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7 Attorneys for Chapter 11 Debtor in Possession
 and Plan Proponent

8 **UNITED STATES BANKRUPTCY COURT**
 9 **FOR THE DISTRICT OF NEVADA**

<p>11 In re:</p> <p>12 Front Sight Management LLC,</p> <p>13</p> <p>14 Debtor.</p>	<p>Case No. 22-11824-abl</p> <p>Chapter 11</p> <p>Confirmation Hearing: November 18, 2022 Hearing Time: 9:30 a.m.</p>
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17 **DECLARATION OF IGNATIUS PIAZZA IN SUPPORT OF DEBTOR’S**
 18 **MOTION FOR CONFIRMATION OF DEBTOR’S SECOND AMENDED**
 19 **CHAPTER 11 PLAN OF REORGANIZATION**

20 I, Ignatius Piazza, hereby declare as follows:

21 1. I am the manager of Front Sight Management LLC, the chapter 11 debtor in
 22 possession herein (the “Debtor”). The facts stated herein are within my personal knowledge unless
 23 otherwise indicated. Unless stated on information and belief, I have personal knowledge of the facts
 24 set forth herein and, if called upon to testify, could and would do so. For those items stated on
 information and belief, I believe them to be true.

25 2. I make this declaration in support of the *Debtor’s Motion for Confirmation of*
 26 *Debtor’s Second Amended Chapter 11 Plan of Reorganization* (the “Motion”)¹ filed herewith. If

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28 ¹ All capitalized terms used herein but not defined shall have the same meaning ascribed to them in
 the *Debtor’s Second Amended Chapter 11 Plan of Reorganization* [ECF No. 405] (“Plan”) and the

1 called upon to testify, I would testify competently to the facts set forth in this Declaration and the
2 Motion. I am authorized to submit this Declaration on the Debtor's behalf.

3 3. Along with other motions filed at the outset of this chapter 11 case, the Debtor filed
4 its *Emergency Motion For Entry Of Interim And Final Orders: (I) Authorizing The Debtor To*
5 *Obtain Postpetition Financing, (II) Granting Priming Liens And Administrative Expense Claims,*
6 *(III) Authorizing The Debtor's Use of Cash Collateral, (IV) Modifying the Automatic Stay, And (V)*
7 *Granting Related Relief* [ECF No. 4], which was approved on a final basis pursuant to Court order
8 entered on July 1, 2022 [ECF No. 228] (the "Final DIP Order").

9 4. The Final DIP Order authorizes the Debtor to borrow up to \$5 million from FS DIP,
10 LLC ("FS DIP"). Pursuant to the Final DIP Order, if the Debtor does not confirm and obtain an
11 entered plan confirmation order by November 29, 2022, this case will revert to a Section 363 sale,
12 with a sale price of \$19 million (which is considerably less than the approximately \$24.775 million
13 provided by Nevada PF to acquire the shares of the Debtor through the Plan).

14 5. The Debtor's and my intention in this bankruptcy case was to propose new
15 membership terms with built in daily fees and annual fees which, if accepted by enough of its
16 members, would have allowed the Debtor to propose a Debtor/member-based plan of reorganization
17 that retained memberships and member benefits. The Debtor and I were initially confident that this
18 could be accomplished. In order to have the evidence necessary to propose and confirm a member-
19 based plan, the Debtor conducted a survey of approximately 240,000 of its members in August 2022.

20 6. The Debtor, through me, emailed all members repeatedly throughout a two week
21 period with the survey, and the Debtor's claims and noticing agent, Stretto, also emailed the same
22 survey to the Debtor's members. The response was lackluster at best, and was the first time that the
23 Debtor, its professionals, and I realized that a member-based plan was likely not feasible (i.e.,
24 revenue from the proposed new member terms would not support the Debtor's post-petition
25 operations or the funding of the member-based plan).

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28 *Debtor's Second Amended Disclosure Statement Describing Debtor's Second Amended Chapter 11*
Plan of Reorganization [ECF No. 406] ("Disclosure Statement").

1 7. Since the Petition Date, the Debtor and its professionals have explored whether or not
2 there was an equity investor that would be willing to fund the plan and maintain the Debtor's
3 business operations including most of its employees in exchange for an equity investment in the
4 Debtor. After exploring all alternatives, the Debtor determined that the proposal that was in the best
5 interest of the Debtor's estate, creditors, employees and members came from Nevada PF, LLC
6 ("Nevada PF"), an affiliate of its post-petition DIP financing lender FS DIP.

7 8. The Debtor's deal with Nevada PF was not the best deal for me and results in the
8 Debtor's current equity holders, including me, losing 100% of their equity interest in the Debtor
9 (which is not what I wanted). However, there were no other better alternatives available to the
10 Debtor and the Debtor did not have support from its members as illustrated by the survey.

11 9. I believe that the Plan, based upon an agreement with Nevada PF (and related term
12 sheet) is by far better than all alternatives for the Debtor's estate, creditors, employees and members
13 under the time restrictions in this case (DIP financing expires on November 29, 2022), and given that
14 there is no viable, feasible alternative to support the Debtor's post-confirmation business operations
15 or to otherwise fund the Plan.

16 10. I believe that the Plan complies with the Bankruptcy Code and that the Debtor has
17 complied with the Bankruptcy Code in connection with the formulation and solicitation of the Plan.

18 11. The Debtor and its professionals have worked diligently to propose the best possible
19 Plan for creditors, employees and members given the time constraints that exist in this case. The
20 Plan has been proposed in good faith. The primary purpose of the plan is to permit the successful
21 rehabilitation of the Debtor while maximizing the value of the estate to satisfy creditors' claims,
22 which is achieved through the Exit Financing and auction and overbidding procedures.

23 12. The Plan provides for: (i) the proceeds from the Exit Financing to create reserve
24 accounts to satisfy the Allowed Secured Claims of LVDF and Meacher and to create a reserve
25 account for Allowed General Unsecured Claims; (ii) the satisfaction of the Allowed Secured Claims
26 of M2 EPC and Top Rank Builders Inc.; (ii) the satisfaction of all outstanding administrative
27 expenses; (iv) the satisfaction of outstanding tax claims; and (v) the satisfaction of Priority
28 Unsecured Claims. Administrative creditors, including the Estate's professionals, will receive Cash

1 in satisfaction of their Allowed Claims on or shortly after the Effective Date unless they have agreed
 2 to alternate treatment.

3 **A. The Management of the Reorganized Debtor Has Been Fully Disclosed**

4 13. Article III.D.3 of the Plan (p. 26) discloses that the Reorganized Debtor will remain a
 5 Nevada limited liability company and the Reorganized Debtor’s managing member shall be William
 6 W. Wilson. The Plan further discloses the New Equity Investor (Nevada PF, LLC or its assignee)
 7 will own a 100% equity interest in the Reorganized Debtor as of the Effective Date.

8 14. The Plan further discloses that I, a current equity holder of the Debtor and its current
 9 Chief Executive Officer and manager, have agreed to act on a limited basis as a consultant for the
 10 Reorganized Debtor after the Effective Date, and that I will not hold a management position with the
 11 Reorganized Debtor, but I will assist with things such as marketing, prosecuting objections to
 12 claims, and certain causes of action. To be clear, I am not assuming any of the roles expressly
 13 within the ambit of Section 1129(a)(5).

14 15. The Plan further discloses that I will enter into a consulting agreement with the
 15 Reorganized Debtor. The consulting agreement is not yet finalized but a term sheet will be
 16 submitted in the Plan Supplement.

17 **B. Means of Implementation**

18 16. Article III.D of the Plan provides for the means for execution of the Plan including,
 19 without limitation, the funding of the Plan through the Exit Financing in the aggregate amount of the
 20 \$19.575 million Cash Contribution and the contribution or payment of FS DIP’s secured claim of
 21 approximately \$5.2 million by the New Equity Investor. The \$19.575 million Cash Contribution
 22 will be used to, among other things, fund certain Plan payments on or around the Effective Date,
 23 provide reserves for certain disputed claims, and provide the Reorganized Debtor with sufficient
 24 working capital. Such proceeds will be utilized as follows:

Administrative (Professional)	\$500,000 ²
FS DIP Secured Claim	\$5,200,000 (estimated)

25 _____
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 27 ² Currently there is a discrepancy between the projected/estimated amount of Professional Fee
 28 Claims and the amount available under the Plan for Professional Fee Claims which will have to be
 resolved prior to Confirmation.

1	LVDF Secured Claim	\$11,805,706.01 (reserve account)
	Meacher Secured Claim	\$3,300,000 (reserve account)
2	Lease/Contract Cures	\$0
	Priority Claims	\$100,000 (estimated)
	Solicitation Expenses	\$125,000
3	Unsecured Claims	\$3,000,000 (reserve account)
	Miscellaneous	<u>\$50,000</u>
4	Total	\$24,080,706.01

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17. Based on the foregoing, I believe that sufficient funds will exist to make all required Effective Date payments.

C. The Plan Satisfies the Best Interests Test

18. Along with my assistance, the Debtor's financial advisor, Province, LLC, prepared the Liquidation Analysis attached to the Debtor's Disclosure Statement as Exhibit C. The Liquidation Analysis includes a statement of all assets, allocation of net liquidation proceeds to the applicable claims and equity interests, and explanatory notes to accompany the analysis.

19. As set forth in more detail in the Liquidation Analysis, General Unsecured Claims are better off under the Plan as compared with a Chapter 7 liquidation because in a hypothetical liquidation proceeding, the worst-case scenario would be that the liquidation proceeds would be less than the outstanding amount of asserted secured claims. The best-case scenario is that General Unsecured Claims would receive a pro rata distribution of 9.5% of their claims. However, under the Plan, it is estimated that Allowed General Unsecured Claims will receive a pro rata distribution of approximately 10% to 30% of their claims.

20. As demonstrated by the Liquidation Analysis, each holder of an Allowed Claim in an impaired Class will receive under the Plan property of value that is greater than the amount that such holder would receive if the Debtor were liquidated under Chapter 7.

D. The Plan is Feasible

21. As set forth in the Plan and the Motion, the Debtor will have sufficient funds on hand on the Effective Date to fund the Plan. The Plan will be fully funded on the Effective Date by the New Value Contribution. I will not be in control of the Reorganized Debtor and it is my understanding that the New Equity Investor will submit proof of funding to the Court and an operational budget for the Reorganized Debtor prior to the Plan confirmation hearing.

1 22. Accordingly, I believe that confirmation of the Plan is not likely to be followed by the
2 Reorganized Debtor’s liquidation or the need for further financial reorganization.

3 23. The Plan provides that all fees payable under 28 U.S.C. § 1930 will be paid in full.

4 24. To the best of my knowledge, the Debtor is not subject to any rate regulations.

5 25. The Debtor has no retirement benefits as that term is defined in Section 1114 of the
6 Bankruptcy Code. As such, the Plan does not provide for the continuation of payment of any retiree
7 benefits after the Effective Date.

8 26. The Debtor is not a non-profit corporation.

9 27. The Debtor is not required by a judicial or administrative order by statute to pay
10 domestic support obligations.

11 I declare under the penalty of perjury of the laws of the United States of America that the
12 foregoing is true and correct.

13 Executed on this 21st day of October 2022.

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15 /s/ Ignatius Piazza
16 Ignatius Piazza
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CERTIFICATE OF SERVICE

I declare that I am over the age of 18 years and not a party to the within action. I am employed in the County of Los Angeles and my business address is 21650 Oxnard Street, Suite 500, Woodland Hills, California 91367.

On **October 21, 2022**, I served the following document:

DECLARATION OF IGNATIUS PIAZZA IN SUPPORT OF DEBTOR’S MOTION FOR CONFIRMATION OF DEBTOR’S SECOND AMENDED CHAPTER 11 PLAN OF REORGANIZATION

BY ELECTRONIC MAIL

Those designated "[NEF]" on the Court docket were served with the Notice by the Court via Electronic Mail, as follows:

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I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made. I declare under penalty of perjury under the laws of the United States of America and the State of California that the foregoing is true and correct.

Executed October 21, 2022, at Woodland Hills, California.

/s/ Jessica Studley
JESSICA STUDLEY