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Honorable Christopher M. Alston
Chapter 11

**UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF WASHINGTON AT SEATTLE**

In re:	}	No. 15-16111-CMA
CC SPORTS INJURY, LLC,		AMENDED DISCLOSURE STATEMENT
Debtor.		

I. INTRODUCTION

CC SPORTS INJURY, LLC, (hereinafter “Debtor” or “CC Sports”) filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (“Code”) on October 13, 2015. Debtor submits the following Disclosure Statement and Plan pursuant to 11 U.S.C. §§ 1121 and 1125. The purpose of the Disclosure Statement is to explain the Plan of Reorganization and provide you with material needed to vote on the Plan, as may be applicable.

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest 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 Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest 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. The Proposed Plan is attached hereto as Exhibit A, followed by several further exhibits that provide financial information about the debtor.

A. **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 Finally Approve This Disclosure Statement and Confirm the Plan*

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place on at a date, time and Courtroom to be set.

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 in the enclosed envelope to Patrick Brick, 520 Pike Street, Suite 2250, Seattle, WA 98101. See section IV.A. below for a discussion of voting eligibility requirements. Your ballot must be received no later than seven (7) days prior to the hearing on confirmation 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 Patrick H. Brick, 520 Pike Street, Suite 2250, Seattle, WA 98101 or upon Patrick H. Brick via the Court’s ECF filing system no later than seven (7) days prior to the confirmation hearing, which will be set by the Court.

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

1 If you want additional information about the Plan, you should contact Patrick H.
2 Brick, 520 Pike Street, Suite 2250, Seattle, WA 98101.

3 A. Disclaimer

4 ***The Court has not yet conditionally approved this Disclosure Statement***
5 ***as containing adequate information to enable parties affected by the Plan to***
6 ***make an informed judgment about its terms. The Court has not yet determined***
7 ***whether the Plan meets the legal requirements for confirmation, and the fact***
8 ***that the Court has approved this Disclosure Statement does not constitute an***
9 ***endorsement of the Plan by the Court, or a recommendation that it be accepted.***
10 ***The Court's approval of this Disclosure Statement is subject to final approval at***
11 ***the hearing on confirmation of the Plan. Objections to the adequacy of this***
12 ***Disclosure Statement may be filed until seven (7) days prior to the hearing.***

11 II. BACKGROUND

12 B. Description and History of the Debtor's Business.

13 CC Sports Injury, LLC is a Washington Limited Liability Company that was formed
14 in February 2007 by its owner, Sean Salazar, a Chiropractic Physician. Doctor Salazar
15 practices chiropractic medicine, and his patients include but are not limited to persons
16 suffering from various conditions of the spine, back injuries, sports injuries, and car
17 accident injuries.

18 C. Insiders of the Debtor.

19 There are no insiders of the debtor as defined in §101(31) of the Code, either in the
20 two years prior to the commencement of the bankruptcy case, or since.

21 D. Management of the Debtor Before and During the Bankruptcy.

22 Management of the Debtor Before and During the Bankruptcy. In addition to
23 treatment, Doctor Salazar is the manager of the debtor. He was its manager for
24 approximately two years prior to the bankruptcy filing, and has managed the debtor since
25 the filing, to the present.

26 E. Events Leading to Chapter 11 Filing.

27 The events leading to the Chapter 11 filing by CC Sports began when the Internal
28 Revenue Service ("IRS") began an audit of Mr. Salazar in 2009. Mr. Salazar prior to that
time, individually and separate and apart from his medical practice, had given several

1 dozen political speeches, and he is of the belief that at some point, the IRS decided it did
2 not like the content of his speeches, and singled him out for a series of audits. In order to
3 end the audits, he was given an option to accept an “unusual” amount of assessed taxes
4 and make an Offer in Compromise to the IRS. Mr. Salazar agreed to end the audits and
5 as instructed, he promptly filed an Offer in Compromise, which was thereafter rejected by
6 the IRS. Thereafter, IRS collection activities began against him, his marriage fell apart,
7 and his medical practice was in danger of falling apart. His tax attorney suggested that he
8 likely should file for Chapter 13 bankruptcy, and possibly Chapter 11 bankruptcy for CC
Sports, if necessary.

9 Mr. Salazar indeed did file Chapter 13 bankruptcy on December 12, 2014 (No. 14-
10 18948 MLB, plan confirmed 4/17/15), as by that time, his bank accounts and other assets
11 were being levied upon by the IRS.

12 Several months after filing the individual Chapter 13, the IRS continued levy activity,
13 now against CC Sports Injury, LLC. The levies jeopardized the very existence of the
14 debtor, and thus Mr. Salazar as member/manager of CC Sports filed it into Chapter 11
15 bankruptcy on October 13, 2015.

16 E. Projected Recovery of Avoidable Transfers.

17 None – Not Applicable.

18 F. Claims Objections.

19 The deadline for filing claims was February 12, 2016. One proof of claim was filed,
20 that of the IRS. Debtor’s schedules list tax debt – disputed -- from the State of California
21 for tax years 2003 and 2004, which pre-dates the formation of the debtor. Debtor reserves
the right to file objections to the amounts and/or the collectability of them.

22 G. Current and Historical Financial Conditions.

23 Chiropractic medicine is a very competitive business, but CC Sports has been more
24 successful than many if not most of its similar competitors. The implementation and
25 mechanics of the Affordable Care Act had some negative impact on debtor’s revenue in
26 late 2015 and the first quarter of 2016, those vagaries have become known quantities in
27 the bigger picture, and the debtor has become acclimated to it, as other medical providers
28 that rely on insurance payments have had to do.

1 Dr. Salazar and CC Sports has historically enjoyed a substantial and loyal patient
2 base, and that has continued since the Chapter 11 filing. Due to the nature of chiropractic
3 medicine, its practice is literally “hands on,” and is not reliant upon extensive amounts of
4 medical machinery, equipment or supplies. The debtors Schedule B lists debtor’s personal
5 assets and their approximate value, and that has not changed. CC Sports’ gross monthly
6 revenue ranges from approximately \$11,000 to 16,000. Average gross monthly revenue
7 from March through June, 2016, was \$14,518.81. That income generation is expected to
8 continue into the indefinite future, and the profits generated from revenue will be the
9 source of funding the Chapter 11 Plan and paying the creditors of CC Sports.

10 In that regard, historically, there are months characterized by higher than average
11 expenses, which are usually followed by one to two months of higher net profit. That is
12 reflected in the March through June 2016 period which profit and loss statements in
13 debtor’s monthly financial reports were used to derive the post-confirmation revenue
14 projections for Exhibit E.

15 **III.SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS** 16 **AND EQUITY INTERESTS**

17 **a. What is the Purpose of the Plan of Reorganization?**

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

22 **b. Unclassified Claims**

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

28 **i. *Administrative Expenses***

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

Type	Est. Amt.	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	0	Paid in full on the effective date of the Plan, or according to terms of obligation if later
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	0	Paid in full on the effective date of the Plan, or according to terms of obligation if later
Professional Fees, as approved by the Court.	Est. Post-Petition Fees \$7500-8000	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan
Clerk's Office Fees	0	Paid in full on the effective date of the Plan
Other administrative expenses	0	Paid in full on the effective date of the Plan or according to separate written agreement

Office of the U.S. Trustee Fees	0	Paid in full on the effective date of the Plan
TOTAL	\$7500	

1. *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 5 years from the date of the order confirming the Plan of Reorganization. There is one such priority claim by IRS, and it will be paid in full over the term of the Plan with statutory interest, in quarterly installments.

2. *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:

ii. Class 1: 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 Class 1.

Class #	Description	Impairment	Treatment
1	General unsecured nonpriority: IRS	Impaired	To be paid quarterly no less than 10% of allowed amount of claim over five (5) years commencing October 2016 or as soon as practicable thereafter following confirmation on or within 90 days after confirmation.

2	General unsecured nonpriority: California tax related claims predating formation of debtor's LLC	Impaired	To be paid quarterly no less than 10% of allowed amount of claim over five (5) years commencing October 2016 or as soon as practicable thereafter following confirmation on or within 90 days after confirmation.
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There are no other creditor classes, as there are no other known claims or debts claimed or owed by the debtor in these proceedings, secured, priority, or otherwise. If any claim not previously known to exist arises, a convenience or additional class or subclass of claim(s) may be made as warranted.

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, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

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 or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that classes 1 and 2 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or

1 reject the Plan.

2 B. What Is an Allowed Claim or an Allowed Equity Interest?

3 Only a creditor or equity interest holder with an allowed claim or an allowed equity
4 interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if
5 either (1) the Debtor has scheduled the claim on the Debtors schedules, unless the claim
6 has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a
7 proof of claim or equity interest, unless an objection has been filed to such proof of claim
8 or equity interest. When a claim or equity interest is not allowed, the creditor or equity
9 interest holder holding the claim or equity interest cannot vote unless the Court, after
10 notice and hearing, either overrules the objection or allows the claim or equity interest for
11 voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

12 1. What Is an Impaired Claim or Impaired Equity Interest?

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

17 2. Who is **Not** Entitled to Vote

18 The holders of the following five types of claims and equity interests are *not* entitled
19 to vote:

- 20 • holders of claims and equity interests that have been disallowed by an
21 order of the Court;
- 22 • holders of other claims or equity interests that are not “allowed
23 claims” or “allowed equity interests” (as discussed above), unless
24 they have been “allowed” for voting purposes
- 25 • holders of claims or equity interests in unimpaired classes;
- 26 • holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and
27 (a)(8) of the Code; and
- 28 • holders of claims or equity interests in classes that do not receive or
retain any value under the Plan;

- 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 the Disclosure Statement].

3. 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 claim.

C. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and 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 later in Section [B.2.].

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.

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

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a cram down plan. The Code allows the Plan to bind nonaccepting 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.

1 ***You should consult your own attorney if a cramdown at confirmation will***
2 ***affect your claim or equity interest, as the variations on this general rule are***
3 ***numerous and complex.***

4 D. Liquidation Analysis

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

8 F. Feasibility

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

13 1. Ability to Initially Fund Plan

14 The Plan Proponent believes there will be cash on hand on the effective date of
15 the Plan to commence payments on the effective date of the Plan to pay at least in part
16 the administrative claims that are entitled to be paid on that date.

17 2. Plan Implementation and Future Plan Payments

18 The Plan payments will be made by direct payments by the debtor, and the debtor
19 has both office staff assistance and an accounting to successfully implement and continue
20 regular monthly payments under the Plan. The Plan Proponent must show that it will have
21 enough cash flow over the life of the Plan to make the required Plan payments. The Plan
22 Proponent has provided projected financial information as an Exhibit to this Disclosure
23 Statement.

24 3. Source of Payments; Risk Factors

25 Payments and distributions under the Plan will be funded by the
26 Debtor's usual and normal medical practice. The proposed Plan has the
27 following risks:

28 The Plan and its success is necessarily a function of Dr. Salazar's continued
success in operating his chiropractic practice. The Plan would be in jeopardy if Dr. Salazar

1 for any reason would become unable to continue in his practice. He is relatively young,
2 however, and very healthy, and is committed to his practice and his patients, and further is
3 committed to succeeding in the CC Sports Plan of Reorganization.

4 4. Executory Contracts and Unexpired Leases

5 The Debtor previously has assumed its business premises lease. The court's
6 Order assuming lease was entered in the proceeding on February 10, 2016. The debtor
7 has always paid its rent on time and enjoys a great relationship with its landlord. This
8 aspect of debtor's operation is important, as it helps to ensure longevity of debtor's clinic
9 location and the loyalty and support of debtor's patients, which in turn will help to ensure
10 debtor's long term ability to make its Plan payments.

11 **V. EFFECT OF CONFIRMATION OF PLAN**

12 A. On the effective date of the Plan, the Debtor shall be discharged from any debt
13 that arose before confirmation of the Plan, subject to the occurrence of the effective
14 date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtor shall
15 not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in §
16 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the
17 Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in § 1141(d)(6)(B).
18 After the effective date of the Plan your claims against the Debtor will be limited to the
19 debts described in clauses (i) through (iii) of the preceding sentence.

20 B. The Plan Proponent may modify or amend the Plan and this Disclosure
21 Statement at any time before confirmation of the Plan. However, the Court may require
22 a new disclosure statement and/or revoting on the Plan. The Plan Proponent may also
23 seek to modify the Plan at any time after confirmation only if (1) the Plan has not been
24 substantially consummated and (2) the Court authorizes the proposed modifications
25 after notice and a hearing.

26 C. Final Decree

27 Once the estate has been fully administered, as provided in Rule 3022 of the
28 Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the

1 Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to
2 obtain a final decree to close the case. Alternatively, the Court may enter such a final
3 decree on its own motion.

4 Respectfully submitted this 16th day of August, 2016

5 CC SPORTS INJURY, LLC, by:

6 /s/Sean Salazar, D.C.

7 Sean Salazar, D.C.

8 Sole Member/Manager, CC Sports Injury, LLC

9 DATED this 16th day of August, 2016

10 /s/Patrick H. Brick

11 Patrick H. Brick, WSBA #17987

12 Attorney for Debtor