

1 FaceEric Slocum Sparks
Arizona State Bar No. 11726
2 LAW OFFICES OF ERIC SLOCUM SPARKS, P.C.
110 South Church Avenue #2270
3 Tucson, Arizona 85701
Telephone (520) 623-8330
4 Facsimile (520) 623-9157
law@ericslocumsparkspc.com
5 eric@ericslocumsparkspc.com
Attorney for Debtor

6
7 IN THE UNITED STATES BANKRUPTCY COURT
8 FOR THE DISTRICT OF ARIZONA

9 In re:

10 JOSEPH E. KOKROKO,

11 Debtor.

)
)
) No. 4:14-bk-16170-SHG

)
) (Chapter 11)

)
) NOTICE OF SUBMISSION OF
) DEBTOR'S FIRST AMENDED DISCLOSURE
) STATEMENT DATED July 18, 2016
) FOR ITS FIRST AMENDED PLAN OF
) REORGANIZATION DATED July 18, 2016
)

15 Joseph E. Kokroko, (hereinafter "Debtor"), submits this proposed First Amended Disclosure
16 Statement dated July 18, 2016 attached hereto and by reference incorporated herein (hereinafter "the
17 Disclosure Statement") in connection with the "Debtor's First Amended Plan of Reorganization" filed
18 concurrently herewith dated July 18, 2016 (hereinafter "the Plan"). The Disclosure Statement is
19 submitted in compliance with 11 U.S.C. Section 1125 and Bankruptcy Rule 3017. It has not been
20 approved by the Bankruptcy Court and is filed solely to enable the Court and parties in interest to
21 evaluate the adequacy of the information contained herein as required of the Bankruptcy Code.
22 Moreover, the Disclosure Statement refers to information contained herein as required by the Bankruptcy
23 Code. The Disclosure Statement refers to information and facts that the Debtor anticipates will be
24 accurate or will occur on or prior to the date of the hearing to consider the Disclosure Statement.
25 Therefore, certain information and facts contained in the Disclosure Statement may not be completely
26 accurate as of the date hereof.

27 The Debtor believes that a form of Disclosure Statement in substantially the form as that which
28 is attached hereto contains information of a kind, and in sufficient detail, as far as is reasonably practical

1 in light of the nature and history of the Debtor, that would enable a reasonable investor, typical of the
2 holders of claims and interests in each class of claims and interest in the Plan, to make an informed
3 judgment about the Plan. Nevertheless, all readers are cautioned that the Debtor may file further
4 modifications of the Plan and of the Disclosure Statement prior to the hearing to consider the Disclosure
5 Statement.

6
7 *THE FILING AND ANY DISSEMINATION OF THE DISCLOSURE STATEMENT*
8 *IS NOT A SOLICITATION OF VOTES ACCEPTING OR REJECTING*
9 *THE PLAN DESCRIBED THEREIN.*

10 DATED: July 18, 2016.

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LAW OFFICES OF
ERIC SLOCUM SPARKS, P.C.

/s/ Sparks AZBAR #11726
Eric Slocum Sparks
Attorney for Debtor

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July 18, 2016

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1 Eric Slocum Sparks
Arizona State Bar No. 11726
2 LAW OFFICE OF ERIC SLOCUM SPARKS, P.C.
110 South Church Avenue #2270
3 Tucson, Arizona 85701-3031
Telephone (520) 623-8330
4 Facsimile (520) 623-9157
law@ericslocumsparkspc.com
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9 In re:)
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11) (Chapter 11)
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12) DEBTOR'S FIRST AMENDED DISCLOSURE
13) STATEMENT DATED July 18, 2016
14) FOR ITS FIRST AMENDED PLAN OF
REORGANIZATION DATED July 18, 2016
15)

16 **I. INTRODUCTION**

17 On October 28, 2014, Debtor, Joseph E. Kokroko, (hereinafter referred to as "Debtor"), filed a
18 voluntary petition for Chapter 11 relief in the United States Bankruptcy Court for the District of Arizona.

19 This Disclosure Statement is filed pursuant to 11 U.S.C. §1125 and is intended to provide the
20 holders of claims and interest with adequate information about the debtor and Plan so as to enable the
21 creditors to make an informed judgment as to their acceptance or rejection of the Plan. In preparing this
22 Disclosure Statement the debtor has been mindful of the factors which courts tend to apply to determine
23 if a Disclosure Statement contains "adequate information", mainly those factors articulated in *In re A.C.*
24 *Williams Company*, 25 B.R. 173 (Bankr. N.D. Ohio 1982).

1 **II. DEFINITIONS**

2 As utilized in this Disclosure Statement and in the Plan of Reorganization which accompanies
3 this Disclosure Statement, the following definitions apply to the following terms:

4 1. "Adequate Information" means information that would enable a hypothetical reasonable
5 investor typical of holders of claims or interest of the Debtor's estate, to make an informed judgment
6 about the Debtor's Plan of Reorganization.

7 2. "Allowed and Approved Claim" shall mean every Claim: (a)(i) as to which a proof of such
8 Claim has been filed within the time fixed by the Bankruptcy Court, or, if such Claim arises from the
9 Debtor's rejection of an Executory Contract, no later than the first Business Day that is thirty (30) days
10 after the Effective Date, or (ii) which the Debtor has scheduled in its Schedules (including any
11 amendments thereto) as liquidated in amount and undisputed; and in either event: (b) (i) as to which no
12 objection to the allowance of such Claim has been filed within any applicable time period fixed by the
13 Bankruptcy Court, or (ii) as to which the order allowing such Claim has become final and non-
14 appealable without any appeal, review, or other challenge of any kind to that order having been taken
15 or being still timely. The term Allowed Claim may be used throughout the Plan with each of the various
16 Creditors' Claim or Classes of those Claim (e.g., "Allowed Administrative Claims" or "Allowed Class
17 I Claims") to signify that such Claims are, will be, or must, be Allowed Claims to qualify for certain
18 treatment under the Plan.

19 3. "Bankruptcy Code" shall mean the Bankruptcy Code as set forth in Title 11 of the United
20 States Code.

21 4. "Bankruptcy Court" shall mean in the United States Bankruptcy Court for the District of
22 Arizona.

23 5. "Confirmation of the Plan" shall mean the entry of an order by the Bankruptcy Court
24 confirming the Plan of Reorganization in accordance with §1129 of the Bankruptcy Code.

25 6. "Consummation of the Plan" means the accomplishment of all things required or provided for
26 under the terms of the Plan.

27 7. "Court" shall mean the United States Bankruptcy Court for the District of Arizona.
28

1 8. “Creditors” shall mean all persons holding claims for secured and unsecured obligations,
2 liabilities, demands or claims of any nature whatsoever against the Debtor arising at any time prior to
3 confirmation of the Plan and administrative creditors.

4 9. “Debtor” shall mean the petitioner in the above-captioned Bankruptcy case.

5 10. “Disclosure Statement” shall mean this Disclosure Statement (hereinafter “Disclosure
6 Statement”) filed in this case approved, after notice and a hearing by the Court as being in conformity
7 with §1129 of the Code.

8 11. “Disposable Income” that amount of income to be contributed by debtor for a period of 60
9 months and paid to creditors on allowed claims of creditor on a pro rata basis any and all claims as a full
10 and final settlement. The amount of disposable income will be reduced by any allowed administrative
11 fees allowed by this Court.

12 12. “Effect of Discharge” 11 U.S.C. 1141(d)(5)(b) At any time after the confirmation of the plan,
13 and after notice and a hearing, the court may grant a discharge to the debtor who has not completed
14 payments under the plan if (I) the value, as of the effective date of the plan, of property actually
15 distributed under the plan on account of each allowed unsecured claim is not less than the amount that
16 would have been paid on such claim if the estate of the debtor had been liquidated under chapter 7 on
17 such date; (ii) modification of the plan under section 1127 in not practicable; and (iii) subparagraph (c)
18 permits the court to grant a discharge.

19 13. “Effective Date” shall mean the later of (a) the first business day following the **60th** day after
20 entry of the Court of an order confirming this Plan, or (b) the first business day after such order has
21 become final and unappealable; provided however, no appeal of said order is pending; provided further,
22 the Debtors may waive the condition that no appeal of the order of confirmation be pending by a writing
23 duly executed by the Debtors and filed with the Court on or before the date which but for the pendency
24 of appeal would become the Effective Date of the Plan, and in the event that said condition is timely
25 waived by the Debtors, the Plan shall become effective as provided herein notwithstanding the pendency
26 on said date of an appeal or appeals; in the event that said condition is not timely waived, the Plan shall
27 become effective on the first business day after an appeal is no longer pending.

28

1 14. “Petition” means the original Chapter 11 Petition filed by the Debtor.

2 15. “Plan” shall mean the Plan of Reorganization accompanying this Disclosure Statement as it
3 may be amended, modified and/or supplemented pursuant to which the Debtor proposes payment in
4 whole or in part of creditors’ claims.

5 16. “Plan Distribution Date” shall be a date that ends with the first full calendar quarter after the
6 date that the Chapter 11 Plan is confirmed by the Court, which the Debtor projects to be December 31,
7 2016.

8 17. All other terms not specifically defined by this Disclosure Statement shall have the meaning
9 as designated in §101 of the Bankruptcy Code or, if not contained therein, their ordinary meaning.
10

11 **III. DISCLAIMER**

12 Any representations concerning the Debtor’s Plan other than as set forth herein are unauthorized.
13 This Disclosure Statement is designed to provide information the Debtor deems material, important and
14 necessary for the creditors to arrive at an informed decision in exercising their right to accept or reject
15 the Plan. **YOU SHOULD THEREFORE NOT RELY ON ANY OTHER INFORMATION,**
16 **REPRESENTATIONS OR INDUCEMENTS IN ASSESSING THE MERITS OF THE**
17 **DEBTOR’S PLAN OTHER THAN THE INFORMATION CONTAINED IN THIS**
18 **DISCLOSURE STATEMENT.**

19 The Debtor expressly does not warrant nor represent that there are no inaccuracies in the
20 following Disclosure Statement although the information provided is accurate to the best of Debtor’s
21 knowledge, information and belief. Creditors should also be aware that the Court has not undertaken any
22 individual determination to verify the accuracy of the information contained in this Disclosure
23 Statement. Finally, the attorney for the debtor has not made any independent evaluation as to the
24 accuracy of the information contained herein other than to ascertain that the information contained herein
25 is generally consistent with information provided by the Debtor. Notwithstanding the foregoing, the
26 debtor believes that the information contained herein is correct and accurate and complies with the
27 requirements of the Bankruptcy Code.
28

1 **IV. DEBTOR’S BACKGROUND, EVENTS LEADING TO CHAPTER 11 BANKRUPTCY**

2 **FILING AND OPERATIONS UNDER CHAPTER 11**

3 Background and History of Debtor: Joseph Kokrok is originally from Ghana, West Africa and
4 English is his second language. The debtor came to the United States with his wife who worked for the
5 Peace Corp. The debtor and his wife had two children and also adopted one child. Over a period of years
6 the Debtor has acquired nine residential properties. All of the properties are rented and two were recently
7 used as an Assisted Living Facility. The Debtor filed a previous Chapter 13 case which was dismissed.

8 Events Leading to the Chapter 11: Due to the decline in property values in 2008 causing all of
9 the debtor’s real estate investments to plunge in value. As a result the debtor was unable to cover the
10 mortgages with the current rents received and expenses. The debtor continuously tried to work out
11 modifications with all of the rental property lenders’ and also hired attorney’s to help in this process.
12 When the attorney’s that the debtor hired failed to help him with loan modifications he was told to file
13 bankruptcy. This case was filed to prevent a foreclosure on 2927 E. 4th Street, Tucson, AZ. These factors
14 all contributed to the events that led to the necessity of the bankruptcy filing in order to reorganize.

15
16 **V. VOTING**

17 A. Ballots and Voting Deadline.

18 A ballot to be used for voting to accept or reject the Plan is enclosed with this Disclosure
19 Statement as Exhibit “B” and mailed to creditors entitled to vote. A creditor must (1) carefully review
20 the ballot and instructions thereon; (2) execute the ballot; and, return it to the address indicated thereon
21 by the deadline in order to be considered for voting purposes. The Bankruptcy Court has directed that,
22 in order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be
23 received no later than the date established by the Bankruptcy Court, with a copy being provided to the
24 following address: LAW OFFICES OF ERIC SLOCUM SPARKS, P.C., 110 South Church Avenue,
25 #2270, Tucson, Arizona 85701. ***The enclosed Ballot states the Court established deadline in which all***
26 ***ballots must be filed with the Court and copies provided to Debtor’s counsel.***

27 B. Creditors Entitled to Vote.

1 Any creditor of the Debtor, whose claim is impaired under the Plan is entitled to vote if it has
2 filed a Proof of Claim on or before the last date set by the Bankruptcy Court for such filings. Any claim
3 to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless
4 the Bankruptcy Court temporarily allows the claim in an amount which it deems proper for the purpose
5 of accepting or rejecting the Plan upon Motion by the creditor whose claim is subject to any objection.
6 Such motion must be heard and determined by the Bankruptcy Court prior to the date established by the
7 Court to confirm the Plan. In addition, a creditor's vote may be disregarded if the Bankruptcy Court
8 determines that the creditor's acceptance or rejection was not solicited or procured in good faith or in
9 accordance with the provisions of the Bankruptcy Code.

10 C. Definition of Impairment.

11 Under §1124 of the Bankruptcy Code, a class of claims or equity interests is impaired under a
12 Plan of Reorganization unless, with respect to each claim or equity interest of such class, the Plan:

13 Except as provided in Section 1123(a)(4) of this title, a class of claims or interests is impaired
14 under a plan unless, with respect to each claim or interest of such class, the
plan -

15 (1) leaves unaltered the legal, equitable, and contractual rights to which such claim or
16 interest entitles the holder of such claim or interest;

17 (2) notwithstanding any contractual provision or applicable law that entitles the holder
18 of such claim or interest to demand or receive accelerated payment of such claim or
19 interest after the occurrence of a default –

20 (A) cures any such default that occurred before or after the commencement of the
21 case under this title, other than a default of a kind specified in Section 365(b)(2) of this
22 title;

23 (B) reinstates the maturity of such claim or interest for any damages incurred as
24 a result of any reasonable reliance by such holder on such contractual provision of such
25 applicable law; and

26 (C) compensates the holder of such claim or interest for any damages incurred as
27 a result of any reasonable reliance by such holder or such contractual provision or such
28 applicable law; and

(D) does not otherwise alter the legal, equitable, or contractual rights to which
such claim or interest entitles the holder of such claim or interest.

11 U.S.C. §1124.

D. Classes Impaired Under the Plan.

1 Creditors holding claims or interests in Classes 2 through 23 are impaired under the Plan and are
2 eligible, subject to the limitations set forth above, to vote to accept or reject the Plan. Creditors holding
3 claims in Classes 1 and 24 are not impaired under the Plan and are not entitled to vote with respect to
4 acceptance or rejection of the Plan. All creditors will be paid in accordance with the provisions of the
5 Plan. *See 11 U.S.C. §1126(f).*

6 E. Votes Required for Class Acceptance.

7 The Bankruptcy Code defines acceptance of a Plan by a class of creditors as acceptance by
8 holders of two-thirds in dollar amount and by a majority in number of the claims of that class which
9 actually cast ballots for acceptance or rejection of the Plan, i.e., acceptance takes place only if two-thirds
10 in amount and majority in numbers of the creditors actually voting cast their ballots in favor of
11 acceptance.

12 SINCE MAIL DELAYS MAY OCCUR, IT IS IMPORTANT THAT THE BALLOT OR
13 BALLOTS BE MAILED OR DELIVERED WELL IN ADVANCE OF THE DATE SPECIFIED. ANY
14 BALLOTS RECEIVED AFTER THIS DATE MAY NOT BE INCLUDED IN ANY CALCULATION
15 TO DETERMINE WHETHER THE DEBTOR'S CREDITORS HAVE VOTED TO ACCEPT OR
16 REJECT THE PLAN.

17 THIS IS A SOLICITATION BY THE PROPONENT ONLY AND IS NOT A SOLICITATION
18 BY THE PROPONENT'S ATTORNEY OR ACCOUNTANT, AND THE PRESENTATIONS MADE
19 HEREIN ARE THOSE OF THE PROPONENT AND NOT OF THE PROPONENT'S ATTORNEY
20 OR ACCOUNTANT, EXCEPT AS OTHERWISE INDICATED. THE RECORDS SUBSEQUENT
21 TO THE FILING OF THE PETITION FOR REORGANIZATION HAVE BEEN KEPT BY THE
22 DEBTOR-IN-POSSESSION AND MONTHLY FINANCIAL REPORTS HAVE BEEN SUBMITTED
23 BY THE DEBTOR-IN-POSSESSION FROM TIME TO TIME SINCE THE FILING OF THE
24 PETITION. WHILE EVERY REASONABLE EFFORT HAS BEEN MADE TO ENSURE THE
25 ACCURACY OF THE MONTHLY REPORTS, THEIR ACCURACY CANNOT BE GUARANTEED.

1 **VI. GENERAL INFORMATION AND DISCLOSURE**

2 Sources of Information.

3 Information relating to financial matters has been taken from the records of the Debtor and
4 interviews with the Debtor and discussions with one of Debtor’s prior counsel. Information of a legal
5 nature has been provided by the counsel of record. Debtor has maintained and provided accounting and
6 financial information.

7 Current Condition of Debtor.

8 Debtor is currently earning income from multiple sources, including wages, social security, and
9 net rental income from real properties. One of the debtor’s properties has failed to make rental payments
10 for over 23 months and owes debtor a large amount of back rent.

11 Stay Relief

12 The following is a list of the properties that a Motion for Relief from Stay has been filed:

13

14 Property Address	Lender	Stay relief
15 2914 E. 4 th Street, Tucson, AZ 85716	16 U.S. Bank National Association	Motion filed May 18, 2015 [DE.68]
17 2728 E. 5 th Street, Tucson, AZ 85718	18 The Bank of New York Mellon	Motion filed August 4, 2015 [DE.82]
19 4445 N. Pontatoc, Tucson, AZ 85718	20 FNBN I, LLC, Pennymac Loan Servicing	21 Motion filed September 22, 2015 [DE.89], Order signed October 19, 2015 [DE. 97]
24 630 N. Wilson Ave., Tucson, AZ 85719	Bayview Loan Servicing	25 Motion filed February 2, 2016 [DE.130], 26 Order signed March 8, 2016 [DE.158]

27

28

2726 E. 6 th Street, Tucson, AZ 85716	Seterus Inc.	Motion filed June 7, 2016 [DE.164], Order signed June 29, 2016 [DE.173]
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Debtor is not aware of any of the properties being foreclosed at this time.

The Accounting Process.

The accounting process is conducted using generally accepted accounting principals. Accounting information is furnished by the Debtor and is presented on a cash basis.

Inventory and Asset Description.

The Debtor's post-petition income is an asset of the estate. The Debtor's assets are listed in Schedules A and B of the petition, Debtor's exempt property is listed in Schedule C of the petition.

Future Management.

Management of Debtor's affairs will remain with Debtor.

The Anticipated Future of Debtors' Affairs.

It is the Debtor's intention, with lowered monthly expenses to utilize the improved cash flow in a prudent way to operate all of his properties and make payments to creditors.

Incidents which led to the filing of the Chapter 11.

See ARTICLE IV of this Disclosure Statement.

Disclaimer regarding the information given.

See ARTICLE III of this Disclosure Statement.

Amount of claims scheduled.

See ARTICLES VII AND VIII.

The estimated return to the creditors if liquidated.

See ARTICLE XIII.

A copy of the proposed plan.

See Exhibit "A" included herewith and filed as a separate document.

Existence, likelihood, and possible success of bankruptcy litigation, if any.

1 Debtor currently has a pending adversary proceeding with this Court Case No. 4:16-ap-
2 00242-SHG. A Motion to Determine Valuation of the Debtor's real properties is being prepared and
3 a hearing will be requested.

4 The collectability of any accounts receivable.

5 The adversary proceeding 4:16-ap-00242-SHG will allow the debtor to collect rent on the
6 3030 E. River Rd. property which the tenant has not paid in 23 months. Debtor has retained attorney
7 Scott Baker to remove the non-paying tenant from this property.

8 Pre-petition transfers.

9 The debtor transferred title from certain properties out of a LLC into debtor's personal name.

10 Relationship of the Debtor with affiliates.

11 None.

12 Administrative Claims.

13 These claims consist of the expenses of administration of the estate including attorney fees
14 for Debtor's counsel and any unpaid fees to the U.S. Trustee. The Debtor estimates these costs and
15 expenses may be in excess of \$25,000.00.

16 Tax Claims.

17 As reflected in the original schedules filed by the Debtor, Debtor estimated tax claims in the
18 amount of \$0.00. This does not include any amounts that may be due for ad valorem claims which are
19 secured against real property, if any. Required treatment of tax claims is addressed in §§507(a)(8) &
20 1129(a)(9). The Debtors intend to treat all relevant tax claims as required by applicable bankruptcy and
21 state law.

22 Secured Claims.

23 As reflected in the original schedules filed by the Debtors, Debtors estimated secured claims in
24 the amount of \$3,394,962.00.

25 Unsecured Claims.

26 As reflected in the original schedules filed by the Debtors, Debtors estimated unsecured claims
27 in the amount of \$33,628.00, which does not include any deficiency amounts for secured creditors.

28

1 Domestic Support Claims.

2 Debtor has no domestic support obligations.

3
4
5 **VII. FINANCIAL INFORMATION**

6 Debtor receives income from wages, social security, and net rental income from real property. For
7 additional information see Liquidation Analysis attached as **Exhibit “C”**. See Anticipated Income and
8 Expense as **Exhibit “D”**.

9
10
11 **VIII. SUMMARY OF THE PLAN OF REORGANIZATION**

12 *Classification and Treatment of Claims and Interests*

13 1. *Claim Amounts:* Because certain claims against the Debtors may be unknown or of
14 undetermined amounts, the amounts of claims specified in this Disclosure Statement reflect only the
15 Debtor’s best estimate at this time of the amount due. In addition, the amounts of the claims specified
16 in this Disclosure Statement do not include, for example, claims arising from the rejection of certain
17 executory contracts and other contingent or unliquidated claims arising against the debtor.

18 2. *Effective Date of the Plan:* The “Effective Date” of the Plan is important in determining
19 when performance of many of the Debtor’s obligations under the Plan is due. The Effective Date is
20 defined in the Plan as the first business day following the later of the following day;

21 (I) the date on which the Order confirming the Plan (the “Confirmation Order”) becomes
22 final and non-appealable with no appeal then pending; or

23 (ii) 60 days after the date of the Confirmation Order for unsecured claims; and

24 (iii) 30 days after the date of the Confirmation Order for secured claims.

25 3. *Classification:* The Plan divides claims against the Debtors, into multiple separate classes
26 that the Debtors assert are in accordance with the Bankruptcy Code. Unless otherwise expressly stated
27 in the Plan, distributions to holders of allowed claims are in full satisfaction of their allowed claims. All
28 claims against the Debtors arising prior to confirmation will be discharged by performance of the Plan

1 on the Effective Date to the extent that such claims are dischargeable under the Bankruptcy Code Section
2 1141(d).

3 The Plan provides for 24 classes of claims to be paid or administered in the following manner:

4 8.1 Class 1 - Administrative Claims

5 These claims are for the expenses of administration of the estate, including attorney fees for
6 Debtors' counsel in the approximate sum of \$25,000.00 and unpaid fees to the U.S. Trustee, if any.
7 Debtors believe, at the time that the Debtors' Chapter 11 Plan is confirmed, that there will be an
8 administrative expense claim in the approximate amount of \$25,000.00. The Plan provides for the
9 payment in cash, in full, of all allowed Administrative Claims on the later of the Effective Date or the
10 date upon which such Claims become Allowed Claims, or as otherwise ordered by the Bankruptcy Court
11 or agreed to by Claimant and Debtor. **(This class is not impaired.)**

12 8.2 Class 2 - Priority Claims of Governmental Units

13 A. Classification: Class 2 claims consists of all allowed claims of the United States
14 Internal Revenue Service ("IRS") and/or State of Arizona, Department of Revenue ("ADOR") and/or the
15 Arizona Department of Economic Security ("ADES"), City of Tucson or other government agency which
16 are entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code except ad valorem taxes.
17 Debtor believes there are no claims in this class.

18 B. Impairment: Class 2 is impaired.

19 C. Treatment: In the event there are determined to be allowed Class 2 claims, each
20 holder of a Class 2 allowed claim shall retain its claim, in accordance with Section 1129 of the
21 Bankruptcy Code. The claim shall bear simple interest at a fixed rate equal to that rate which would be
22 required to be paid as of the Effective Date under Section 6621 and/or 6622 of the Internal Revenue Code,
23 or such other interest rate as the Bankruptcy Court determines is sufficient to confer upon the tax note
24 a value as of the Effective Date equal to the principal amount of such claim. The allowed claim shall be
25 payable in equal monthly installments of principal, along with accrued interest, in deferred cash payments
26 over a period not to exceed five years from the date of petition. The first payment shall commence on the
27 first day of the month immediately following the month of the Effective Date. The claim is subject to
28 prepayment at any time without penalty or premium and shall have such other terms as are required by

1 law. In the event the Debtor defaults on any payment due as required under the confirmed plan, and in
2 the event the Debtor fails to cure said default within thirty days after written notice of the default is
3 mailed to the Debtor and the Debtor's attorney, the entire imposed liability together with any unpaid
4 current liabilities, shall become due and payable immediately unless amended by the Court. The
5 governmental unit may collect unpaid liabilities that become due as a result of the default through the
6 administrative collection provisions or the judicial remedies. The governmental unit shall not be required
7 to seek a modification from the automatic stay to collect any tax liabilities that were not discharged by
8 the confirmation of the plan and from property that has reverted with the Debtor.

9 8.3 Class 3 - Secured Ad Valorem Real Property Tax Claims

10 A. Classification: Class 3 shall consist of pre-petition allowed Ad Valorem Real
11 Property Tax Claims which are secured by liens on real property. Debtor believes there are no claims in
12 this class.

13 B. Impairment: Class 3 is impaired.

14 C. Treatment: In the event there are determined to be allowed Class 3 claims, each
15 holder of a Class 3 allowed claim shall retain its lien having an aggregate principal amount sufficient to
16 satisfy, in accordance with Section 1129 of the Bankruptcy Code, the allowed claim. Such claim shall
17 bear simple interest at a statutory rate of 16% per annum required to be paid as of the Effective Date, or
18 such other interest rate as the Bankruptcy Court determines is sufficient to confer upon the tax claim a
19 value as of the Effective Date equal to the principal amount of such claim charged by the taxing authority,
20 or the statutory rate of interest. Payments shall be made in equal monthly installments of principal, along
21 with accrued interest, in deferred cash payments over a period not to exceed five years from date of
22 petition. The claim is subject to prepayment at any time without penalty or premium and shall have such
23 other terms as are required by law.

24 8.4 Class 4 - Secured Claim of U.S. Bank National Association as Trustee for Lehman ABS
25 Corporation Mortgage Pass-Through Certificates Series 2003-1 ("U.S. Bank")

26 A. Classification: Class 4 consists of the secured claim of U.S. Bank to the extent of
27 the value of the secured creditor's interest in the Debtor's interest in the real property known as 4416
28

1 North Camino Real, Tucson, AZ 85718 (“the Property”),the Debtor’s principal residence. This claim is
2 evidenced by a promissory note and deed of trust. U.S. Bank has filed a claim in the amount of
3 \$499,817.71.

4 B. Impairment: Class 4 is impaired.

5 C. Treatment: Debtor will continue to pay pursuant to the existing mortgage contract.
6 Tax and insurance escrows, if any, will continue to be paid pursuant to the terms of the Note and Deed
7 of Trust. Pre-petition arrears, if any, will be paid in sixty (60) equal monthly installments beginning 30
8 days after the Effective Date of the Plan. Post-petition arrears will be paid on the Effective Date of the
9 Plan.

10 8.5 Class 5 - Second Lien Claim of Ocwen Loan Servicing (“Ocwen”)

11 A. Classification: Class 5 consists of the second lien claim of Ocwen to the extent of
12 the value of the secured creditor’s interest in the Debtors’ interest in the real property known as 4416
13 North Camino Real, Tucson, AZ 85718 (“the Property”),the Debtor’s principal residence. This claim is
14 evidenced by a promissory note and deed of trust. Debtor estimates this claim in the amount of
15 \$45,348.00. Debtor believes this claim is wholly unsecured.

16 B. Impairment: Class 5 is impaired.

17 C. Treatment: The Class 5 claimant, which holds a second position lien on the real
18 property, is believed to be wholly unsecured. The Class 5 claimant shall release its lien upon discharge.
19 Any deficiency amount shall be treated as a Class 24 unsecured claim and paid on a pro-rata basis from
20 Debtor’s disposable income.

21 8.6 Class 6 - Third Lien Claim of John Whitthorne and Sharon Ann Whitthorne, Co-Trustee of
22 the Whitthorne Revocable Trust Dated Jun 19, 1989 (“Whitthorne”)

23 A. Classification: Class 6 consists of the third lien claim of Whitthorne to the extent
24 of the value of the secured creditor’s interest in the Debtors’ interest in the real property known as 4416
25 North Camino Real, Tucson, AZ 85718 (“the Property”),the Debtor’s principal residence. This claim is
26 evidenced by a promissory note and deed of trust. Debtor estimates this claim in the amount of
27 \$60,686.00. Debtor believes this claim is wholly unsecured.

28

1 B. Impairment: Class 6 is impaired.

2 C. Treatment: The Class 6 claimant, which holds a third position lien on the real
3 property, is believed to be wholly unsecured. The Class 6 claimant shall release its lien upon discharge.
4 Any deficiency amount shall be treated as a Class 24 unsecured claim and paid on a pro-rata basis from
5 Debtor's disposable income.

6 8.7 Class 7 - Secured Claim of The Bank of New York Mellon, successor trustee to JPMorgan
7 Chase Bank, National Association, as Trustee f/b/o holders of Structured Asset Mortgage Investments
8 II Inc., Bear Stearns ALT-A Trust 2005-10, Mortgage Pass-Through Certificates, Series 2005-10 ("Bank
9 of NY")

10 A. Classification: Class 7 consists of the allowed secured claim of Bank of NY to the
11 extent of the value of the secured creditor's interest in the Debtor's interest in the property known as 2728
12 E. 5th St., Tucson, AZ 85716 ("the Property"). This claim is evidenced by a promissory note and deed of
13 trust. Bank of NY has filed a claim in the amount of \$238,548.72. Debtor believes this claim is not fully
14 secured.

15 B. Impairment: Class 7 is impaired.

16 C. Treatment: Debtor has not recently had the property appraised, but believes the
17 current value of the property is \$175,000.00.

18 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH BANK OF
19 NY AS TO ITS TREATMENT, THE TERMS AND CONDITIONS THEREIN WILL SUPERCEDE
20 THE TREATMENT SET FORTH HEREIN. Under § 506 of the Bankruptcy Code, a secured creditor has
21 a secured claim to the extent of the creditor's interest in the Debtor's interest in the collateral and an
22 unsecured claim for the balance, if any, unless the creditor makes a 1111(b) election, and, if eligible,
23 elects to have its claim treated as fully secured. The allowed amount of the creditor's secured claim will
24 be the lesser of value of the creditor's interest in the Debtor's interest in the property as determined under
25 § 506, or the allowed amount of the creditor's claim. Debtor has not recently had the property appraised,
26 but believes the current value of the property is \$175,000.00. The Debtor proposes to limit the Class 7
27 creditor's secured claim to \$175,000.00 and to treat the balance of its claim, if any, as an unsecured
28

1 deficiency claim and treat and pay it as a Class 24 unsecured creditor.

2 The allowed claim of the Class 7 creditor shall be paid, assuming no 1111(b) election is made by
3 creditor, and secured by the first lien mortgage evidenced by a promissory note and deed of trust,
4 modified as follows:

5 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan at
6 the rate of 4.0 % per annum fixed, or the rate on the existing note, whichever is less. The Class 7 creditor
7 is not entitled to interest on its allowed secured claim from the Petition date to the Confirmation Date as
8 the current market value of the real property is less than the amount of Bank of NY's claim.

9 2. The note shall be payable in equal monthly installments of principal and interest
10 amortized over thirty (30) years. The first monthly installment shall be due thirty (30) days after the
11 Effective Date of the Plan and subsequent monthly installments shall be due on the same day of each
12 subsequent month. On the thirtieth anniversary of the Effective Date of the Plan the outstanding principal
13 balance of the note and all accrued and unpaid interest thereon shall be due and payable in full. The final
14 payment shall be made either from proceeds of the sale or refinancing of the property or contributions of
15 the owners of the property at the time the final payment is due. Unless modified herein tax and insurance
16 escrows, if any, will continue to be paid pursuant to the terms of the Note and Deed of Trust.

17 3. The note of the Class 7 creditor shall continue to be secured by its first position deed
18 of trust on the property but the note and any obligation due the Class 7 creditor, which is secured by the
19 above deed of trust, shall be non-recourse to the Debtor. Any security for payment of the allowed claim
20 which Bank of NY had at the petition date other than the deed of trust above described which encumbers
21 the property Bank of NY shall retain post-confirmation.

22 4. The Debtor and the Class 7 creditor shall agree to execute such modifications to
23 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
24 treatment for this creditor.

25 5. Any difference between current market value and obligation due lender shall be treated
26 as a Class 24 unsecured claim and will be paid on a *pro-rata* basis from Debtors' disposable income.

27

28

1 8.8 Class 8 - Second Lien Claim of Chase (“Chase”)

2 A. Classification: Class 8 consists of the second lien claim of Chase to the extent of
3 the value of the secured creditor’s interest in the Debtor’s interest in the property known as 2728 E. 5th
4 St., Tucson, AZ 85716 (“the Property”). This claim is evidenced by a promissory note and deed of trust.
5 Debtor estimates this claim in the amount of \$42,508.00. Debtor believes this claim is wholly unsecured.

6 B. Impairment: Class 8 is impaired.

7 C. Treatment: The Class 8 claimant, which holds a second position lien on the real
8 property, is believed to be wholly unsecured. The Class 8 claimant shall release its lien upon discharge.
9 Any deficiency amount shall be treated as a Class 24 unsecured claim and paid on a pro-rata basis from
10 Debtor’s disposable income.

11 8.9 Class 9 - Secured Claim of Ocwen Loan Servicing (“Ocwen”)

12 A. Classification: Class 9 consists of the allowed secured claim of Ocwen to the extent
13 of the value of the secured creditor’s interest in the Debtor’s interest in the property known as 2927 E.
14 4th St., Tucson, AZ 85716 (“the Property”). This claim is evidenced by a promissory note and deed of
15 trust. Debtor estimates this claim in the amount of \$347,993.00. Debtor believes this claim is not fully
16 secured.

17 B. Impairment: Class 9 is impaired.

18 C. Treatment: Debtor has not recently had the property appraised, but believes the
19 current value of the property is \$200,000.00.

20 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH OCWEN AS
21 TO ITS TREATMENT, THE TERMS AND CONDITIONS THEREIN WILL SUPERCEDE THE
22 TREATMENT SET FORTH HEREIN. Under § 506 of the Bankruptcy Code, a secured creditor has a
23 secured claim to the extent of the creditor’s interest in the Debtor’s interest in the collateral and an
24 unsecured claim for the balance, if any, unless the creditor makes a 1111(b) election, and, if eligible,
25 elects to have its claim treated as fully secured. The allowed amount of the creditor’s secured claim will
26 be the lesser of value of the creditor’s interest in the Debtor’s interest in the property as determined under
27 § 506, or the allowed amount of the creditor’s claim. Debtor has not recently had the property appraised,
28

1 but believes the current value of the property is \$200,000.00. The Debtor proposes to limit the Class 9
2 creditor's secured claim to \$200,000.00 and to treat the balance of its claim, if any, as an unsecured
3 deficiency claim and treat and pay it as a Class 24 unsecured creditor.

4 The allowed claim of the Class 9 creditor shall be paid, assuming no 1111(b) election is made by
5 creditor, and secured by the first lien mortgage evidenced by a promissory note and deed of trust,
6 modified as follows:

7 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan at
8 the rate of 4.0 % per annum fixed, or the rate on the existing note, whichever is less. The Class 9 creditor
9 is not entitled to interest on its allowed secured claim from the Petition date to the Confirmation Date as
10 the current market value of the real property is less than the amount of Ocwen's claim.

11 2. The note shall be payable in equal monthly installments of principal and interest amortized
12 over thirty (30) years. The first monthly installment shall be due thirty (30) days after the Effective Date
13 of the Plan and subsequent monthly installments shall be due on the same day of each subsequent month.
14 On the thirtieth anniversary of the Effective Date of the Plan the outstanding principal balance of the note
15 and all accrued and unpaid interest thereon shall be due and payable in full. The final payment shall be
16 made either from proceeds of the sale or refinancing of the property or contributions of the owners of the
17 property at the time the final payment is due. Unless modified herein tax and insurance escrows, if any,
18 will continue to be paid pursuant to the terms of the Note and Deed of Trust.

19 3. The note of the Class 9 creditor shall continue to be secured by its first position deed
20 of trust on the property but the note and any obligation due the Class 9 creditor, which is secured by the
21 above deed of trust, shall be non-recourse to the Debtor. Any security for payment of the allowed claim
22 which Ocwen had at the petition date other than the deed of trust above described which encumbers the
23 property Ocwen shall retain post-confirmation.

24 4. The Debtor and the Class 9 creditor shall agree to execute such modifications to
25 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
26 treatment for this creditor.

27 5. Any difference between current market value and obligation due lender shall be treated
28

1 as a Class 24 unsecured claim and will be paid on a *pro-rata* basis from Debtors' disposable income.

2 8.10 Class 10 - Secured Claim of Chase Bank ("Chase")

3 A. Classification: Class 10 consists of the allowed secured claim of Chase to the
4 extent of the value of the secured creditor's interest in the Debtor's interest in the property known as 2749
5 E. 5th St., Tucson, AZ 85716 ("the Property"). This claim is evidenced by a promissory note and deed of
6 trust. Debtor estimates this claim in the amount of \$211,801.00. Debtor believes this claim is not fully
7 secured.

8 B. Impairment: Class 10 is impaired.

9 C. Treatment: Debtor has not recently had the property appraised, but believes the
10 current value of the property is \$175,000.00.

11 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH CHASE AS
12 TO ITS TREATMENT, THE TERMS AND CONDITIONS THEREIN WILL SUPERCEDE THE
13 TREATMENT SET FORTH HEREIN. Under § 506 of the Bankruptcy Code, a secured creditor has a
14 secured claim to the extent of the creditor's interest in the Debtor's interest in the collateral and an
15 unsecured claim for the balance, if any, unless the creditor makes a 1111(b) election, and, if eligible,
16 elects to have its claim treated as fully secured. The allowed amount of the creditor's secured claim will
17 be the lesser of value of the creditor's interest in the Debtor's interest in the property as determined under
18 § 506, or the allowed amount of the creditor's claim. Debtor has not recently had the property appraised,
19 but believes the current value of the property is \$175,000.00. The Debtor proposes to limit the Class 10
20 creditor's secured claim to \$175,000.00 and to treat the balance of its claim, if any, as an unsecured
21 deficiency claim and treat and pay it as a Class 24 unsecured creditor.

22 The allowed claim of the Class 10 creditor shall be paid, assuming no 1111(b) election is made
23 by creditor, and secured by the first lien mortgage evidenced by a promissory note and deed of trust,
24 modified as follows:

25 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan at
26 the rate of 4.0 % per annum fixed, or the rate on the existing note, whichever is less. The Class 10
27 creditor is not entitled to interest on its allowed secured claim from the Petition date to the Confirmation
28

1 Date as the current market value of the real property is less than the amount of Chase's claim.

2 2. The note shall be payable in equal monthly installments of principal and interest
3 amortized over thirty (30) years. The first monthly installment shall be due thirty (30) days after the
4 Effective Date of the Plan and subsequent monthly installments shall be due on the same day of each
5 subsequent month. On the thirtieth anniversary of the Effective Date of the Plan the outstanding principal
6 balance of the note and all accrued and unpaid interest thereon shall be due and payable in full. The final
7 payment shall be made either from proceeds of the sale or refinancing of the property or contributions of
8 the owners of the property at the time the final payment is due. Unless modified herein tax and insurance
9 escrows, if any, will continue to be paid pursuant to the terms of the Note and Deed of Trust.

10 3. The note of the Class 10 creditor shall continue to be secured by its first position deed
11 of trust on the property but the note and any obligation due the Class 10 creditor, which is secured by the
12 above deed of trust, shall be non-recourse to the Debtor. Any security for payment of the allowed claim
13 which Chase had at the petition date other than the deed of trust above described which encumbers the
14 property Chase shall retain post-confirmation.

15 4. The Debtor and the Class 10 creditor shall agree to execute such modifications to
16 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
17 treatment for this creditor.

18 5. Any difference between current market value and obligation due lender shall be treated
19 as a Class 24 unsecured claim and will be paid on a *pro-rata* basis from Debtors' disposable income.

20 8.11 Class 11 - Secured Claim of Bank of America, N.A. (" B of A ")

21 A. Classification: Class 11 consists of the allowed secured claim of B of A to the
22 extent of the value of the secured creditor's interest in the Debtor's interest in the property known as 3030
23 E. River Rd., Tucson, AZ 85718 ("the Property"). This claim is evidenced by a promissory note and deed
24 of trust. B of A has filed a claim in the amount of \$336,801.70.

25 B. Impairment: Class 11 is impaired.

26 C. Treatment: IN THE EVENT THE DEBTOR IS ABLE TO REACH A
27 STIPULATION WITH B of A AS TO ITS TREATMENT, THE TERMS AND CONDITIONS

28

1 THEREIN WILL SUPERCEDE THE TREATMENT SET FORTH HEREIN.

2 The allowed claim of the Class 10 creditor shall be paid and secured by the first lien mortgage
3 evidenced by a promissory note and deed of trust, modified as follows:

4 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan at
5 the rate of 4.0 % per annum fixed, or the rate on the existing note, whichever is less.

6 2. The note shall be payable in equal monthly installments of principal and interest amortized
7 over thirty (30) years. The first monthly installment shall be due thirty (30) days after the Effective Date
8 of the Plan and subsequent monthly installments shall be due on the same day of each subsequent month.
9 On the thirtieth anniversary of the Effective Date of the Plan the outstanding principal balance of the note
10 and all accrued and unpaid interest thereon shall be due and payable in full. The final payment shall be
11 made either from proceeds of the sale or refinancing of the property or contributions of the owners of the
12 property at the time the final payment is due. Unless modified herein tax and insurance escrows, if any,
13 will continue to be paid pursuant to the terms of the Note and Deed of Trust.

14 3. The note of the Class 10 creditor shall continue to be secured by its first position deed
15 of trust on the property but the note and any obligation due the Class 10 creditor, which is secured by the
16 above deed of trust, shall be non-recourse to the Debtor. Any security for payment of the allowed claim
17 which B of A had at the petition date other than the deed of trust above described which encumbers the
18 property B of A shall retain post-confirmation.

19 4. The Debtor and the Class 11 creditor shall agree to execute such modifications to
20 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
21 treatment for this creditor.

22 8.12 Class 12 - Second Lien Claim of Bank of America (“ B of A”)

23 A. Classification: Class 12 consists of the second lien claim of B of A to the extent
24 of the value of the secured creditor’s interest in the Debtor’s interest in the property known as 3030 E.
25 River Rd., Tucson, AZ 85718 (“the Property”). This claim is evidenced by a promissory note and deed
26 of trust. Debtor estimates this claim in the amount of \$94,803.00. Debtor believes this claim is wholly
27 unsecured.

28

1 B. Impairment: Class 12 is impaired.

2 C. Treatment: The Class 12 claimant, which holds a second position lien on the real
3 property, is believed to be wholly unsecured. The Class 12 claimant shall release its lien upon discharge.
4 Any deficiency amount shall be treated as a Class 24 unsecured claim and paid on a pro-rata basis from
5 Debtor's disposable income.

6 8.13 Class 13 - Third Lien Claim of First Tennessee Bank National Association Successor
7 Through Merger with First Horizon Home Loan Corporation (" First Tennessee")

8 A. Classification: Class 13 consists of the third lien claim of First Tennessee to the
9 extent of the value of the secured creditor's interest in the Debtor's interest in the property known as 3030
10 E. River Rd., Tucson, AZ 85718 ("the Property"). This claim is evidenced by a promissory note and deed
11 of trust. First Tennessee has filed a claim in the amount of \$29,363.79. Debtor believes this claim is
12 wholly unsecured.

13 B. Impairment: Class 13 is impaired.

14 C. Treatment: The Class 13 claimant, which holds a third position lien on the real
15 property, is believed to be wholly unsecured. The Class 13 claimant shall release its lien upon discharge.
16 Any deficiency amount shall be treated as a Class 24 unsecured claim and paid on a pro-rata basis from
17 Debtor's disposable income.

18 8.14 Class 14 - Fourth Lien Claim of John Whitthorne and Sharon Ann Whitthorne, Co-Trustee
19 of the Whitthorne Revocable Trust Dated Jun 19, 1989 ("Whitthorne")

20 A. Classification: Class 14 consists of the fourth lien claim of Whitthorne to the extent
21 of the value of the secured creditor's interest in the Debtor's interest in the property known as 3030 E.
22 River Rd., Tucson, AZ 85718 ("the Property"). This claim is evidenced by a promissory note and deed
23 of trust. Debtor estimates this claim in the amount of \$175,000.00. Debtor believes this claim is wholly
24 unsecured.

25 B. Impairment: Class 14 is impaired.

26 C. Treatment: The Class 14 claimant, which holds a fourth position lien on the real
27 property, is believed to be wholly unsecured. The Class 14 claimant shall release its lien upon discharge.

28

1 Any deficiency amount shall be treated as a Class 24 unsecured claim and paid on a pro-rata basis from
2 Debtor's disposable income.

3 8.15 Class 15 - Secured Claim of U.S. Bank, National Association, as Trustee for CMLTI 2007-6
4 (" U.S. Bank")

5 A. Classification: Class 15 consists of the allowed secured claim of U.S. Bank to the
6 extent of the value of the secured creditor's interest in the Debtor's interest in the property known as 2914
7 E. 4th St., Tucson, AZ 85716 ("the Property"). This claim is evidenced by a promissory note and deed of
8 trust. Debtor estimates this claim in the amount of \$407,339.72. Debtor believes this claim is not fully
9 secured.

10 B. Impairment: Class 15 is impaired.

11 C. Treatment: Debtor has not recently had the property appraised, but believes the
12 current value of the property is \$300,000.00.

13 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH U.S. BANK
14 AS TO ITS TREATMENT, THE TERMS AND CONDITIONS THEREIN WILL SUPERCEDE THE
15 TREATMENT SET FORTH HEREIN. Under § 506 of the Bankruptcy Code, a secured creditor has a
16 secured claim to the extent of the creditor's interest in the Debtor's interest in the collateral and an
17 unsecured claim for the balance, if any, unless the creditor makes a 1111(b) election, and, if eligible,
18 elects to have its claim treated as fully secured. The allowed amount of the creditor's secured claim will
19 be the lesser of value of the creditor's interest in the Debtor's interest in the property as determined under
20 § 506, or the allowed amount of the creditor's claim. Debtor has not recently had the property appraised,
21 but believes the current value of the property is \$300,000.00. The Debtor proposes to limit the Class 15
22 creditor's secured claim to \$300,000.00 and to treat the balance of its claim, if any, as an unsecured
23 deficiency claim and treat and pay it as a Class 24 unsecured creditor.

24 The allowed claim of the Class 15 creditor shall be paid, assuming no 1111(b) election is made
25 by creditor, and secured by the first lien mortgage evidenced by a promissory note and deed of trust,
26 modified as follows:

27 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan at
28

1 the rate of 4.0 % per annum fixed, or the rate on the existing note, whichever is less. The Class 15
2 creditor is not entitled to interest on its allowed secured claim from the Petition date to the Confirmation
3 Date as the current market value of the real property is less than the amount of U.S. Bank's claim.

4 2. The note shall be payable in equal monthly installments of principal and
5 interest amortized over thirty (30) years. The first monthly installment shall be due thirty (30) days after
6 the Effective Date of the Plan and subsequent monthly installments shall be due on the same day of each
7 subsequent month. On the thirtieth anniversary of the Effective Date of the Plan the outstanding principal
8 balance of the note and all accrued and unpaid interest thereon shall be due and payable in full. The final
9 payment shall be made either from proceeds of the sale or refinancing of the property or contributions of
10 the owners of the property at the time the final payment is due. Unless modified herein tax and insurance
11 escrows, if any, will continue to be paid pursuant to the terms of the Note and Deed of Trust.

12 3. The note of the Class 15 creditor shall continue to be secured by its first position deed
13 of trust on the property but the note and any obligation due the Class 15 creditor, which is secured by the
14 above deed of trust, shall be non-recourse to the Debtor. Any security for payment of the allowed claim
15 which U.S. Bank had at the petition date other than the deed of trust above described which encumbers
16 the property U.S. Bank shall retain post-confirmation.

17 4. The Debtor and the Class 15 creditor shall agree to execute such modifications to
18 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
19 treatment for this creditor.

20 5. Any difference between current market value and obligation due lender shall be treated
21 as a Class 24 unsecured claim and will be paid on a *pro-rata* basis from Debtors' disposable income.

22 8.16 Class 16 - Second Lien Claim of John Whitthorne and Sharon Ann Whitthorne, Co-Trustee
23 of the Whitthorne Revocable Trust Dated Jun 19, 1989 ("Whitthorne")

24 A. Classification: Class 16 consists of the second lien claim of Whitthorne to the
25 extent of the value of the secured creditor's interest in the Debtor's interest in the property known as 2914
26 E. 4th St., Tucson, AZ 85716 ("the Property"). This claim is evidenced by a promissory note and deed of
27 trust. Debtor estimates this claim in the amount of \$70,000.00. Debtor believes this claim is wholly
28

1 unsecured.

2 B. Impairment: Class 16 is impaired.

3 C. Treatment: The Class 16 claimant, which holds a second position lien on the real
4 property, is believed to be wholly unsecured. The Class 16 claimant shall release its lien upon discharge.
5 Any deficiency amount shall be treated as a Class 24 unsecured claim and paid on a pro-rata basis from
6 Debtor's disposable income.

7 8.17 Class 17 - Secured Claim of FNBN I, LLC, by Pennymac Loan Services, LLC, Its Servicing
8 Agent (" Pennymac")

9 A. Classification: Class 17 consists of the allowed secured claim of Pennymac to the
10 extent of the value of the secured creditor's interest in the Debtor's interest in the property known as 4445
11 N. Pontatoc, Tucson, AZ 85718 ("the Property"). This claim is evidenced by a promissory note and deed
12 of trust. Pennymac has filed a claim in the amount of \$428,030.63. Debtor believes this claim is not fully
13 secured.

14 B. Impairment: Class 17 is impaired.

15 C. Treatment: Debtor has not recently had the property appraised, but believes the
16 current value of the property is \$275,000.00.

17 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH PENNYMAC
18 AS TO ITS TREATMENT, THE TERMS AND CONDITIONS THEREIN WILL SUPERCEDE THE
19 TREATMENT SET FORTH HEREIN. Under § 506 of the Bankruptcy Code, a secured creditor has a
20 secured claim to the extent of the creditor's interest in the Debtor's interest in the collateral and an
21 unsecured claim for the balance, if any, unless the creditor makes a 1111(b) election, and, if eligible,
22 elects to have its claim treated as fully secured. The allowed amount of the creditor's secured claim will
23 be the lesser of value of the creditor's interest in the Debtor's interest in the property as determined under
24 § 506, or the allowed amount of the creditor's claim. Debtor has not recently had the property appraised,
25 but believes the current value of the property is \$275,000.00. The Debtor proposes to limit the Class 17
26 creditor's secured claim to \$275,000.00 and to treat the balance of its claim, if any, as an unsecured
27 deficiency claim and treat and pay it as a Class 24 unsecured creditor.

28

1 The allowed claim of the Class 17 creditor shall be paid, assuming no 1111(b) election is made
2 by creditor, and secured by the first lien mortgage evidenced by a promissory note and deed of trust,
3 modified as follows:

4 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan at
5 the rate of 4.0 % per annum fixed, or the rate on the existing note, whichever is less. The Class 17
6 creditor is not entitled to interest on its allowed secured claim from the Petition date to the Confirmation
7 Date as the current market value of the real property is less than the amount of Pennymac's claim.

8 2. The note shall be payable in equal monthly installments of principal and
9 interest amortized over thirty (30) years. The first monthly installment shall be due thirty (30) days after
10 the Effective Date of the Plan and subsequent monthly installments shall be due on the same day of each
11 subsequent month. On the thirtieth anniversary of the Effective Date of the Plan the outstanding principal
12 balance of the note and all accrued and unpaid interest thereon shall be due and payable in full. The final
13 payment shall be made either from proceeds of the sale or refinancing of the property or contributions of
14 the owners of the property at the time the final payment is due. Unless modified herein tax and insurance
15 escrows, if any, will continue to be paid pursuant to the terms of the Note and Deed of Trust.

16 3. The note of the Class 17 creditor shall continue to be secured by its first position deed
17 of trust on the property but the note and any obligation due the Class 17 creditor, which is secured by the
18 above deed of trust, shall be non-recourse to the Debtor. Any security for payment of the allowed claim
19 which Pennymac had at the petition date other than the deed of trust above described which encumbers
20 the property Pennymac shall retain post-confirmation.

21 4. The Debtor and the Class 17 creditor shall agree to execute such modifications to
22 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
23 treatment for this creditor.

24 5. Any difference between current market value and obligation due lender shall be treated
25 as a Class 24 unsecured claim and will be paid on a *pro-rata* basis from Debtors' disposable income.

26 8.18 Class 18 - Second Lien Claim of The Bank of New York Mellon Trust Company, N.A., as
27 Trustee for GMACM Home Equity Loan Trust 2007-HE2 ("Bank of NY")

28

1 A. Classification: Class 18 consists of the second lien claim of Bank of NY to the
2 extent of the value of the secured creditor's interest in the Debtor's interest in the property known as 4445
3 N. Pontatoc, Tucson, AZ 85718 ("the Property"). This claim is evidenced by a promissory note and deed
4 of trust. Bank of NY has filed a claim in the amount of \$84,755.15. Debtor believes this claim is wholly
5 unsecured.

6 B. Impairment: Class 18 is impaired.

7 C. Treatment: The Class 18 claimant, which holds a second position lien on the real
8 property, is believed to be wholly unsecured. The Class 18 claimant shall release its lien upon discharge.
9 Any deficiency amount shall be treated as a Class 24 unsecured claim and paid on a pro-rata basis from
10 Debtor's disposable income.

11 8.19 Class 19 - Third Lien Claim of John Whitthorne and Sharon Ann Whitthorne, Co-Trustee
12 of the Whitthorne Revocable Trust Dated Jun 19, 1989 ("Whitthorne")

13 A. Classification: Class 19 consists of the third lien claim of Whitthorne to the extent
14 of the value of the secured creditor's interest in the Debtor's interest in the property known as 4445 N.
15 Pontatoc, Tucson, AZ 85718 ("the Property"). This claim is evidenced by a promissory note and deed of
16 trust. Debtor estimates this claim in the amount of \$50,000.00. Debtor believes this claim is wholly
17 unsecured.

18 B. Impairment: Class 19 is impaired.

19 C. Treatment: The Class 19 claimant, which holds a third position lien on the real
20 property, is believed to be wholly unsecured. The Class 19 claimant shall release its lien upon discharge.
21 Any deficiency amount shall be treated as a Class 24 unsecured claim and paid on a pro-rata basis from
22 Debtor's disposable income.

23 8.20 Class 20 - Secured Claim of Flagstar Bank, FSB ("Flagstar ")

24 A. Classification: Class 20 consists of the allowed secured claim of Flagstar to the
25 extent of the value of the secured creditor's interest in the Debtor's interest in the property known as 630
26 North Wilson Ave., Tucson, AZ 85719 ("the Property"). This claim is evidenced by a promissory note
27 and deed of trust. Flagstar has filed a claim in the amount of \$414,339.04. Debtor believes this claim is
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1 not fully secured.

2 B. Impairment: Class 20 is impaired.

3 C. Treatment: Debtor has not recently had the property appraised, but believes the
4 current value of the property is \$300,000.00.

5 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH FLAGSTAR
6 AS TO ITS TREATMENT, THE TERMS AND CONDITIONS THEREIN WILL SUPERCEDE THE
7 TREATMENT SET FORTH HEREIN. Under § 506 of the Bankruptcy Code, a secured creditor has a
8 secured claim to the extent of the creditor's interest in the Debtor's interest in the collateral and an
9 unsecured claim for the balance, if any, unless the creditor makes a 1111(b) election, and, if eligible,
10 elects to have its claim treated as fully secured. The allowed amount of the creditor's secured claim will
11 be the lesser of value of the creditor's interest in the Debtor's interest in the property as determined under
12 § 506, or the allowed amount of the creditor's claim. Debtor has not recently had the property appraised,
13 but believes the current value of the property is \$300,000.00. The Debtor proposes to limit the Class 20
14 creditor's secured claim to \$300,000.00 and to treat the balance of its claim, if any, as an unsecured
15 deficiency claim and treat and pay it as a Class 24 unsecured creditor.

16 The allowed claim of the Class 20 creditor shall be paid, assuming no 1111(b) election is made
17 by creditor, and secured by the first lien mortgage evidenced by a promissory note and deed of trust,
18 modified as follows:

19 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan at
20 the rate of 4.0 % per annum fixed, or the rate on the existing note, whichever is less. The Class 20
21 creditor is not entitled to interest on its allowed secured claim from the Petition date to the Confirmation
22 Date as the current market value of the real property is less than the amount of Flagstar's claim.

23 2. The note shall be payable in equal monthly installments of principal and interest
24 amortized over thirty (30) years. The first monthly installment shall be due thirty (30) days after the
25 Effective Date of the Plan and subsequent monthly installments shall be due on the same day of each
26 subsequent month. On the thirtieth anniversary of the Effective Date of the Plan the outstanding principal
27 balance of the note and all accrued and unpaid interest thereon shall be due and payable in full. The final
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1 payment shall be made either from proceeds of the sale or refinancing of the property or contributions of
2 the owners of the property at the time the final payment is due. Unless modified herein tax and insurance
3 escrows, if any, will continue to be paid pursuant to the terms of the Note and Deed of Trust.

4 3. The note of the Class 20 creditor shall continue to be secured by its first position deed
5 of trust on the property but the note and any obligation due the Class 20 creditor, which is secured by the
6 above deed of trust, shall be non-recourse to the Debtor. Any security for payment of the allowed claim
7 which Flagstar had at the petition date other than the deed of trust above described which encumbers the
8 property Flagstar shall retain post-confirmation.

9 4. The Debtor and the Class 20 creditor shall agree to execute such modifications to
10 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
11 treatment for this creditor.

12 5. Any difference between current market value and obligation due lender shall be treated
13 as a Class 24 unsecured claim and will be paid on a *pro-rata* basis from Debtors' disposable income.

14 8.21 Class 21 - Secured Claim of Seterus, Inc. as the authorized subservicer for Federal National
15 Mortgage Association (" Seterus ")

16 A. Classification: Class 21 consists of the allowed secured claim of Seterus to the
17 extent of the value of the secured creditor's interest in the Debtor's interest in the property known as 2726
18 E. 6th St., Tucson, AZ 85716 ("the Property"). This claim is evidenced by a promissory note and deed of
19 trust. Seterus has filed a claim in the amount of \$185,564.28. Debtor believes this claim is not fully
20 secured.

21 B. Impairment: Class 21 is impaired.

22 C. Treatment: IN THE EVENT THE DEBTOR IS ABLE TO REACH A
23 STIPULATION WITH SETERUS AS TO ITS TREATMENT, THE TERMS AND CONDITIONS
24 THEREIN WILL SUPERCEDE THE TREATMENT SET FORTH HEREIN.

25 The allowed claim of the Class 21 creditor shall be paid and secured by the first lien mortgage
26 evidenced by a promissory note and deed of trust, modified as follows:

27 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan at
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1 the rate of 4.0 % per annum fixed, or the rate on the existing note, whichever is less.

2 2. The note shall be payable in equal monthly installments of principal and interest
3 amortized over thirty (30) years. The first monthly installment shall be due thirty (30) days after the
4 Effective Date of the Plan and subsequent monthly installments shall be due on the same day of each
5 subsequent month. On the thirtieth anniversary of the Effective Date of the Plan the outstanding principal
6 balance of the note and all accrued and unpaid interest thereon shall be due and payable in full. The final
7 payment shall be made either from proceeds of the sale or refinancing of the property or contributions of
8 the owners of the property at the time the final payment is due. Unless modified herein tax and insurance
9 escrows, if any, will continue to be paid pursuant to the terms of the Note and Deed of Trust.

10 3. The note of the Class 21 creditor shall continue to be secured by its first position deed
11 of trust on the property but the note and any obligation due the Class 21 creditor, which is secured by the
12 above deed of trust, shall be non-recourse to the Debtor. Any security for payment of the allowed claim
13 which Seterus had at the petition date other than the deed of trust above described which encumbers the
14 property Seterus shall retain post-confirmation.

15 4. The Debtor and the Class 21 creditor shall agree to execute such modifications to
16 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
17 treatment for this creditor.

18 8.22 Class 22 - Unsecured Deficiency Claims and Unsecured Claims.

19 A. Classification: Class 22 consists of all unsecured deficiency claims and unsecured
20 claims against the debtor. Debtor estimated unsecured claims in the amount of \$33,628.00, which does
21 not include any deficiency amounts for secured creditors.

22 B. Impairment: Class 22 is impaired.

23 C. Treatment: All allowed and approved claims under this Class shall be paid the sum
24 of \$1,050.00 on a quarterly basis, *pro rata*, from Debtors' disposable income, to be paid on the last day
25 of each quarter, beginning with the quarter ending after the Effective Date and anticipated to be December
26 31, 2016, and continuing each quarter thereafter for five years. Any liens held by the Class 22 creditors
27 shall be null and void and removed as of the Effective Date.

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1 8.23 Class 23 - Contingent, Unliquidated and Disputed Claims.

2 A. Classification: Class 23 consists of all contingent, unliquidated and disputed
3 claims.

4 B. Impairment: Class 23 is impaired.

5 C. Treatment: Class 23 creditors shall receive no distribution under the Plan.

6 8.24 Class 24 - Equity Interest.

7 A. Classification: Class 24 consists of the interests of the Debtor.

8 B. Impairment: Class 24 is not impaired.

9 C. Treatment: Debtors shall retain all of their legal and equitable interest in exempt
10 and non-exempt assets of this estate, as provided in the plan.

11
12 **IX. DISPUTED CLAIMS**

13 The Debtor reserves the right to verify and object to any proof of claim unless debtor and creditor
14 have entered into a stipulation for treatment of creditors claim. Payment of disputed claims shall be made
15 only after agreement has been reached between the Debtor and the Creditor or upon the order of the
16 Court.

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18 **X. EXECUTORY CONTRACTS**

19 All executory contracts and leases unless specifically assumed by Order of the Bankruptcy Court
20 are deemed rejected.

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22 **XI. MEANS OF EXECUTION/PROJECTION**

23 The Debtors will provide for payment of all timely filed and allowed claims over 60 months. The
24 Debtors shall make payments in the sum of \$1,050.00 per quarter to the Class 22 unsecured creditors,
25 which shall be disbursed as set forth in the Plan The source of the funds shall come from the Debtor's
26 earned post-petition income. *See 11 U.S.C. §1123(a)(8).*

27 The 2005 BAPCPA amendments to the Bankruptcy Code added, among other things, section
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1 1129(a)(15). This section requires that upon the objection of an unsecured creditor to the Debtor’s plan,
2 the Debtors must either (A) pay the claim in full, or, (B) commit their disposable income to the plan
3 payments for a minimum of 5 years, as determined by §1325(b)(2). The Debtors believe that projected
4 disposable income is committed to the plan under the current projections

5 The Debtors reserve the right to accelerate payment under the Plan from financing obtained from
6 third party financing, although currently Debtors have no plans or ability to do so. Debtors believe that
7 by virtue of Confirmation of the Plan, they will have the ability to pay all allowed and approved claims
8 pursuant to the Plan of Reorganization. The unsecured creditors will be paid a total of \$21,000.00 under
9 the Plan of Reorganization.

10

11 **XII. CHAPTER 7 LIQUIDATION ANALYSIS**

12 Pursuant to the provisions of the Bankruptcy Code providing for Court approval of a Plan or
13 Reorganization, Debtor is required to pay creditors at least as much as creditors would receive in a
14 Chapter 7 liquidation case, after costs of administration and the liquidation of the Debtor’s assets. 11
15 U.S.C §1129(a)(7)(ii). A Liquidation Analysis is attached hereto as **Exhibit “C”**. The Liquidation
16 Analysis represents an estimate of recovery based upon hypothetical liquidation assumptions whereby
17 a Trustee would liquidate the Debtor’s assets to convert assets to cash and settle claims. The
18 determination of the hypothetical proceeds from the liquidation of assets is an uncertain process involving
19 the use of estimates and assumptions that, although considered reasonable, are inherently subject to
20 business, economic and competitive contingencies beyond the control of the Debtor.

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22 **XIII. CRAM-DOWN**

23 If all impaired classes do not accept the Plan, the Debtor, Debtor-in-Possession will use the “cram-
24 down” provisions of section 1129(b) of the Bankruptcy Code. Cram-down is a colloquial term for
25 confirmation of a Plan over the dissent of a class of holders of claims.

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1 **XIV. TAX CONSEQUENCES**

2 Neither the Debtor nor Debtor’s lawyer can make any statements with regard to the tax
3 consequences of the Plan on any of the creditors. Each creditor in this case, when analyzing the Plan,
4 should consult with its own professional advisors to determine whether or not acceptance of the Plan by
5 the creditor will result in any adverse tax consequences to the creditor.

6
7 **XV. IMPLEMENTATION AND CONSUMMATION OF PLAN**

8 The terms of the Plan subsequent to confirmation shall bind the Debtor, any entity acquiring
9 property under the Plan, and any creditor or claimant, whether or not such creditor or claimant has
10 accepted the Plan. All property of the estate shall vest in the Debtor and shall be free from attachment,
11 levy, or garnishment of execution by creditors bound by the Plan.

12 ALL SECURED CREDITORS SHALL PROVIDE THE DEBTOR WITHIN 60 DAYS OF THE
13 EFFECTIVE DATE, A NEW PAYMENT BOOK REFLECTING AMOUNT OF MODIFIED
14 PAYMENTS, IF ANY AND/OR MONTHLY STATEMENTS REFLECTING THE NEW MONTHLY
15 PAYMENTS AMOUNTS DUE AS SET FORTH UNDER THE TERMS OF THE CONFIRMED PLAN
16 OF REORGANIZATION.

17 It shall be the obligation of each creditor participating under the Plan to keep the Debtors advised
18 of its current mailing address. In the event any payment tendered to creditors is mailed, postage prepaid,
19 (1) to the address specified in the Debtor’s schedules and statement, (2) to the address specified in any
20 proof of claim filed by creditor or claimant here or (3) to the address provided by any such creditor or
21 claimant for purposes of distribution, and if subsequently the Post Office returns such distribution due
22 to a lack or insufficiency of address or forwarding address, the Debtors shall retain such distribution for
23 a period of six months. Thereafter, the distribution shall revert to the Debtors without further Order from
24 the Court and free and clear of any distributions to any creditor for whom a distribution has been returned
25 by the Post Office. The Debtors reserve the right to modify the Plan in accordance with §1127 of the
26 Bankruptcy Code. The Plan may be modified prior to confirmation provided that the plan still complies
27 with §1122 and §1123 of the Bankruptcy Code. The Plan may be modified subsequent to confirmation
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1 and before substantial consummation of the Plan under such circumstances as may warrant such under
2 §1127 of the Bankruptcy Code. Any holder of a claim or interest that has previously accepted or rejected
3 a confirmed Plan, shall be deemed to have accepted or rejected any subsequently modified Plan unless
4 the holder of such claim or interest changes its acceptance or rejection of the Plan within the time fixed
5 by the Court.

6
7 **XVI. QUARTERLY FEES AND REPORTS**

8 Debtor shall continue to pay quarterly fees to the U.S. Trustee System until such time as a
9 Final Decree has been entered in this matter by the Court, closing this Chapter 11 proceeding. Debtor
10 shall continue to file monthly operating reports until such time as the Court enters an Order
11 confirming this Chapter 11 Plan of Reorganization. At such time, Debtor shall cease filing monthly
12 operating reports and shall begin filing quarterly post confirmation reports. These quarterly reports
13 shall be filed until such time as a Final Decree has been entered in this matter by the Court, closing
14 this Chapter 11 proceeding.

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17 **XVII. RETENTION OF JURISDICTION**

18 The Bankruptcy Court will retain jurisdiction over this case for purposes of determining the
19 allowance of claims or objections to claims. The Court will also retain jurisdiction for purposes of
20 fixing allowances for compensation and/or for purposes of establishing bar dates and making a
21 determination with respect to all disputed claims. Finally, the Court shall retain jurisdiction for
22 purposes of determining any dispute arising from the interpretation, implementation or consummation
23 of the Plan and to implement and enforce the provisions of estoppel, the principles of *res judicata* or
24 collateral estoppel with respect to any term or provision contained herein in the event the Plan is not
25 confirmed.

26 The Court may enter a Final Decree and retain jurisdiction over this case to reopen the case to
27 provide relief including the entering of a Discharge Order.

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XVIII. REPRESENTATION

No representations concerning the Debtor are authorized by the Debtor other than as set forth in this statement. Any representation or inducement made to secure your acceptance other than as contained in this statement should not be relied upon by you in arriving at your decision, and such additional representations and inducements should be reported to counsel for the Debtor, who, in turn, shall deliver such information to the Bankruptcy Court for such action as may be deemed appropriate.

XIX. CONCLUSION

It is respectfully submitted that Debtor have given every thought to the complex problems confronting Debtor, and, with the assistance of counsel, have devised and formulated this Plan with the hope that the equitableness of the Plan will be considered favorable by creditors.

RESPECTFULLY SUBMITTED: July 18 2016.

LAW OFFICES OF
ERIC SLOCUM SPARKS, P.C.

/s/ Sparks AZBAR #11726
Eric Slocum Sparks
Attorney for Debtor

COPIES of the foregoing
mailed/delivered/faxed
July 18 2016 to:

- Larry L. Watson
Office of the United States Trustee
230 N. First Avenue, Suite 204
Phoenix, AZ 85003-1706
- Select Portfolio Servicing, Inc.
P.O. Box 65250
Salt Lake City, UT 84165-0250
- McCarthy & Holthus LLP
1770 Fourth Avenue
San Diego, CA 92101-2607
Attorneys for The Bank of New York Mellon
Attorneys for Bank of America, N.A.

1 *Attorneys for U.S. Bank National Association*

2 Tiffany & Bosco
3 Seventh floor Camelback Esplanade II
4 2525 East Camelback Road
5 Phoenix, AZ 85016
6 *Attorneys for JPMorgan Chase Bank*
7 *Attorneys for First Tennessee Bank*
8 *Attorneys for Wilmington Trust*

9 LANG & KLAIN, PC
10 8767 E. Via De Commercio, Suite 102
11 Scottsdale, AZ 85258
12 *Attorneys for Bayview Loan Servicing*

13 CARSON MESSINGER PLLC
14 4808 N 22nd Street, Suite 200
15 Phoenix, AZ 85016
16 *Attorneys for Flagstar Bank*

17 ALDRIDGE PITE, LLP
18 Fifteen Piedmont Center
19 3575 Piedmont Rd., NE, Suite 500
20 Atlanta, GA 30305
21 *Attorneys for PennyMac Loan Services, LLC*
22 *Attorneys for Wilmington Savings Fund Society*

23 WRIGHT, FINLAY & ZAK, LLP
24 16427 N Scottsdale Rd, Suite 300
25 Scottsdale, AZ 85254
26 *Attorneys for Seterus, Inc.*

27 MALCOLM & CISNEROS, A LAW CORPORATION
28 2112 Business Center Drive
Irvine, CA 92612
Attorneys for U.S. Bank, National Association

/s/ A. Court-Sanchez