

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF NORTH CAROLINA  
CHARLOTTE DIVISION

In Re: )  
 ) Bankruptcy Case No.: 10-31632  
 ) Chapter 11  
PETTUS PROPERTIES, INC., )  
EIN: 48-1265078 )  
 )  
 ) **DISCLOSURE STATEMENT**  
 )  
\_\_\_\_\_  
Debtor. )

TO: THE CREDITORS AND OTHER PARTIES IN INTEREST

**I. INTRODUCTION**

On June 8, 2010, Pettus Properties, Inc. (hereinafter sometimes referred to as "the Debtor" or "the Debtor-In-Possession"), a South Carolina corporation that is domesticated in the State of North Carolina, filed a voluntary petition for reorganization pursuant to Chapter 11 of the United States Bankruptcy Code ("the Code"), with the United States Bankruptcy Court for the Western District of North Carolina, Charlotte Division ("the Court").

The Debtor provides this Disclosure Statement to all of its known creditors in order to disclose that information deemed by the Debtor to be material, important and necessary for its creditors to arrive at a reasonably informed decision in exercising their right to vote for the acceptance of the Plan of Reorganization ("the Plan") presently on file with the Bankruptcy Court. A copy of the Plan accompanies this Disclosure Statement and should be considered an integral portion of this Statement.

Approval by the Court of this Disclosure Statement constitutes neither approval nor disapproval by the Court of the Debtor's Plan.

Accompanying this Disclosure Statement and Plan is an important notice concerning a hearing to consider confirmation of the Plan and creditors' right to vote on the acceptance or rejection of the Plan. As a creditor, your vote is important. The Plan can be confirmed by the Court if it is accepted by the holders of two-thirds (2/3) in amount and more than one-half (1/2) in number of claims in each class voting on the Plan. In the event the requisite acceptances are not obtained, the Court may nevertheless confirm the Plan if the Court finds that the Plan accords fair and equitable treatment to the Class rejecting it.

No representations concerning the Debtor, particularly as to its future business operations, value of property, or other values set forth herein, are authorized by the Debtor other than as set forth herein. Any representations or inducements made to secure your acceptance that are other than as contained in this statement should not be relied on by you in arriving at your decisions. Any 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.

The information contained in this Disclosure Statement has not been subjected to a certified audit. The Debtor's records are accurate to the Debtor's best knowledge and information, and every reasonable effort has been made to present accurate figures.

## **II. THE DEBTOR**

### **A. Background and General Nature of the Debtor**

The Debtor is a land developer and has developed the following residential communities: Therrel Farms, The Meadows at Weddington, Battery Gaillard and the Devonridge Communities. Jerry Pettus is the founder of the Debtor which is owned by Wingfoot Land Management, LLC. Wingfoot Land Management, LLC is owned by Jerry Pettus and J.R. Pettus.

The Debtor's assets consist of residential lots that are fully developed in three (3) subdivisions. These are Battery Gaillard, Devonridge, and Chatelaine. Devonridge is located in Weddington, North Carolina and is comprised of thirty-seven (37) lots of which three (3) have been sold. Sales at Devonridge virtually ceased in 2007. Battery Gaillard is located in the suburbs of Charleston, South Carolina. It is comprised of fifty-four (54) lots of which thirty-seven (37) have been sold. Chatelaine is located at Weddington, North Carolina, and is comprised of one lot.

### **B. Events Leading to Filing**

The economic downturn hit especially hard in the areas where Devonridge and Battery Gaillard are located. As to Devonridge, it is located in the Weddington area of Union County, North Carolina. This was once a fast growing area but has become one of the hardest hit areas in North Carolina. The average price of the three (3) lots that were sold in 2007 was \$319,000.00. Even though lot prices steadily declined, sales in Devonridge virtually ceased in 2007. Battery Gaillard is located in the suburbs of Charleston, South Carolina. Sales at Battery Gaillard virtually ceased in 2009, but there has been renewed interest in 2010. Six (6) lots have been sold in 2010 with an average sale price of \$85,000.00. During the period of time that lots were not being sold, Jerry Pettus supported the Debtor by providing it \$5,800,000.00 in funding.

## **III. FINANCIAL INFORMATION**

### **A. Assets**

#### **1. Schedule of Assets.**

The Debtor's assets consist of thirty-four (34) lots in Devonridge which the Debtor believes have a minimum sale value of \$100,000.00, seventeen (17) lots in Battery Gaillard which the Debtor believes have a minimum sale value of \$85,000.00, and one (1) lot in Chatelaine which the Debtor believes has a minimum sale value of \$90,000.00.

#### **2. Liquidation Value of Assets**

The value of the Debtor's assets would be significantly reduced in the event the Debtor's Plan is not confirmed. Should the Debtor's Plan not be confirmed, it will be forced to convert to a Chapter 7 case. This would result in liquidation and lead to foreclosure of the real property which constitutes the Debtor's assets. In the event of a liquidation sale, it is virtually certain that amount realized from a distressed sale of the Debtor's real property would not be sufficient to pay all creditors and the cost of administration in full.

### **B. Liabilities**

The Debtor has attached hereto Exhibit A which sets out the obligations that the Debtor believes are allowable claims. Claims that are subject to objections will be determined by the Bankruptcy Court. Thus, the final amount of the claims allowable is subject to change as claims are allowed and disallowed by the Bankruptcy Court. VFC Partners 8 ("VFC") is owed approximately \$3,100,000.00. This obligation is secured by the lots at Devonridge, Chatelaine and Battery Gaillard. A description of the VFC liability is set out below.

### C. VFC

The original creditor secured by the real property owned by the Debtor was Branch Banking and Trust Company ("BB&T"). BB&T sold the note secured by the Debtor's real property to VFC. The note was part of a package of notes owed by the Debtor and other entities related to Jerry Pettus, Sterling Properties of the Carolinas, LLC ("Sterling") and Catawba Station, LLC ("Catawba Station"). The total of the notes at the time of sale was approximately \$14,000,000.00. Of this amount, approximately \$3,100,000.00 was owed by the Debtor. VFC purchased the notes for approximately \$5,500,000.00

The Debtor, Sterling, and Catawba Station negotiated a settlement with VFC which set the amount they are indebted to VFC at \$6,500,000.00. The settlement provided that there would be no interest until May, 31, 2011, and that the balance of the payment under the settlement agreement would be made no later than July 31, 2011. A majority interest in Catawba Station was sold for \$2,000,000.00, and it received a release from the outstanding indebtedness on December 30, 2010. The remaining amount due to VFC of \$4,500,000.00 relates to the Debtor's assets (the residential lots at Battery Gaillard, Devonridge, and Chatelaine) and the Sterling Properties of the Carolinas, LLC (unrelated to this bankruptcy). While no specific allocation of the \$4,500,000.00 balance owed to VFC has been determined, it is reasonable to expect that \$1,200,000.00 will be assigned to the debt in this bankruptcy, and the remaining \$3,300,000.00 will be assigned to the Sterling Properties assets.

## **IV. SUMMARY OF PLAN OF REORGANIZATION**

### A. Classification and Treatment of Claims

Attached hereto as Exhibit B is a copy of the Debtor's Plan of Reorganization. Article I of the Plan provides for the creation of four (4) classes of claims. It also explains what payment each class shall receive. The classes and the treatment of creditors in these classes are as follows:

1. *Cost of Administration*. Creditors in this class consist of the post-petition costs of administering the Chapter 11 bankruptcy case. These creditors will be paid in full on the Effective Date of the Plan or in accordance with some other agreement that may be mutually agreed to by the Debtor and the Creditor.

2. *VFC Partners 8, LLC*. This creditor is secured with real property of the Debtor located at Devonridge, Chatelaine and Battery Gaillard. It's obligation is guaranteed by J.R. Pettus. This claimant will be paid in full no later than July 31, 2011; in accordance with the settlement agreement described Section III(C) above. The source of the funds that will be used to pay this obligation shall be either from funds derived from the sale of real estate owned by Sterling or borrowing by Pettus entities other than the Debtor. However, as to any lots sold by the Debtor prior to payment in full to VFC or July 31, 2011, whichever is earlier, payments will be made to VFC from these sales in an amount equal to an amount that is seventy (70%) percent of the sale price of each lot that is sold.

3. **General Unsecured Creditors.** These creditors will be paid in full with interest at the rate of three and one-quarter (3.25%) from the Effective Date of the Plan. Payment to this class will be made in quarterly payments from the proceeds of lot sales in pro rata payments in amounts no less than set out on Exhibit C attached hereto. Quarterly payments will be equal to an amount that is seventy (70%) percent of the sale price of each lot that is sold. Payment to this class will commence on the fifteenth (15<sup>th</sup>) day of the month following the end of the first full calendar quarter after VFC has been paid in full in accordance with Section IV(2)(a) above. Payment thereafter will be made to this class on the fifteenth day (15<sup>th</sup>) of the month following each subsequent calendar quarter. Payments shall only be made from funds made available from continuing lot sales as provided herein.

4. **Equity Secured Holders.** Equity Security Holders will retain their claims. However, no payment shall be made on account of any claim of an Equity Security Holder until all payments provided for all other classes in the Plan have been paid in full.

### **B. Means for Funding the Plan**

The Debtor will finance the payments provided for in its Plan through lot sales by adopting five (5) key strategies to implement funding through lot sales. These are set out below and will be implemented simultaneously.

1. **Bulk sale of lots to investment groups.** The Debtor is meeting with investors to purchase lots in bulk at a discounted price.
2. **Sale of equity ownership to investors.** The Debtor is trying to raise equity capital to coincide with the other strategies outlined herein.
3. **Sales of lots to builders.** The Debtor has approached builders regarding acquiring lots at discounted prices. These sales will require that BB&T agree to lot releases to allow sales to builders who have private financing to construct homes. BB&T will recoup its seventy (70%) percent portion of the lot price at the closing of the sale of each lot.
4. **Sale of the entire property.** The Debtor is actively marketing all of the property.
5. **Sale of single lots through real estate brokers at reduced prices.**

Devonridge and Battery Gaillard are fully developed communities and require no further infrastructure. The only ongoing costs are taxes, insurance, management, maintenance and sales costs. The Debtor has agreements with two real estate firms for the sale of lots at Devonridge and one real estate firm at Battery Gaillard to market lots. The Debtor has done extensive analysis on market conditions. The prices at which it can offer its lots are significantly lower than the competing market prices.

### **V. RISKS**

The risks inherent in this reorganization plan are those normally faced by any going concern, which are:

- Competition
- Softness in the Market
- High Interest Rates
- Continued Increases in Foreclosures in the Surrounding Area

The Debtor has analyzed the above factors with respect to his current operations and management and has made the necessary operating changes that will allow it to cope effectively with the above market variables.

## **VI. TIMING**

The Debtor proposes that payments to Class 1 creditors shall be made on the Effective Date of the Plan which shall be the first day of the first full month following the date upon which the order of confirmation becomes final and non-appealable. Payments to all other creditors shall be made in accordance with the provisions set out in the Plan, provided however, that payments for lots sold during any quarterly period shall be made only on account of lots for which the sales have been closed during the quarter. These payments shall be made no later than the fifteenth (15<sup>th</sup>) day of the month following the end of each calendar quarter.

## **VII. EFFECT OF FAILURE TO CONFIRM PLAN**

Acceptance is necessary for confirmation of the Plan. If the Plan is accepted, the Debtor will pay a significant amount to each class of creditors. If the Plan is not accepted, the Debtor will be forced to convert to a Chapter 7 bankruptcy case. Chapter 7 means that the business will be closed and the assets liquidated. The Debtor believes that in liquidation, the Secured Creditor would be entitled to virtually all of the proceeds of liquidation. (In the event there were any funds available after the secured creditors are satisfied, these funds would be paid on a pro-rata basis only to Administrative creditors).

## **VIII. ELEMENTS OF CONFIRMATION**

In addition to understanding the background of this Chapter 11 case, as well as the events which led to the filing of the Chapter 11 petition and the events which have occurred during the Chapter 11, it is also important of the creditors to have some understanding of the statutory requirements for the confirmation of the Plan. However, it is important for each creditor to understand that this is merely a summary of important provisions of the law and that each creditor should consult counsel for legal advice.

Basically, in this Chapter 11 reorganization, the Debtor believes that it can provide more for the creditors than they would receive in the Chapter 7 liquidation. The Law requires that Chapter 11 plans classify creditors and, as outlined above, the Debtor has in this case established four (4) classes in its Plan.

Once the classes are established according to the nature of the claims in each class, the Law provides certain priorities of payment. These priorities are also set forth in the outline in this Disclosure Statement.

There are eleven (11) basic requirements which are described in Section 1129(a) of the Code for confirmation of a Chapter 11 Plan, briefly summarized as follows:

1. The Plan must have complied with the general requirements of Chapter 11; for example, classification of claims must have been proper.

2. The proponent of the Plan must have complied with the applicable provisions of Chapter 11; for example, preparing a Disclosure Statement like this prior to soliciting acceptances.

3. The Plan must have been proposed in good faith and not by any means forbidden by law.

4. All payments for services or expenses with respect to the Plan in the case must have been disclosed to the Court and these payments must be reasonable and are, in any event, subject to Court approval.

5. There must have been full disclosure with respect to the identities of the various parties involved.

6. Any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the rates of the Debtor must approve any rate change provided for in the Plan, or such rate change must be expressly conditioned upon such approval.

7. Each holder of a claim in each class have either accepted the Plan or must receive under the Plan properly having a value not less than what it would have been entitled to receive if the Debtor liquidated under Chapter 7 of the Code.

8. Each class must have accepted the Plan or must be unimpaired by the Plan.

9. The administrative claims and priority claims must be paid in full under the Plan, unless the claimants agree to a different treatment of the claims.

10. If a class of claims is impaired under the Plan, at least one class of claims that is impaired under the Plan has accepted the Plan, determined without including any acceptance of the Plan by any insider.

11. Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

Notwithstanding section 510(a) of this title, if all of the applicable requirements of subsection (a) of this section other than paragraph (B) are met with respect to a Plan, the Court, on request of the proponent of the Plan, shall confirm the Plan notwithstanding the requirements of such paragraph if the Plan does not discriminate unfairly, and is fair and equitable with respect to each class of claims or interest that is impaired under and has not accepted the Plan. This is the well-known "Cramdown" which the Court can require. However, when a "Cramdown" is requested, the Court will follow what is known as the "Absolute Priority" rule, which essentially means that no junior class of claimants may receive any property until the members of a dissenting senior class of claimants have received the full amount of their claims.

## IX. CONCLUSION

The Debtor believes acceptance of this Plan is in the best interest of the creditors.

A VOTE OF ACCEPTANCE IS IMPORTANT. CLAIMANTS SHOULD VOTE PROMPTLY.

This the 2<sup>nd</sup> day of April, 2011.

PETTUS PROPERTIES, INC.

By: Wingfoot Land Management, LLC Member

By:   
Jerry Pettus, Member/Manager

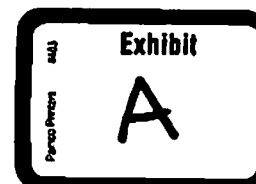


---

Richard M. Mitchell  
Attorney for the Debtor  
MITCHELL & CULP, PLLC  
1001 Morehead Square Drive, Suite 330  
Charlotte North Carolina 28203  
Tel: (704) 333-0630  
Fax: (704) 333-4975  
Email: [rmitchell@mitchellculp.com](mailto:rmitchell@mitchellculp.com)

**PETTUS PROPERTIES, INC.**

7 BB&T	\$188,658.35	Secured Contingent Claim
6 BB & T	\$3,087,397.45	Sec
Scheduled Union Cty	\$17,239.32	Sec
Scheduled BB & T	\$9,825.00	Disallowed
Scheduled BB & T	\$119,916.35	Disallowed
Scheduled Estate of Eleanor Pettus	\$3,646,483.18	Uns
3 Greer & Walker, LLP	\$4,625.00	Uns
4 Greer & Walker, LLP	None	Duplicate #3
Scheduled J.H. Pettus, Sr.	3,646,483.18	Uns
1 James Access Control	\$4,630.21	Uns
Scheduled PAR Realty Investors	\$11,189.07	Uns
2 Parker, Poe, Adams	\$34,427.18	Uns
Scheduled The Budd Group	\$20,641.17	Uns
Scheduled Wingfoot Land Mgmt.	\$31,170.64	Uns
5 United Parcel Service	\$113.61	Uns
8 Litton Loan Servicing	476,192.76	Object-not owed





IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF NORTH CAROLINA  
CHARLOTTE DIVISION

In Re: )  
 ) Bankruptcy Case No.: 10-31632  
 ) Chapter 11  
PETTUS PROPERTIES, INC., )  
EIN: 48-1265078 )  
 )  
 ) **PLAN OF REORGANIZATION**  
 )  
\_\_\_\_\_  
Debtor. )

Pettus Properties, Inc., the Debtor-in-Possession, proposes the following Plan of Reorganization:

**ARTICLE I: DIVISION INTO CLASSES AND TREATMENT OF CLASSES**

The Plan provides for the creation of four (4) classes of claims. The classes and the treatment of creditors in these classes are as follows:

1. *Cost of Administration.* Creditors in this class consist of the post-petition costs of administering the Chapter 11 bankruptcy case. These creditors will be paid in full on the Effective Date of the Plan or in accordance with some other agreement that may be mutually agreed to by the Debtor and the Creditor.

2. *VFC Partners 8, LLC.* This creditor is secured with real property of the Debtor located at Devonridge, Chatelaine and Battery Gaillard. It's obligation is guaranteed by J.R. Pettus. This claimant will be paid in full no later than July 31, 2011, in accordance with the settlement agreement described Section III(C) of the Disclosure Statement. The source of the funds that will be used to pay this obligation shall be either from funds derived from the sale of real estate owned by Sterling or borrowing by Pettus entities other than the Debtor. However, as to any lots sold by the Debtor prior to payment in full to VFC or July 31, 2011, whichever is earlier, payments will be made to VFC from these sales in an amount equal to an amount that is seventy (70%) percent of the sale price of each lot that is sold.

3. *General Unsecured Creditors.* These creditors will be paid in full with interest at the rate of three and one-quarter (3.25%) from the Effective Date of the Plan. Payment to this class will be made in quarterly payments from the proceeds of lot sales in pro rata payments in amounts no less than set out on Exhibit C attached to the Disclosure Statement. Quarterly payments will be equal to an amount that is seventy (70%) percent of the sale price of each lot that is sold. Payment to this class will commence on the 15<sup>th</sup> day of the month following the end of the first full calendar quarter after VFC has been paid in full in accordance with Section IV(A)(2) of the Disclosure Statement. above. Payment thereafter will be made to this class on the 15<sup>th</sup> day of the month following each subsequent calendar quarter. Payments shall only be made from funds made available from continuing lot sales as provided herein.

4. *Equity Secured Holders.* Equity Security Holders will retain their claims. However, no payment shall be made on account of any claim of an Equity Security Holder until all payments provided for all other classes in the Plan have been paid in full.



**ARTICLE II: CLASSES IMPAIRED BY THE PLAN**

Classes 3 and 4 are impaired by the Plan.

**ARTICLE III: MEANS FOR PERFORMING THE PLAN**

The funds necessary for the satisfaction of claims as proposed in Article I of this Plan will be generated in accordance with the provisions set out above as to each class.

**ARTICLE IV: EFFECTIVE DATE OF THE PLAN**

The Effective Date of the Plan shall be the first day of the first full calendar month following the date upon which the order confirming the plan becomes final and non-appealable.

**ARTICLE V: DISCHARGE**

When the Plan is confirmed, the Debtor will be discharged of all those debts, which are dischargeable under the Bankruptcy Code, 11 U.S.C. § 1141. However, the Debtor will be obligated to pay debts as provided for in the Plan.


**ARTICLE VI: RETENTION OF JURISDICTION**

The Court shall retain jurisdiction after confirmation of the Plan: (a) to consider (and reconsider if appropriate) claims and objections thereto; (b) to fix expenses of administration and compensation therefore; (c) to hear and determine any dispute arising under or relating to the Plan or arising under or relating to this Chapter 11 reorganization case; (d) to enforce all discharge provisions of the Plan; and (e) to make such orders and directions pursuant to the Bankruptcy Code, 11 U.S.C. §§ 1127 and 1142, as may be necessary or appropriate.

This the 7<sup>th</sup> day of April, 2011.

PETTUS PROPERTIES, LLC

By:   
Jerry Pettus, President

  
Richard M. Mitchell  
Attorney for the Debtor  
MITCHELL & CULP, PLLC  
1001 Morehead Square Drive, Suite 330  
Charlotte, North Carolina 28203  
Tel: (704) 333-0630  
Fax: (704) 333-4975  
Email: rmitchell@mitchellculp.com

**DEBTOR'S ANALYSIS OF FUTURE LOT SALES**

<u>QUARTER</u>	<u>BATTERY GUILLARD</u>	<u>DEVONRIDGE</u>	<u>AVAILABLE FOR CREDITORS</u>
2 <sup>nd</sup> 2011	1	1	\$129,500.00
3 <sup>rd</sup> 2011	2	1	\$189,000.00
4 <sup>th</sup> 2011	2	1	\$189,000.00
1 <sup>st</sup> 2012	2	2	\$259,000.00
2 <sup>nd</sup> 2012	3	2	\$318,500.00
3 <sup>rd</sup> 2012	3	2	\$318,500.00
4 <sup>th</sup> 2012	2	2	\$259,000.00

THE PLAN PAYMENTS ARE BASED ON SALES PRICES OF \$85,000.00 AND \$100,000.00 RESPECTIVELY AND SALES NUMBERS AS SHOWN ABOVE. THE PROPERTIES SOLD MAY VARY FROM THE SCHEDULE SHOWN ABOVE; HOWEVER, THE AMOUNT PAID TO CREDITORS FOR EACH TIME PERIOD SHALL NOT BE LESS THAN THAT SHOWN ABOVE. FOR THE YEARS FOLLOWING 2012, PAYMENT TO CREDITORS BASED ON SALES OF PROPERTYIES SHALL CONTINUE AT THE SAME RATE OR AT FASTER RATE AS SALES IN 2012.

