

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
NORTHERN DIVISION**

In the Matter of:)	
Howard Scott Ross)	CASE NO. 10-80416 JAC11
SSN: XXX-XX-6444)	
DEBTOR(S).)	

Small Business Case under Chapter 11

DEBTOR'S DISCLOSURE STATEMENT

I. BACKGROUND OF CASE

On February 5, 2010, the above Debtor filed a voluntary petition under 11 U. S. C Chapter 11 of the United States Bankruptcy Code, herein after called "the Code" with the above-described United States Bankruptcy Court, hereinafter called "the Court".

II. DESCRIPTION OF THE BUSINESS

The Debtor operates a residential property rental business in Madison County, Alabama. He primarily buys rental property at the Madison County Tax Assessor's real property sale in May of each year. Most of the properties are distressed and need repair at the time of purchase.

The Debtor, on most of the rentals, has only the right of possession of the properties which are purchased. The properties are subject to redemption under § 40-10-122 of the Code of Alabama.

III. PAST OPERATIONS

The Debtor commenced as an individual proprietorship in 1986.

The Debtor has operated continuously in Madison County, Alabama since 1986 with the number of properties being rented gradually increasing by approximately five percent (5%) each year.

IV. LIST OF DEBTOR'S PROPERTY

The following property is owned outright by the Debtor in fee simple:

6620 Willow Pointe Drive NW	Homestead	\$48,300.00
Parcel # 01-06-14-0-000-002.000		\$39,000.00
157 Flint River Drive		\$40,600.00
160 Noles Drive		\$34,100.00
154 Lark Road		\$42,800.00
110 Shady Oak Drive		\$20,000.00

3008 Eolyne Kelly Way NE	\$136,500.00
228 Victory Lane NE	\$33,900.00
2610 Waltham Drive NE	\$90,200.00
2514 Jeri Street NW	\$45,100.00
1803 Niblick Avenue NW	\$44,800.00
2907 Love Avenue NW	\$46,200.00
2800 Wilson Drive NW	\$40,000.00
2904 Hart Drive NW	\$38,400.00
2107 13 th Street SW	\$104,600.00
3901 Fair Oak Lane SW	\$75,400.00
990 New Hope-Cedar Point Road	<u>\$27,800.00</u>
Total real estate in fee simple	\$907,300.00

The following property the Debtor has only a possessory interest in as a result of purchase at tax sale:

258 Dixon Road		\$6,000.00
2431 Grimwood Road		\$3,000.00
667 Mt. Lebonon Road		\$5,000.00
160 Stewart Road		\$2,000.00
133 Nance Road		\$20,000.00
3292 Maysville Road		\$5,000.00
Tumkins Lane NE		\$2,000.00
3425 Lookout Drive		\$2,000.00
4027 Summerhill Place		\$25,000.00
3713 Oakdale Court NW		\$20,000.00
2475 Mt. Vernon Road		\$10,000.00
509 Eastbrook Drive		\$20,000.00
2612 Kildare Street NW		\$10,000.00
Parcel # 14-07-25-4-001-034.000	Mckinley Street NW	\$2,000.00
1008 McKinley Avenue		\$20,000.00
2407 Moore Avenue NW		\$15,000.00
808 Cherry Street NW		\$5,000.00
Parcel # 14-07-35-3-008-049.000	Mitchell Drive NW	\$1,000.00
Parcel # 14-07-35-3-008-052.000	Mitchell Drive NW	\$1,000.00
Parcel # 14-07-35-3-008-053.000	Mitchell Drive NW	\$1,000.00
805 Cross Street NW		\$5,000.00
2213 Hill Street NW		\$15,000.00
3113 Love Avenue NW		\$6,000.00
4312 Chalet Circle NW		\$5,000.00
1604 Belafonte Circle		\$10,000.00
919 Fairway Drive NW		\$10,000.00
1926 Rideout Road NW		\$3,000.00
Parcel # 15-05-16-0-002-077.000	Capshaw (off) Road	\$3,000.00
Parcel # 16-02-04-2-000-016.000	Gillespie Road	\$3,000.00
2108 Boardman Street		\$15,000.00

2118 Sycamore Street	\$10,000.00
Parcel # 17-02-03-3-004-070.000 Larry Street SW	\$3,000.00
Parcel # 18-08-28-4-001-014.001 Wildcreek Trail SE	\$3,000.00
Parcel # 18-09-32-1-005-034.000 Bailey Cove Road	\$2,000.00
Parcel # 23-03-08-4-001-001.000 Bailey Cove Road	\$2,000.00
14010 Hermosa Drive	\$2,000.00
3005 Fairacres	<u>\$3,800.00</u>
Total real estate (possession only)	\$275,800.00

Checking, savings or other financial accounts	\$3,200.00
Security deposits with public utilities	\$500.00
Household goods and furnishings	\$500.00
Wearing apparel	\$200.00
1961 Ford Falcon	\$300.00
1997 Toyota Camry	<u>\$1,300.00</u>
Total personal property	\$6,000.00

TOTAL VALUE \$1,196,500.00

Projected Income and Expense Budget

Debtor's Income

Projected Monthly Income	\$5,700.00
Total Projected Monthly Income	\$5,700.00

Debtor's Expenses

Material Costs	\$2,200.00
Labor	\$1,700.00
Utilities	\$500.00

Debtor Living Expenses

Food	\$400.00
Telephone	\$60.00
Condo Fees	\$100.00
Electric	\$75.00
Health Insurance	\$230.00
Miscellaneous	<u>\$100.00</u>
Total Debtor Expenses	\$5,365.00

Debtor's Net Income (After living expenses) \$355.00

All distributions under the Plan will come from the sale of real property.

V. PERSONNEL

The Debtor, Mr. Ross, has been the sole owner and operator since beginning the operation in 1986. He has a bachelor's degree in physics from State University of New York at Stony Brook.

All repairs on purchases are done by him, by day labor under his direct supervision or occasionally subcontracted out. The Debtor has never had employees.

VI. COMPETITIVE FACTORS

The Debtor's profit and loss is a direct result of his abilities to purchase properties at the right price, repair them economically and get them into the rental market as soon as possible.

Most of the rentals are on the very low end of the rental scale and therefore, the Debtor is limited by the residential retail market in determining price. The Debtor, by being subject to redemption at any time also cannot consistently stabilize his income stream. Finally, since the Debtor rents to people on the low end of the economic scale, any damages caused by the tenants are rarely recoverable.

VII. ECONOMIC FACTORS

The Debtor has not been adversely affected by the downturn in the economy. If anything, there has been an increase in the number of residential properties which have come on the market.

The Debtor has been affected slightly regarding the price of property the Debtor has had to pay to acquire properties but it has not had much overall impact.

VIII. ACCOUNTING AND ADMINISTRATION

Past accounting and bookkeeping of the Debtor has been loosely done due to the Debtor being a sole proprietor. The Debtor has had little accounting background. The mandated reporting of the Bankruptcy Administrator has helped the Debtor in correct accounting procedures.

IX. UNCERTAIN AND ADVERSE FACTORS AFFECTING THE BUSINESS

The problem forcing the Debtor into Bankruptcy is a past adverse Court ruling. Specifically, the case of Rosen-Rager vs. Howard Ross, CV 06-2097, Madison County, Alabama which gave the Plaintiff a judgment of thirteen thousand, thirty two and 51/100 dollars (\$13,032.51) in compensatory damages and three hundred and fifty thousand and no/100 dollars (\$350,000.00), in punitive damages.

X. THE SOURCE OF INFORMATION STATED IN THE DISCLOSURE STATEMENT:

The information contained in this Disclosure Statement was obtained from the books and records of the Debtor along with the Madison County Tax Assessors valuation of real property owned in fee simple.

**XI. THE ACCOUNTING METHOD UTILIZED TO PRODUCE FINANCIAL
INFORMATION AND THE NAME OF THE ACCOUNTANT RESPONSIBLE FOR
SUCH INFORMATION:**

The Debtor in the maintaining of the books and records utilizes a cash method of accounting.

XII. ASSUMPTION OR REJECTION OF EXECUTORY CONTRACTS AND LEASES:

The Debtor specifically assumes, subject to the provisions of the Plan of Reorganization, all executory contracts and leases with listed creditors and reserves the right prior to or after confirmation to reject the same upon such notice as the Court may require.

XV. PENDING LITIGATION:

The Debtor knows of no pending or imminent litigation that would adversely affect the Debtor's ability to perform under the terms of his Chapter 11 Disclosure Statement.

XVI. CLASSIFICATION OF CLAIMS
Claims Not Impaired Under The Plan

Class I (Administrative Expenses) This Class is unimpaired in that the holders of claims in this class shall receive cash equal to the amounts of such claims or as otherwise agreed by and between the parties at confirmation.

Class II (Anna Konstantinov) The Creditor in this class shall include Anna Konstantinov who has a note from the debtor and shall receive payment in full under the terms of the Plan.

Class III (Home Depot) The creditor in this Class shall include Home Depot who holds an unsecured account with the debtor and shall receive payment in full under the terms of the Plan.

Class IV (William Shreve) The Creditor in this Class shall include William Shreve who is the attorney who handled the appeal in the case of Rosen-Rager vs. Ross which is now at the Alabama Supreme Court and shall receive payment in full under the terms of the Plan.

Class V (Other Claims) Creditors in this class shall receive no distribution under the Plan.

Claims That May Be Impaired Under The Plan

Class VI (Rosen-Rager) The Creditor in this Class shall include the Plaintiff in that certain case entitled Rosen-Rager vs. Ross, currently on Appeal with the Alabama Supreme Court.

Treatment Of Classes

Class I (Administrative Expenses) This Class is unimpaired in that the holders of claims in this Class shall receive cash equal to the allowed amounts of such claims or as otherwise agreed by and between the parties at confirmation.

Class II, III and IV The Claims in these Classes total approximately one hundred and seventy four thousand and no/100 dollars (\$174,000.00) and will be paid on a pro rata basis upon sale of property sold pursuant to the Plan.

Class V (Other Claims) Creditors in this Class shall receive no distribution under the Plan.

Class VI (Rosen-Rager) The Creditor in this Class shall receive payment of punitive damages as determined by the Court and as set aside under the Plan. This claim is disputed and will be subject to an adversarial proceeding.

Liquidation Analysis

11 U.S.C. § 1129 provides that, with respect to each impaired class of claims or interests, cash holder of a claim or interest must receive or retain under the Plan property of a value, as of the effective date of the Plan that is not less than the amount that such holder would so receive or retain if the Debtor was liquidated under Chapter 7. A review of the Debtor's amended schedules reflect that there is equity in non-exempt real or personal property that would be available for distribution to unsecured creditors is excess of all expected claims. Accordingly, the Plan meets the liquidation Analysis under 11 U.S.C. § 1129.

XVII DISCLAIMER:

In the opinion of the Debtor, the treatment of creditors and interest holders under the Plan provides a greater chance of recovery than that which is likely to be achieved under other alternatives for the reorganization or liquidation of the Debtor.

This Disclosure Statement has been prepared solely for the benefit of creditors and interest holders of the Debtor.

No representations concerning the Plan are authorized by the Debtor other than those set forth in this Disclosure Statement. Any representation or inducement that is not contained herein should be reported to the attorney for the Debtor, who will inform the Bankruptcy Court, which may take such action as it deems appropriate.

The Debtor does not warrant or represent that the information contained herein is correct, although great effort has been made to be as accurate and complete as possible under the circumstances. This statement contains only a summary of the Plan. The Plan that accompanies this Disclosure Statement is an integral part of this Disclosure Statement, and each creditor and interest holder is urged to review the Plan.

The Debtor makes no representation with respect to the effects of taxation (state or federal) on the creditors with respect to the treatment of their claims under the Plan, and no such representations are authorized. Any tax information contained herein is for informational purposes only. Parties-in-interest are urged to seek the advice of their own professional advisors should they have any questions with respect to any taxation issues.

The confirmation of the Plan will discharge the Debtor from all pre-filing date debts by virtue of the order of confirmation or Section 1141(d) of the Bankruptcy Code. In addition, confirmation of the Plan will generally discharge other obligators, guardians and sureties from pre-filing date debts except to the extent that such debts are excepted from discharge by order of the Bankruptcy Court under Section 523 of the Bankruptcy Code. Confirmation makes the Plan binding on all creditors and other parties-in-interest, regardless of whether or not they have accepted the Plan.

All initially capitalized words used in this Disclosure Statement have the same definitions provided for in Article I of the Plan.

This the 4th day of June, 2010.

/s/ Howard Scott Ross
HOWARD SCOTT ROSS

/s/ Patrick A. Jones
Patrick A. Jones
Attorney for the Debtor
212 Oakwood Avenue NW
Huntsville, Alabama 35811
Telephone: (256) 533-2827
Facsimile: (256) 533-2875

CERTIFICATE OF SERVICE

I hereby certify that I have on this date served a copy of the foregoing Debtor's Disclosure Statement on the following party(s), via first-class United States Mail, postage pre-paid and properly addressed as follows:

Mr. Richard M. Blythe
Assistant Bankruptcy Administrator
United Bankruptcy Court
Post Office Box 3045
Decatur, AL. 35602

/s/ Patrick A. Jones
Patrick A. Jones