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Attorneys for the Receiver

IN THE SUPERIOR COURT FOR THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

State of Arizona,)

Plaintiff,)

v.)

Sherman Eugene Unkefer, III, *et al*,)

In Personam Defendants.)

Cause No. CV2014-006765

ORDER RE: PETITION NO. 43

(Assigned to Judge Pamela Gates)

The Receiver having filed Petition No. 43, *Petition for Order Approving Receiver's Status Report Dated September 11, 2019* and the Court having considered same, and it appearing to the Court that the matters requested by Petition No. 43 are reasonable, just and appropriate:

NOW, THEREFORE, IT IS HEREBY ORDERED approving the Receiver's Status Report dated September 11, 2019, filed by the Receiver as Exhibit 1 to Petition No. 43.

Dated this ____ day of _____, 2019.

Honorable Pamela Gates
Judge of the Superior Court

eSignature Page 1 of 1

Filing ID: 10987773 Case Number: CV2014-006765
Original Filing ID: 10891976

Granted with Modifications



/S/ Pamela Gates Date: 10/15/2019
Judicial Officer of Superior Court

ENDORSEMENT PAGE

CASE NUMBER: CV2014-006765

SIGNATURE DATE: 10/15/2019

E-FILING ID #: 10987773

FILED DATE: 10/16/2019 8:00:00 AM

BENJAMIN L HODGSON

GREGORY A STEIN

PATRICK M MURPHY

RAYMOND A HANNA

REID CHARLES PIXLER

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9
10 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
11
12 IN AND FOR THE COUNTY OF MARICOPA

13 State of Arizona,)	Cause No. CV2014-006765
14 Plaintiff,)	
15 v.)	PETITION NO. 43
16 Sherman Eugene Unkefer, III, <i>et al</i> ;)	PETITION FOR ORDER APPROVING
17 In Personam Defendants.)	RECEIVER'S STATUS REPORT
)	DATED SEPTEMBER 11, 2019
)	(Assigned to the Honorable Pamela Gates)
)	
)	

18 Michael J. FitzGibbons, as the court appointed Receiver, respectfully petitions the
19 Court as follows:

20 1. On April 16, 2014, this Court entered its *Order Appointing Receiver*, which
21 appointed Michael J. FitzGibbons as Receiver of Mango Trust; X-1, LLC fka X-1, Inc.;
Magic Wand Services, LLC; Occidental Resources Group, LP; Occidental Management,
LLC; E.A.P. Trust; International Marketing Systems; G.M.S. LLC; Catshaker Family Trust,
Inc.; SLADUR; Black Rock, Inc.; and X-1 Global, LLC. ("Receivership Order"). On April
22, 2014 the Court entered is *Order Appointing Michael J. Fitzgibbons Receiver*, which

2. The Receiver has prepared and files herewith the *Report of the Receiver* dated September 11, 2019, which is attached hereto as Exhibit 1. The attached *Report of the Receiver* includes, among other things, a statement of cash receipts and disbursements from inception through June 30, 2019 (Exhibit D to the Report at page 18), a balance sheet as of June 30, 2019 (Exhibit E to the Report at page 20), and a copy of the most recent order of the United States Bankruptcy Court regarding the status of the proposed Disclosure Statement and Plan of Reorganization filed by the DeGuzmans (Exhibit F to the Report at pages 22-26).

WHEREFORE, the Receiver respectfully requests that the Court enter an order approving the *Report of the Receiver* dated September 11, 2019, attached hereto as Exhibit 1.

Respectfully submitted this 17th day of September, 2019.

GUTTILLA MURPHY ANDERSON, P.C.

/s/Patrick M. Murphy
Patrick M. Murphy
Attorneys for the Receiver

Report of the Receiver

Mango Trust et al.

Submitted By: Michael J. FitzGibbons, Receiver

September 11, 2019

1) Procedural

Receivership Court (Court): Superior Court of the State of Arizona in and for the County of Maricopa

Cause #: CV2014-006765

Receivership Order: April 16, 2014

Order Appointing Receiver: April 22, 2014

Order Service Date: May 23, 2014

Receiver: Michael J. FitzGibbons

Counsel to Receiver: Guttilla Murphy Anderson, P.C.

Other Professionals: FitzGibbons and Company, Inc.
Henry and Horne, LLC

2) Operating Receivership Entities and Status

A) X-1, LLC: X-1 remains the primary operating company. Effective December 31, 2015, the final Mango Trust 1041 tax return was filed. All remaining Mango Trust bank accounts were collapsed into X-1.

Distributorship Sale Agreement: The Buyer defaulted under the Distributorship Sale Agreement. Xango, the guarantor, had all of its assets seized by purported secured creditors. Receiver has now filed a collection action against the Buyer. Buyer has filed for Bankruptcy. See **Exhibit A**. Also see discussion at **9) DeGuzman Bankruptcy** below.

B) Magic Wand Services, LLC (Magic Wand): Closed in August 2015.

C) Occidental Resources Group, LP/Occidental Management, LLC (ORG): Closed in August 2015.

D) Mango Trust: Closed with filing of December 31, 2015 1041 return.

3) Non- Operating and Previously Closed Receivership Entities: As previously reported to the Court, all other legal entities subject to this Receivership Order were either closed at outset of the receivership or closed during this receivership.

4) Employees: None

- 5) Distributions to Defendants:** The Receivership Order prohibited asset distributions to certain individuals without approval of the Court, however, this restriction was modified by a settlement subsequently approved by the Court as described below.

Settlement: Plaintiff settled with all defendants and stipulated to the entry of the *Amended Final Order and In Rem Judgment*, entered on March 20, 2015 (“Judgment”). The Judgment requires that certain payments be made by the Receiver:

- a) Laundry Unkefer receives 10% of each payment received by the Receiver from the sale of the XANGO distributorship sale discussed above at 2 (a), not to exceed \$300,000. Ms. Unkefer has been paid \$ 166,541 through 6-30-18¹.
- b) The Receiver paid \$55,000 to counsel for the co-trustees of the Mango Trust for Trustee fees, legal fees and expenses incurred.

6) Other

A) X-1: X-1 is now a non-taxable entity and the vehicle for distributions to victims.

B) Core Resources: Core Resources is in Bankruptcy and the \$100,000 investment has been written off.

C) Federal and State Tax Recoveries: The Forfeiture Order resulted in the forfeiture of the Trust Res to the State effective in 2008. The Receiver through consultation with his tax advisors filed amended returns for 2014 and 2015 . As a result, \$150,114 in tax refunds were recovered.

D) Victim Compensation: On August 15, 2016 the Receiver filed his Report on Requests for Compensation in accordance with this Court’s Order re: Petition 16.

Significant effort was undertaken to locate victims. The Receiver’s efforts resulted in the filing dated October 24, 2016 (Receiver’s Report on Objections). See **Exhibit B**.

The Court approved a \$1.0 million distribution on May 27, 2017, which we paid \$965,201 to and on behalf of Victims². We initially withheld \$34,799, pending the receipt of additional documents from certain of the Victims/Victim Representatives. On June 7, 2018, the Court approved an additional \$24,972 distribution³ for a total distribution of \$1,024,972. We are currently withholding \$32,310 of the \$1.025 million pending the receipt of additional documents from certain of the Victims/Victim Representatives.

¹ Buyer has now defaulted. See 2 (A)

² Order Re: Petition 27

³ Order Re: Petition 35

Since this initial pro-rata payment, we have adjusted our victim listing to reflect the following:

Number of Victims	Court Approved Compensation	Compensation Paid	Compensation Pending
609	\$7,947,716	\$992,408	\$32,564

There will be at least one additional distribution. The amount of this final distribution is dependent on the pending collection litigation discussed at **2A** above.

7) Receivership Fees & Costs: Set forth at **Exhibit C** is a schedule of all fees and costs paid from the receivership estate to the Receiver and his professionals in accordance with the orders of the Court.

8) Financial Statements at June 30, 2019:

- a) The Receivership Cash Flow ending June 30, 2018 is attached at **Exhibit D**.
- b) The Balance Sheet can be found at **Exhibit E**.

9) DeGuzman Bankruptcy: In August 2018, the Receiver filed suit in Utah state court against Armando and Patricia DeGuzman (“DeGuzmans”) in an effort to collect the amounts due to the receivership under the Distributor Purchase Agreement (“DPA”). Under the DPA, X-1, LLC sold to the DeGuzmans certain XanGo LLC (“XanGo”) distributorships for Three Million Dollars (\$3,000,000.00). Between August 2016 and May 20, 2018, the Receiver received \$1,963,408.09 in payments under the DPA which were applied to interest and principal, leaving a principal balance of \$1,036,591.91 and accrued but unpaid interest of \$273,366.70. On October 17, 2018, the DeGuzmans filed Chapter 13 bankruptcy petition in the U.S. Bankruptcy Court for the District of Arizona. On December 17, 2018, the Court converted the DeGuzmans’ bankruptcy to Chapter 11. The Receiver filed a proof of claim for the amount owed under the DPA to which the DeGuzmans did not object. On April 27, 2019, the DeGuzmans filed their Disclosure Statement and Chapter 11 Plan of Reorganization (“Plan”) which, among other things, failed to adequately provide for the payment of the debt owed to the Receiver. Accordingly, on July 11, 2019 the Receiver filed his objections to the proposed Plan. As of the date of this report the DeGuzmans have not filed a response to the Receiver’s objections or amended their Plan.

A hearing on the plan and our objections to the plan was held on August 30, 2019. The Debtors now have 15 days (September 13, 2019) to file an Amended Disclosure Statement addressing the Judge’s concerns, many of our queries and 30 days to address the tax situation and disclose the efforts the Debtors are taking to address this claim. In

the event that the Debtors fail to provide what is required under the Minute Entry, the Judge has advised that he may dismiss or convert the case. See **Exhibit F**.

The Debtor has now filed for relief from Stay to pursue a Tax Court action to adjudicate the Federal Government's tax claims. See **Exhibit G**.

10) Closure of Mango Trust Receivership: The Distributorship payout originally extended to June 2018. The Receiver had hoped to terminate the receivership within a few months of receiving the final Distributorship payment.

However, with our collection litigation against the DeGuzmans now stayed, closure is dependent on the resolution of the pending Bankruptcy and the collection litigation, if not discharged by the Bankruptcy.

EXHIBIT A

LAW OFFICE OF ERIC OLLASON
182 NORTH COURT
TUCSON, ARIZONA 85701
TELEPHONE (520) 791-2707
PCC No. 4349
SBA # 014860
Attorney for Defendants

IN THE THIRD JUDICIAL DISTRICT COURT
IN AND FOR SALT LAKE COUNTY, STATE OF UTAH

MICHAEL J FITZGIBBONS, as Receiver for
the X-1, LLC,

Plaintiffs,

vs.

ARMANDO DEGUZMAN, PATRICIA
DEGUZMAN,

Defendants.

Case No. 180905881

**NOTICE OF FILING
CHAPTER 13
BANKRUPTCY**

NOTICE IS PROVIDED that the parties named below have filed a bankruptcy
petition in the United States Bankruptcy Court for the District of Arizona thereby
invoking the provisions of the automatic stay under §362 of the Bankruptcy Code, 11
U.S.C. 362:

DEBTOR'S NAMES:

ARMANDO V DEGUZMAN

PATRICIA DEGUZMAN

BANKRUPTCY CASE NUMBER:

4:18-bk-12649 SHG

DATE BANKRUPTCY PETITION FILED : October 17, 2018

DATED this 17th day of October, 2018.


Eric Ollason
Attorney for Defendants

Copy of the foregoing mailed/faxed
this 17th of October, 2018 to:

WOOD BALMFORTH LLC
Mary Anne Q. Wood
email: mawood@woodbalmforth.com
Attorney for Plaintiff

Open New Bankruptcy Case**U.S. Bankruptcy Court****District of Arizona**Notice of Bankruptcy Case Filing

The following transaction was received from ERIC OLLASON entered on 10/17/2018 at 10:10 AM AZ and filed on 10/17/2018

Case Name: ARMANDO V DEGUZMAN and PATRICIA DEGUZMAN

Case Number: 4:18-bk-12649

Document Number: 1

Docket Text:

Chapter 13 Voluntary Petition for Individuals, Schedules and Statements (except for those listed below). Failure to timely upload the list of creditors, may result in dismissal of the case without further notice. Electronic Filing Declaration due 11/7/2018, Master Mailing due 10/24/2018, Schedules A/B-J due 10/31/2018. Statement of Financial Affairs due 10/31/2018, Attorney Disclosure Statement due 10/31/2018, Chapter 13 Plan due 10/31/2018, Chapter 13 Statement of Your Current Monthly Income and Calculation of Commitment Period Form 122C-1 Due by 10/31/2018, Payment Advices Declaration Required by 11 USC Section 521(a)(1)(B)(iv) due by 10/31/2018, filed by ERIC OLLASON on behalf of ARMANDO V DEGUZMAN, PATRICIA DEGUZMAN (OLLASON, ERIC)

The following document(s) are associated with this transaction:

Document description:Main Document

Original filename:Z:\ECF\DE GUZMAN, ARMANDO V & PATRICIA\Petition.PDF

Electronic document Stamp:

[STAMP bkecfStamp_ID=875559564 [Date=10/17/2018] [FileNumber=42592188-0] [0fb695fb773b3efcf727de279b3c8dcb29f6b86cf8ac106695b9c969df773ad8ee45df9a3e3903e5a4b1b5ed80ae1f4d25a1d36d67348c4025644b0eca949602]]

4:18-bk-12649 Notice will be electronically mailed to:

ERIC OLLASON on behalf of Debtor ARMANDO V DEGUZMAN
eollason@182court.com, sharon.legalassist@gmail.com,

ERIC OLLASON on behalf of Joint Debtor PATRICIA DEGUZMAN
eollason@182court.com, sharon.legalassist@gmail.com,

U.S. TRUSTEE
USTPRegion14.PX.ECF@USDOJ.GOV

4:18-bk-12649 Notice will not be electronically mailed to:

EXHIBIT B

Mango Receivership
**Receiver's Report on Objections to the Report on Requests for
Compensation Filed August 15, 2016**

October 24, 2016

State of Arizona v. Unkefer, et al, Arizona Superior Court for Maricopa County,
Cause No. CV2014-006765

A. Introduction.

On August 15, 2016, I filed the *Receiver's Report on Requests for Compensation* ("Compensation Report") which set forth my recommendations on all requests that had been filed with me pursuant to the Court's *Order Establishing Procedures for the Adjudication of Requests for Compensation, Re: Petition No. 16* entered on December 18, 2015 ("Compensation Order") by the Arizona Superior Court for Maricopa County in the above referenced case ("Receivership Court").

My recommendation, as contained in the Compensation Report, was as follows:

- 1) 589 Victims /Requestors (Victims) filed Requests for Compensation (RFC) in the aggregate amount of \$7,567,665. My recommendation to this Court was to approve these RFC's in the amount of \$6,760,508.
- 2) In the event we did not agree with the amount of Victim's RFC we mailed a letter to the Victim indicating our denial in whole or in part. Attached at **Exhibit 1** is a specimen of the letter the Receiver forwarded to each of the Victims for which we disagreed as to their Economic Loss.
- 3) Some of the Victims had failed to provide needed documentation by the time the Compensation Report was finalized. Accordingly, I recommended approval of their RFC conditioned on the receipt of the needed documentation. (Classification 1(A)).

B. Objections and Revisions to the Compensation Report

This Court imposed a deadline October 24, 2016 for the filing of a report by the Receiver to identify and address timely filed objections to the Receiver's determination of each of the Victim's Economic Loss.

The Receiver received twelve (12) "Objections", all but three (3) of which have been resolved and agreed.

Objections Resolved

1. Jaffee, Marvin N. Ltd. (#568). Eric Jaffee filed an RFC claiming that the Victim was Jaffee Insurance Agency and that he had purchased and was the sole owner of that company. In the Compensation Report the Receiver recommended denial of this RFC and Eric Jaffee filed an objection. The Receiver has confirmed that the State's records show that Jaffee Insurance Agency is the Victim and the Requestor has provided sufficient information to show that he is entitled to receive compensation based on this Victim's loss. Accordingly, the Receiver now recommends that this Request be approved in the amount requested. *See* Schedule 1 to Exhibit 3.

2. Lyle, Bob (#696). Kathy Greenwald filed an RFC claiming that the Victim for this account is her deceased father. The Compensation Report recommended denial and Ms. Greenwald filed an objection. After reviewing the objection and the other available information the Receiver now recommends that his Request be approved in the amount requested. *See* Schedule 1 to Exhibit 3.

3. Pickering, Harold (#914). Tote Pickering filed an RFC claiming that the Victim is her deceased husband. The Compensation Report recommended denial and Ms. Pickering filed an objection. After reviewing the objection and the other available information the Receiver now recommends that his Request be approved in the amount requested. *See* Schedule 1 to Exhibit 3.

4. Rogers, Pat (#996). Patricia Rogers filed an RFC claiming that the Victim is her deceased father. The Compensation Report recommended denial and Ms. Rogers filed an objection. After reviewing the objection and the other available information the Receiver now recommends that his Request be approved in the amount requested. *See* Schedule 1 to Exhibit 3.

5. Smith, Roberta (#1099). Roberta Smith filed an RFC claiming that she was the Victim. The Compensation Report recommended denial and Ms. Smith filed an objection. After reviewing the objection and the other available information the Receiver now recommends that his Request be approved in the amount requested. *See* Schedule 1 to Exhibit 3.

Objections Resolved Conditioned on Receipt of Additional Documents

6. Gaeta, Jim (#398). Susan Gaeta filed an RFC claiming that the Victim is her deceased spouse married from 1979 to 1983. The Compensation Report recommended denial. The Requestor filed an objection and based on the additional information provided, the Receiver now recommends that her Request be conditionally approved in the amount requested. This recommended approval is conditioned on additional documents being provided; specifically the Requestor needs to provide a copy of her ex-husband's death certificate and evidence that Requestor is entitled to recover compensation due this Victim. *See* Schedule 7 to Exhibit 3.

7. Gibbs, Henry (#419). Janet Howie filed an RFC claiming that the Victim is her deceased father. The Compensation Report recommended denial. The Requestor filed an objection and based on the additional information provided, the Receiver now recommends that her Request be conditionally approved in the amount requested. This approval is conditioned on additional documents being provided; specifically the Requestor needs to correct her affidavit that evidences the Victim is deceased. *See* Schedule 7 to Exhibit 3.

8. Keating, Glynn R. (#600). Shirley Keating filed an RFC claiming that the Victim is her deceased spouse. The Compensation Report recommended denial. The Requestor filed an objection and based on the additional information provided, the Receiver now recommends that her Request be conditionally approved in the amount requested. This approval is conditioned on additional documents being provided; specifically the Requestor needs to provide documents confirming that she is entitled to recover compensation due this Victim. *See* Schedule 7 to Exhibit 3.

9. Peterson, Ray (#902). Charles Peterson filed an RFC claiming that the Victim is his deceased father. The Compensation Report recommended denial. The Requestor filed an objection and based on the additional information provided, the Receiver now recommends that her Request be conditionally approved in the amount requested. This approval is conditioned on additional documents being provided; specifically the Requestor needs to provide documents confirming that he is entitled to recover compensation due this Victim. *See* Schedule 7 to Exhibit 3.

Objections Recommended for Denial

10. Roche, Joe A. (#986). Maria Lambert filed an RFC for \$23,324.45 claiming that the Victim is her deceased father. The Compensation Report recommended approval in the amount of \$9,005, which was the amount shown in the records provided to the Receiver by the Maricopa County Attorney's Office. The Requestor filed an objection to the Receiver not agreeing to the larger amount requested. Notwithstanding the Receiver's repeated requests for the Requestor to provide supporting documentation, no support has been provided to support the larger amount. Accordingly, the Receiver recommends that the Court deny this objection and confirm the Receiver's original recommendation. *See* Schedule 8 to Exhibit 3.

11. Fletcher, Herbert & Miriam (#379). Miriam Weible filed an RFC for \$10,255 claiming that she was a Victim. Because the information provided by the State of Arizona did not include an account in the name of Miriam Weible the Compensation Report recommended that her Request be denied. Miriam Weible filed an objection and was able to establish that she is Miriam Fletcher and that she was married to Herbert Fletcher and was the joint owner of the account. She subsequently married and took the name Weible. Ms. Weible also provided information that enabled the Receiver to locate Herbert Fletcher who then filed his own RFC claiming the entire amount of the loss on this account. Mr. Fletcher claims that only he is entitled to recover under this account but has not provided any documents to support this claim. Accordingly, the Receiver recommends the approval of both Requests in the amount of \$5,127.50 each. *See* Schedule 8 to Exhibit 3.

12. Ward, Terry (#1255). The Receiver mailed out an RFC form to a Terrence Ward at the address provided by Maricopa County Attorney's Office. Subsequently, a timely RFC was filed and signed by Terrence Ward claiming under oath the he is the Victim under this account and requesting compensation in the amount of \$790. The Compensation Report recommended approval of this Request. The Receiver also received an RFC from Theda Lucille Ward claiming that the Victim was her deceased son. The Compensation Report recommended that the Request filed by Theda Ward be denied and Theda Ward filed a timely objection. Theda Ward, however, has not provided documents showing that her son is deceased, that she is the sole heir to his estate, or that he was in fact the actual victim under this account. Accordingly, the Receiver recommends that the Court deny the objection filed by Theda Ward and confirm the Receiver's recommendation approving the Request filed by Terrence Ward in the amount requested. *See* Schedule 8 to Exhibit 3.

Revisions and Other Issues

Much of the other challenges received by the Receiver related to the lack of documentation supporting the Requestor's right to recover under their RFC. During this intervening period many of the Victims have now delivered the needed documentation to permit the Receiver to remove this contingency in allowing the Victim's Economic Loss.

At the same time there remain certain Victims for which needed documentation remains pending. For these Victims we will continue to permit the delivery of these needed documents for a reasonable period of time and will reserve but not disburse their respective share of any interim distributions approved by the Court. The Receiver has taken this approach because many of the Requestors are elderly, not technologically savvy and unable to locate in a timely manner the needed documents to substantiate their Economic Loss or their relationship to the original Victim. For these same reasons the Receiver has recommended approval of numerous Requests that were not timely filed.

As a result of the resolution of specific objections and allowing RFC's in full pending the receipt of needed documents we have increased the approved RFC's from \$6,760,508 to \$7,852,848. This change is delineated as follows:


Economic Loss per Receiver's Report dated August 15, 2016		\$ 6,760,508
	Schedule	
Increases		
Originally Denied	1	
• No Objection/Revised based on Receipt of Documents		210,855
• Formally Objected		50,750
Denied as Late Filed now Approved	2	184,600
Approved Not Included in First Report	3	11,055
Late Filed / Approved Pending Documents	4	16,410
Previously Denied/ Pending Receipt of Documents	5	595,735
Timely Filed Not Included in First Report/Pending Document:	6	22,935
Total Additions		1,092,340
Decreases		-
Receiver's Adjusted Economic Loss Recommendation		\$ 7,852,848

As noted above, the Receiver's recommended total Economic Loss is now \$7,852,848 representing 607 Victims. This amount remains subject to the receipt of additional documents from Requestors which, if not received, will reduce the recommended total Economic Loss.

Exhibit 2 contains the detail on the Schedules 1-6 discussed above and Schedule 7 and Schedule 8 which provide the detail on resolved objections and unresolved objections respectively.

C. Conclusion

In accordance with the Compensation Order, the Receiver requests that the Court set a hearing on the Receiver's Request for Compensation Report filed on August 15, 2016 and the recommendations contained in this report.

A handwritten signature in black ink, appearing to read 'M. J. FitzGibbons', written over a horizontal line.

Michael J. FitzGibbons, Receiver

EXHIBIT C

**Mango Trust Receivership
Fees Paid to Professionals
May 2014 to June 30, 2019**

	2014	2015	2016	2017	2018	2019	Grand Total
FitzGibbons and Company	97,913	136,581	190,988	107,266	24,447	11,387	568,583
Guttilla Murphy Anderson PC	55,726	56,335	40,853	32,186	18,192	11,900	215,193
Henry & Horne, LLP	9,160	25,875	57,043	-			92,078
Gilardi	-	5,000	17,697	-			22,697
Carpenter, Hazelwood, Delgado, Bolen, PC	-	55,000	-	-			55,000
Wood Balmforth LLC	-	-	-	-	4,645	150	4,795
	-						-
Total	162,799	278,792	306,581	139,452	47,284	23,437	958,345

EXHIBIT D

Mango Trust in Receivership
Cash Receipts and Disbursements Inception to Date
Period Ending June 30, 2019

	2014 (a)	2015	2016	2017	2018	2019	Total
Beginning Balance January 1	38,686	963,776	1,165,009	1,447,230	559,552	487,132	38,686
Receipts							
Gary Road House Sale	569,620	-	-	-			569,620
Rev - 13th Street Property	-	13,400	-	-			13,400
Interest Income	-	4,621	94,576	48,074	1,737	3,781	152,789
Revenues	402,802	544,481	417,215	166,400			1,530,897
Tax refunds	-	187,299	126,600	30,179			344,078
Derrick Raynes Payments	-	6,000	1,699	-			7,699
Deposit from Wells Fargo	-	147	-	-			147
Net Sale of Investments	141,251	-	-	-			141,251
Net Sale of Assets	19,326	-	-	-			19,326
Dividends Received	279	-	-	-			279
Misc. Income	-	2,237	(7)	-		204,619	206,849
Total Receipts	1,133,278	758,185	640,083	244,652	1,737	208,400	2,986,335
Disbursements							
Victim Distributions	-	-	-	967,728	24,681		992,409
Bank Fees	236	592	348	446	30		1,652
Supplies	-	-	-	566			566
Outside Services	-	-	-	1,849			1,849
Payroll taxes	19,380	-	-	-			19,380
Wells Fargo Pmt to MOB		147	-	-			147
Insurance	4,380	1,306	684	1,290	1,290	1,290	10,240
Postage		457	5,176	-			5,633
Misc. Expense	3,378	822	2,733	-	914		7,847
Tax Expense	-	-	-	-			-
Federal	18,015	180,098	(44,784)	-			153,329
State	-	-	36,281	-			36,281
L. Unkefer payments	-	94,738	50,803	21,000			166,541
Professional	-	5,000	17,697	-			22,697
Legal Fees	55,726	134,986	23,191	32,186	22,799	12,050	280,938
Receiver Fees	97,913	136,581	190,990	107,266	24,444	11,387	568,581
Tax Prep Fees	9,160	2,225	74,743	-			86,128
Total Disbursements	208,189	556,952	357,862	1,132,330	74,158	24,727	2,354,217
Net Cash Flow	925,090	201,233	282,221	(887,678)	(72,421)	183,673	632,118
Ending Balance	963,776	1,165,009	1,447,230	559,552	487,132	670,805	670,805

(a) May 24, 2014 Incepting

EXHIBIT E

Mango Trust in Receivership
Balance Sheet
30-Jun-19
Unaudited

Assets

Cash	670,805
Note Receivable	1,469,102
Interest Accrued on Dist, sale	273,367
Various Receivables	26,551
Allowance for Bad Dept	(299,918)
Total Assets	2,139,907

Liabilites

Accrued Payables	7,907
Deferred Revenue	1,335,642
Due Laundry Unkefer	133,460
Total Liabilities	1,477,009

Net Worth	662,898
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EXHIBIT F

Dated: August 29, 2019


Scott H. Gan, Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:) Chapter 11
)
ARMANDO DEGUZMAN and) Case No. 4:18-bk-12649-SHG
PATRICIA DEGUZMAN,)
)
Debtors.) **MINUTE ENTRY ORDER**
_____)
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)
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)
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)

Debtors filed a Disclosure Statement on April 27, 2019 (DE 82), to which one objection has been filed. A hearing was conducted, the Court has reviewed the Disclosure Statement and the applicable law, and now the Court issues its ruling concerning the adequacy of the Disclosure Statement.

Disclosure statements are governed by 11 U.S.C. § 1125. Their purpose is set forth both in the legislative history and in the statute itself. The disclosure statement is intended to give such additional information as will assist a typical creditor, in a particular class, to make an informed judgment as to how it will vote on a proposed plan. 11 U.S.C. § 1125(a)(1).

1 In addition to reviewing the plan itself with respect to the adequacy of the
2 information furnished, the Court also must consider its audience. In that regard,
3 § 1125(a)(2) states that the disclosure statement must be meaningful to an “investor
4 typical of holders of claims or interests of the relevant class.” In determining whether an
5 investor is “typical,” the relevant considerations are: (1) whether the investor has claims
6 in the particular class; (2) whether the investor has a relationship to the debtor as such
7 claimants generally have; and (3) whether the creditor has the ability to obtain
8 information from sources other than the disclosure statement.

9 In determining the adequacy of a disclosure statement, Courts generally follow the
10 guidelines set forth in In re A.C. Williams Co., 25 B.R. 173, 176 (Bankr. N.D. Ohio
11 1982). An adequate disclosure statement primarily requires that creditors be given the
12 information needed to determine whether to accept or reject a plan. In re Monnier Bros.,
13 755 F.2d 1336, 1342 (8th Cir. 1985); In re Diversified Investors Fund XVII, 91 B.R. 559
14 (Bankr. C.D.Cal. 1988).

15 In this case, the Court concludes that the Disclosure Statement does not comply
16 with the guidelines set forth in A.C. Williams Co. as indicated on Exhibit A attached
17 hereto.

18 IT IS ORDERED that Debtor(s) shall make the changes enumerated on Exhibit A,
19 and shall file an Amended Disclosure Statement within 15 days of the entry of this Order.

20 IT IS FURTHER ORDERED that Debtor(s) shall, in addition to filing an
21 Amended Disclosure Statement, deliver to chambers a copy of the Amended Disclosure
22 Statement that is red-lined or otherwise marked to indicate the changes that have been
23 made in order to conform to this Order. You must notify my law clerk and/or courtroom
24 deputy by phone or email to inform us that the redlined/amended disclosure statement has
25 been sent. Thereafter, this Court will review the red-lined copy of the Amended
26 Disclosure Statement and, if such changes are deemed adequate, the Court will notify you
27 that the Amended Disclosure Statement is approved. You may then obtain a hearing date
28

1 from the courtroom deputy and upload an order approving the disclosure statement and
2 setting the matter for confirmation.

3 If you fail to notify us and/or file a redlined/amended disclosure statement within
4 the fifteen-day time frame, your case may be dismissed or converted.

5 Dated and signed above

6
7 Notice to be sent through the
8 Bankruptcy Noticing Center ("BNC")
9 to the following:

10 Armando and Patricia DeGuzman
11 16370 S Sycamore Hallow Trail
12 Vail, AZ 85641
13 *Debtors*

14 Eric Ollason
15 182 N Court Ave
16 Tucson, AZ 85701
17 *Debtors' Attorney*

18 Renee Shamblin
19 OFFICE OF THE U.S. TRUSTEE
20 230 N. First Ave. #204
21 Phoenix, AZ 85003-1706
22
23
24
25
26
27
28

1 **EXHIBIT A**

2 The Court has indicated those areas of disclosure that are present in the Disclosure
3 Statement, and has left a blank with respect to those areas that are absent. More
4 importantly, the Court has provided comments with respect to those areas of disclosure
5 that are either absent OR inadequate. COUNSEL SHOULD ADDRESS ALL
6 COMMENTS in the amended disclosure statement.

7 **A.C. WILLIAMS FACTORS PRESENT:**

8 ☒ Incidents that led to filing Chapter 11

9 ☐ (1) Description of available assets and their value

10 ☒ The anticipated future of the debtor

11 ☐ (2) The source of information of the disclosure statement

12 ☒ A disclaimer

13 ☒ The present condition of the debtor in Chapter 11

14 ☒ A listing of the claims scheduled

15 ☐ (3) A liquidation analysis

16 ☐ (4) The identity of the accountant and the process used to value the properties

17 ☒ The future management of the debtor

18 ☒ A plan is attached

19 ☒ A summary of the plan of reorganization

20 ☒ An estimate of all administrative expenses, including attorneys' fees

21 ☒ The collectability of any accounts receivable

22 ☐ (5) Financial information relevant to a creditor's decision whether to accept/reject

23 ☒ Information relevant to the risks being taken by creditors

1 X Value, if any, that may be obtained by avoiding pre-petition transfers

2 X Existence, likelihood, and possible success of non-bankruptcy litigation

3 X Tax consequences of the plan

4 X Relationship of the debtor with affiliates, if any.

5
6 In re A.C. Williams, 25 B.R. 173 (Bankr. N.D. Ohio 1982).

7
8 Additional details under the A.C. Williams standard:

9 (1) The Amended Disclosure Statement must include a complete description of the
10 available assets and their value.

11 (2) The Amended Disclosure Statement must include the source of the information
12 provided in the Disclosure Statement.

13 (3) The Amended Disclosure Statement must include a liquidation analysis which
14 includes all assets available to unsecured creditors in a hypothetical liquidation on
15 the effective date. The liquidation analysis should be in a table format.

16 (4) The Amended Disclosure Statement must include the accounting process used and
17 the identity of the person who furnished it.

18 (5) The Amended Disclosure Statement must include pro forma projections of
19 Debtors' income and expenses that clearly indicate all income and expenses.
20 Debtors must provide information about the \$1,000 monthly "assistance for
21 mother" and \$2,000 monthly support, alimony, or maintenance payments, and
clarify whether there is any actual or projected value that can be obtained from
avoidable or fraudulent transfers.

22 (6) The Amended Disclosure Statement must clarify Debtors' ownership interests in
23 Quantum Premier, Premier MD, and Zija International. Debtors schedules do not
24 include Zija International and do not state the percent of each entity owned by the
Debtors. Debtors must file 2015.3 reports for all applicable entities.

25 (7) The Amended Disclosure Statement must explain why Section 5 states that the
26 Debtor will make payments under the Plan for 60 months, but the Plan only
27 provides for treatment of unsecured creditors for 36 months.
28

EXHIBIT G

1 **ERIC OLLASON**
2 **ATTORNEY AT LAW**
3 **182 NORTH COURT**
4 **TUCSON, ARIZONA 85701**
5 **TELEPHONE (520) 791-2707**
6 **PCCNO. 4349**
7 **SBA# 014860**

8
9
10 **IN THE UNITED STATES BANKRUPTCY COURT**
11 **DISTRICT OF ARIZONA**

12 **In re:**

In Proceedings Under Chapter 11

Case No.: 4:18-bk-12649-SHG

13 **ARMANDO V. DEGUZMAN and**
14 **PATRICIA DEGUZMAN,**

15 **Debtors.**

16 **MOTION FOR RELIEF FROM**
17 **AUTOMATIC STAY TO PURSUE TAX**
18 **LITIGATION**

19 This motion is brought under 11 U.S.C. § 362(d)(1), Rule 4001(a)(1) of the
20 Federal Rules of Bankruptcy Procedure. Pursuant to this motion, Debtors requests relief
21 from the automatic stay for “cause” in order to complete/commence Tax Court litigation
22 (the “Action”).

23 **JURISDICTION**

24 1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334 and
25 11 U.S.C. § 362.

26 2. Venue is appropriate in this Court pursuant to 28 U.S.C. § 1409.

1 3. This is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2)(G).

2 **BACKGROUND**

3 4. **The Non-bankruptcy Action:** Debtors moves for relief from the automatic
4 stay with respect to the following pending lawsuit or administrative proceeding in a
5 non-bankruptcy forum. (See, Ex. A).

6 5. On October 17, 2018, Debtors filed a Voluntary Petition for relief under
7 Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”).

8 6. On November 9, 2018, the IRS filed proof of claim 4-1, the total amount
9 claimed was \$104,826.18, of which the IRS stated that \$39,813.44 were secured.

10 7. On December 13, 2018, the IRS file an amended proof of claim 4-2 for a total
11 amount of \$1,228,689.79. The amended claim states that \$30,922.45 of the total amount
12 claimed is secured.

13 8. On March 21, 2019, the IRS filed amended proof of claim 4-3 for a total
14 amount of \$1,208,677.05. The amended claim states that \$30,922.45 of the total amount
15 claimed is secured.

16 9. On December 13, 2018, the IRS file an amended proof of claim 4-2 for a total
17 amount of \$1,201,979.78. The amended claim states that \$24,225.38 of the total amount
18 claimed is secured.

19 10. On January 14, 2019, Debtors filed their Schedules and Statements. There,
20 they listed two claims for income tax owed to IRS. Claim #9 for 2014 income taxes due
21

1 in the amount of \$91,000.00. And Claim #10, Federal Tax Lien, in the amount of
2 \$30,922.45.

3 **REQUEST FOR RELIEF**

4 10. Debtor respectfully requests that the Court grant relief from automatic stay
5 pursuant to 11 U.S.C. § 362(d)(1), so that it may proceed with Tax Court litigation in
6 order to determine Debtors' liability for nondischargeable taxes and subject to the
7 following limitations: no action may be taken by any party to that action to execute on
8 or otherwise attempt to collect any judgment from assets of the Debtors' estate.

10 **ARGUMENT**

11 11. Debtor Movant is entitled to stay relief under the current circumstances
12 pursuant to § 362(d)(1).

14 12. The requested relief from the stay will have no effect on the assets of Debtor
15 or upon its creditors. Furthermore, in the case Debtor's appeal is successful it will
16 increase the amount going to unsecured creditors of the estate by reducing IRS claim.

17 13. The Bankruptcy Court has broad discretion in granting relief from the
18 automatic stay. See, e.g., 11 U.S.C. § 362, Revision Notes and Legislative Reports 1978
19 Acts. "The facts of each request will determine whether relief is appropriate under the
20 circumstances." In re Jewett, 146 B.R. 250, 251 (Bankr., 9th Cir. 1992).

22 14. Three factors are considered when balancing the competing interests of a
23 debtor and a movant in a relief from stay proceeding: to wit (1) the prejudice that would
24

1 be suffered should the stay be lifted, (2) the balance of hardships facing the parties, and
2 (3) the probable success on the merits if the stay is lifted. In re Continental Airlines, 152
3 B.R. 420, 424 (D. Del. 1993). See also, In re Rexene Products Co. 141 B.R. 574 (Bank
4 D. Del. 1992).

5 15. First, Debtor will not suffer any prejudice if the Stay is lifted in order to
6 pursue Debtors' Tax Court litigation. Second, the balance of hardships facing the parties
7 favors stay relief in that the IRS will be completely precluded from seeking
8 compensation outside this bankruptcy case so long as the stay remains in effect. Third,
9 there is a high probability of success on the merits and have the Tax Court re-assess the
10 Debtors' tax liability.
11

12 16. The Code mandates that a Bankruptcy Court "shall" lift the automatic stay
13 for "cause." 11 U.S.C. § 362(d)(1); see Christensen v. Tucson Estates Inc. (In re Tucson
14 Estates, Inc.), 912 F.2d 1162, 1166 (9th Cir. 1990); Piombo Corporation v. Castlerock
15 Properties (In re Castlerock Properties), 781 F.2d 159, 162 (9th Cir. 1986); MacDonald
16 v. MacDonald (In re MacDonald), 755 F.2d 715, 717 (9th Cir. 1985); In re Davis, 91
17 B.R. 470, 471 (Bankr. N.D. Ill. 1988). "Cause" is not defined in the Bankruptcy Code
18 and is determined on a case-by-case basis. See In re Tucson Estates, Inc., 912 F.2d 1162,
19 1166 ("Cause' has no clear definition and is determined on a case by case basis . . . ");
20 In re MacDonald, 755 F.2d 715, 717 (9th Cir. 1985).
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1 17. The facts and circumstances of this case demonstrate that there is ample
2 "cause" requiring relief from the automatic stay in this matter; given that Debtor has
3 required a limited relief from stay to pursue with the Appeal that most likely will benefit
4 the estate.

5 **WHEREFORE**, Debtor respectfully requests the Court the entering of an order
6 granting relief from the automatic stay pursuant to 11 U.S.C. § 362(a)(1) to permit
7 Debtor to pursue Tax Court litigation and available remedies against the IRS with the
8 express conditions and terms set forth above; and for such other and further relief is just
9 and proper.
10

11 **RESPECTFULLY SUBMITTED** this 6th day of September, 2019.
12

13 /s/ Eric Ollason
14 **Eric Ollason**
15 **Attorney for Debtor**
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