

**United States Bankruptcy Court
Western District of Wisconsin**

In re Spin City EC L.L.C.

Debtor(s)

Case No. 1-16-13179

Chapter 11

Small Business Case under Chapter 11

**SPIN CITY EC L.L.C.'S FIRST AMENDED DISCLOSURE STATEMENT, DATED
FEBRUARY 20, 2017**

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I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the small business chapter 11 case of Spin City EC L.L.C. (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the plan (the "Plan") filed by Spin City EC L.L.C. on January 13, 2017. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. ***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 in Section III of this Disclosure Statement. General unsecured creditors will receive a distribution of 0% of 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 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 the 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, and
- Additional details regarding the Debtor set forth in Addendum A, attached

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

1. *Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan* is at the United States Bankruptcy Court, 500 South Barstow Street, Eau Claire, WI 54701. (All dates will be set by the Court after it reviews the Plan and Disclosure Statement)

2. *Deadline For Voting to Accept or Reject the Plan*
To be set by the court.

3. *Deadline For Objecting to the Adequacy of Disclosure and Confirmation of the Plan*
To be set by the Court

The deadline for objecting to the adequacy of the Disclosure Statement and confirmation of the Plan will be set by the Court.

4. *Identity of Person to Contact for More Information*
Attorney Erwin H. Steiner

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C. Disclaimer

When the Court has approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms, the Court will determine whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted.

II. BACKGROUND

A. Description and History of the Debtor's Business

Debtor is a single member limited liability company which was organized in the State of Wisconsin in 2010. The Debtor operates a one location laundromat at 2703 Birch Street, Eau Claire, Wisconsin. Debtor's assets consist primarily of 7-8 year old commercial washers, dryers, and related laundromat equipment with a current value of \$80,600, based upon 2016 City of Eau Claire personal property assessments. The Debtor operates in a shopping center strip mall. The Debtor purchased its equipment from Dexter Financial of Cedar Rapids, Iowa, after Dexter had repossessed the equipment from another laundromat, Clear Water Eau Claire, LLC, which operated a laundromat at the same location from 2007-2010. Clear Water is defunct and was administratively dissolved by the State of Wisconsin in 2011.

The Debtor has consistently operated at a loss. All revenues are used to pay debt load and operating expenses.

B. Insiders of the Debtor

Spin City's sole member (owner) is Bruce Fuerbringer, who handles all day by day activities of the Debtor. Mr. Fuerbringer is the retired City of Eau Claire Fire Chief. He does not draw a salary, or other remuneration from the Debtor.

C. Management of the Debtor Before and During the Bankruptcy

Mr. Fuerbringer has managed the Debtor from its formation in 2010, to the present. All other employees of Debtor are hourly workers who staff the laundromat on a part time basis, to assist customers. None of these employees has managerial responsibility, and none of them own any units of ownership of Debtor.

D. Events Leading to Chapter 11 Filing

Debtor sought a reorganization under Chapter 11 to obtain relief from a vigorous lawsuit filed in early 2016 by JJC of Eau Claire, LLC ("JJC").

Prior to 2009, JJC purchased a commercial building on Mall Drive, Eau Claire, WI which JJC leased to Clear Water Laundry LLC. Clear Water Laundry, LLC ("Clear Water") (not Spin City Eau Claire LLC) operated two laundromats at Mall Drive, and at the present Spin City location on Birch Street. Clear Water failed to pay rent to JJC, because a street improvement project on Birch Street by the City of Eau Claire reduced public access to the laundromat, resulting in lower gross revenues. JJC obtained a judgment against Clear Water for about \$40,000 in July, 2009 for unpaid rent on the Mall Drive property. JJC's attorney conducted a post judgment supplemental examination in 2010, and apparently concluded Clear Water did not own unsecured assets to pay the judgment. Dexter Financial repossessed the laundromat equipment and sold some of it to the a third party laundromat. Dexter sold the balance of its equipment to Spin City in 2010, and Spin City operated the Birch Street laundromat from 2010 to the present. JJC's claim is for unpaid rent at Mall Drive, and JJC has never had a claim for rent due at the current location on Birch Street.

In 2016, JJC filed suit in the Eau Claire County Circuit Court (Case No. 16 CV 95), alleging that Spin City is liable for the judgment against Clear Water, under a successor liability theory. Spin City denies it is liable to JJC, and considers JJC to be a disputed general unsecured creditor.

E. Significant Events During the Bankruptcy Case

None. The JJC lawsuit in Eau Claire County is stayed since the Chapter 11 filing. Debtor continues to operate the Birch Street laundromat as a Debtor in Possession. JJC scheduled and conducted a 2004 examination of Bruce Fuerbringer in December, 2016.

F. Projected Recovery of Avoidable Transfers

Debtor does not believe any voidable transfers exist. Payments have been made to employees and suppliers in the ordinary course of business, and ordinary monthly payments have been made as they accrue to Debtor's sole secured creditor, Royal Credit Union.

G. Claims Objections

To the extent JJC of Eau Claire, LLC asserts a claim against Debtor, the debtor objects. The judgment which JJC obtained in 2009 was against Clear Water, not Spin City, formed in 2010.

H. Current and Historical Financial Conditions

	Revenues
2010	\$98,774 (partial year)
2011	\$120,121
2012	\$124,852
2013	\$132,128
2014	\$132,249
2015	\$140,018
2016	\$135,000

As of the date of filing, Debtor does not have any accounts receivable, as customers pay cash or with a debit card at Debtor's coin operated laundromat. Debtor does not have any "accounts payable" as it is current in paying operating costs for wages, utilities, rent, and supplies. 2016 showed actual income of \$135,000, a reduction from 2015. This diminution of revenues may be due to cost cutting measures, include a reduction of attended hours, and general economic conditions.

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

B. Unclassified Claims

1. *Administrative Expenses*

Debtor will pay court and U.S. Trustee obligations as they accrue. Debtor will pay professional fees of its accountant as they come due. Debtor's payment of attorney fees will be paid as directed and permitted by the court. Rent owed to the landlord, Phillips Properties, will be treated as ordinary course of business administrative expenses and paid monthly when due.

2. *Priority Tax Claims*

Debtor believes it is current in paying employee withholding taxes to the IRS and to the Wisconsin Department of Revenue, and it will continue to pay these tax obligations as they come due.

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

Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
None	None	N/A	Pmt interval = N/A [Monthly] payment = Begin date = End Date = Interest Rate % = Total Payout Amount = \$

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*

Debtor's only secured creditor is Royal Credit Union ("RCU") As of the date of filing, all obligations to RCU are current, and debtor anticipates paying RCU as agreed. RCU is placed in class 1.

2. *Classes of Priority Unsecured Claims*

The Internal Revenue filed a de minimis claim, which has been paid when due. IRS is placed in Class 2, and post petition taxes will be paid when due.

3. *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 Amended Plan's proposed treatment of Classes 3 and 4, which contain general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment
1	Royal Credit Union-Secured Debt	No	Paid as agreed
2	Internal Revenue Service	No	Paid in Full
3	Royal Credit Union-Unsecured Debt	Yes	Paid as agreed in governing documents
4	JJC	Yes	Paid \$0 as a disputed claim

4. *Class[es] of Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder. In this case, the only equity interest is the units of LLC ownership held by Bruce Fuerbinger.

The following chart sets forth the Plan's proposed treatment of the class of equity interest holders:

Class #	Description	Impairment	Treatment
N/A	Bruce Fuerbringer	Impaired	Bruce Fuerbringer will continue to manage the company without compensation exceeding \$1,000 per month. Mr. Fuerbringer has not been paid any remuneration in the past, and he will not do so in the future unless and until all operating expenses, including administrative expenses are paid.

D. Means of Implementing the Plan

1. *Source of Payments*

Current revenues from continuing laundromat operations will be the source of payments.

2. *Post-confirmation Management*

Bruce Fuerbringer will continue to manage the Debtor.

E. Risk Factors

The proposed Plan has the following risks:

1. It is unlikely any person other than Bruce Fuerbringer would dedicate numerous hours to managing the Debtor with no or minimal compensation. If Mr. Fuerbringer became disabled or died, the future of the Debtor as a going concern would be questionable.
2. If Birch Street were closed for street work, as it was in circa 2009, revenues would be reduced, as the vast majority of Debtor's customers access the laundromat from Birch Street.
3. Repair and/or replacement of washers and dryers are ongoing requirements of a laundromat business. The equipment is nearing the end of its useful life, and replacement washers and dryers will be needed in the next few years.
4. If a competitive laundromat opened in the nearby area, obviously the Debtor's revenues would diminish.
5. Increases in utility costs, insurance and other operating costs may impair Debtor's ability to fund the Plan, unless the competitive market permits increases in prices.

F. Executory Contracts and Unexpired Leases

Phillips Property has an unexpired lease that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any.

The real estate lease with Phillips Properties, Debtor's landlord, is current. The lease will expire in 2017, and Debtor intends to renew the lease in 2018. Debtor will pay the rental obligations on the lease with Phillips Properties as per the lease.

G. Tax Consequences of Plan

Creditors and Equity Interest Holders 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, 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.

Some parties in interest, however, may not be 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 3 and 4 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that classes 1 and 2 are unimpaired and that holders of claims in these classes, therefore, do not have the right to vote to accept or reject the Plan.

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

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

The deadline for filing a proof of claim in this case will be set by the court in this Small Business reorganization case.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 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 types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.
- holders of claims or equity interests in unimpaired classes;

- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- 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.

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 claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "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 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 "cramdown" confirmation will affect your claim or equity interest, 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 and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis indicates that since the secured debt of Royal Credit Union exceeds the liquidation value of all of the assets of Debtor, if the Debtor were liquidated, the proceeds of the sale would be paid to the secured creditor, and the general unsecured creditors would receive zero dollars. The estimated fair market value of the equipment is \$80,600, according to the City of Eau Claire tax authorities. The balance due to RCU on the line of credit loan is about \$9,500, with a \$15,000 limit. The balance due to Royal Credit Union is \$225,483.21, according to Royal Credit Union's Claim #3-1, filed on February 10, 2017. Royal Credit Union would not be paid in full if the Debtor were liquidated.

D. Feasibility

Debtor's management reasonably believes the Plan is feasible. Currently, while the Debtor is not highly profitable, it has sufficient cash flow to pay employees and other essential vendors, and to pay the secured creditor to avoid a replevin of the Debtor's equipment.

1. *Ability to Initially Fund Plan*

Debtor generally has sufficient cash flow to initially fund the Plan, which contemplates paying operating expenses and secured debt load, and does not require a new infusion of cash, but does utilize a business line-of-credit to supplement income when needed to pay operational costs, such as needed to pay rent in January, 2017.

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

Debtor can make future Plan payments, and can operate without further reorganization.

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 DEBTOR

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

B. Modification of Plan

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

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall 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.

Dated February 20, 2017

[s] Bruce Fuerbringer
Spin City EC L.L.C.
Signature of the Plan Proponent's Manager

Dated February 20, 2017

[s] Erwin H. Steiner
Erwin H. Steiner 1012415
Signature of the Attorney for the Plan Proponent

EXHIBITS

Exhibit A - Copy of Proposed Plan of Reorganization

Exhibit B - Profit and Loss Statement - 2016

Exhibit C - Cash Flow Forecast

Exhibit D - Lease - Revevant Portions