presented by the Bank at the hearing on the Motion for Relief from Automatic Stay.

