UNITED STATES BANKRUPTCY COURT
DISTRICT OF ALASKA

DISCLOSURE STATEMENT

February 22, 2017

McGAHAN FAMILY LIMITED PARTNERSHIP

CHAPTER 11 CASE NO. A16-00049 GS

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TABLE OF CONTENTS

EXHIBITS:

INTRODUCTORY STATEMENT

Debtor/Debtor-in-Possession, McGahan Family Limited Partnership, by and through its counsel of record, Beaty & Draeger, Ltd., files this Disclosure Statement with respect to and in support of the Plan of Reorganization ("Plan") filed of even date herewith in the U.S. Bankruptcy Court, District of Alaska.

The Plan of Reorganization deals with debtor's creditors and the operation of debtor's business; this Disclosure Statement discusses and explains the payment to creditors and the feasibility of the implementation of the plan. Management presents herein its plans as to future operations, projections of expected results from those operations, the basis for its projections, the assumptions or factors upon which those projections are based, and demonstrates the ability of debtor to successfully implement the plan upon confirmation. The projected data contained herein have been compiled from various and numerous sources and reviewed by a "management team," including debtor's management personnel and counsel for debtor.

Prior to the solicitation of votes by debtor/debtor in possession in favor of the plan, this disclosure statement must be approved by the Bankruptcy Court; the court's approval means that the court deems the disclosure statement contains the information necessary for creditors to make an informed judgment whether to vote to accept or reject the plan.

APPROVAL BY THE COURT IS NOT AN ENDORSEMENT BY THE COURT OF THE PLAN, NOR IS APPROVAL A CERTIFICATION THAT THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT IS TRUE, CORRECT OR ACCURATE.

Every creditor, other than a creditor whose claim is unimpaired under the plan, or whose claim falls within 11 USA §1129(a)(9)(A) [administrative expense claims] or §1129(a)(9)(C) [taxing authorities], is entitled to vote to accept or reject the plan. Debtor will solicit your vote for acceptance of the plan. **YOUR ACCEPTANCE IS IMPORTANT:** in order for the Plan to be accepted, at least a majority in number and two-thirds in amount, OF THOSE CLAIMS VOTING IN EACH CLASS, must vote to accept the plan. Each creditor should return the ballot to the address given thereon by the date also given on the ballot. The Notice of Chapter 11 Confirmation Hearing and Times Fixed for Filing Acceptances or Rejections of Plan and Objections to Confirmation of Plan (enclosed herewith) sets forth the date, time, and place of the hearing on confirmation of the plan.

NO REPRESENTATIONS CONCERNING THE DEBTOR (PARTICULARLY AS TO FUTURE OPERATION, VALUE OF THE PROPERTY, OR THE VALUE OF ANY PROMISSORY NOTES TO BE ISSUED UNDER THE PLAN) ARE AUTHORIZED BY DEBTOR OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN AS CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON BY ANY CREDITOR IN ARRIVING AT A DECISION TO ACCEPT OR REJECT THE PLAN. ANY SUCH

ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED, IN WRITING, TO COUNSEL FOR DEBTOR WHO, IN TURN, SHALL DELIVER SUCH REPORT TO THE BANKRUPTCY COURT AND THE OFFICE OF THE UNITED STATES TRUSTEE, U.S. DEPARTMENT OF JUSTICE FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. FOR THE FOREGOING REASON, AS WELL AS THE COMPLEXITY OF DEBTOR'S FINANCIAL AFFAIRS, DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY, ALTHOUGH SUBSTANTIAL EFFORT HAS BEEN EXPENDED TO BE ACCURATE.

I
GENERAL

A. Business Activity History:

Merrill Myron McGahan purchased the real property that makes up the private airport and airport community over several years from 1998 to 1992. After purchasing the real property, Mr. McGahan platted and subdivided the properties and developed the runway and surrounding properties. Development began in 1988 and is still on-going. The reason for this slow pace of development is that Mr. McGahan did most of the work: cleared the land for the runway, paved the runway, installed the runway lighting, ran water and electricity, etc.

During approximately 1996, Mr. McGahan was advised by Goehring & Associates, to contribute the properties to the debtor (McGahan Family Limited Partnership). The debtor/partnership is owned by Merrill Myron McGahan (16.66%), his wife, Carmen (Marti) McGahan (16.66%), and his son, Merrill Mazie McGahan (66.66%).

Merrill Myron McGahan started to have personal income tax issues which culminated in him entering into a settlement agreement with the Internal Revenue Service (IRS) and which then resulted in a judgment in favor of the IRS for $395,000. Mr. McGahan also admitted that the debtor/partnership was the alter-ego of Mr. McGahan. The debtor/partnership being the alter ego of Mr. McGahan resulted in the IRS being able to retain its liens against the properties even though the debtor/partnership itself was not indebted to the IRS.

The IRS attempted to foreclose on properties owned by the partnership due to Mr. McGahan failing to make payments in accordance with the settlement agreement for his personal tax liability.

Prior to filing, the debtor rented out the warehouse properties (there are three), and collected tie-down rents. Upon filing, the debtor ceased leasing the warehouses and is currently only collecting tie down rentals. After plan confirmation, debtor will lease the warehouses. The debtor currently owns the properties as set forth in **Exhibit A.** The debtor currently owns: (1) three properties with warehouses (with one of the warehouse properties also holding the principal residence of one of the partners, Merrill Myron McGahan (father); (2) the airport runway, and (3) 33 acres of undeveloped land adjacent to the runway; and, (3) the personal residence of one of the partners, Merrill Mazie McGahan (son).

B. General Nature of Business:

The debtor is the developer of a fully-paved runway and other surrounding property. The debtor's initial plans were to develop parcels around the runway and sell the parcels while at the same time charge access fees for the use of the runway.

The debtor has decided to market all properties including the runway, except the property located at 52184 Montegue Street which is the property that will be listed if there are insufficient funds to fund the plan. Debtor's future income will consist of warehouse rentals, tie-down leases, and income from the sale of the properties. The debtor currently owns the properties set out in **Exhibit A** attached hereto and made a part hereof.

CAPITAL IMPROVEMENTS

The debtor has built various structures on various properties. A warehouse and Merrill Myron McGahan's (father) personal residence are built on 51361 Nurphy Street. The property at 51361 Nurphy Street can be sold with just the warehouse or with the warehouse and personal residence. If a buyer just wants the warehouse, the personal residence can be moved. The runway, with improvements, is located at 51316 Nurphy Street. Thirty-three acres of undeveloped land is located at 51116 Kodiak Street. Two warehouses are located at 52001 and 52084 Danna Street. Merrill Mazie McGahan's (son) personal residence is located at 52184 Montague Street. Bay Court is vacant land.

C. Equity Interests. Equity interests are as follows:

Limited partnership:

Merrill Myron McGahan, 16.667% partner

Carmen (Marti) McGahan, 16.667% partner

Merrill Mazie McGahan, 66.667% partner

D. Partners Holding Ten Percent of the Partnership Interest.

Merrill Myron McGahan, 16.667% partner of PO Box 8022, Nikiski, AK 99635

Carmen (Marti) McGahan, 16.667% partner. PO Box 8022, Nikiski, AK 99635

Merrill Mazie McGahan, 66.666% partner of PO Box 7146 Nikiski, AK 99635

E. Related Entities. There are no parent corporations, subsidiaries or other entities.

F. Securities to be Issued Under the Plan. There will be no securities issued under the plan.

G. Pending and Anticipated Legal Proceedings. No legal proceedings are currently pending, nor are there any anticipated legal proceedings other than those related to this bankruptcy. Remaining actions within this case are determining the type and amount of secured claims, contesting proofs of claim, and approval of this disclosure statement and confirmation of the plan.

The IRS has audited the partners of the partnership and has proposed examination changes which, if the partners lost, would add approximately $170,000 of encumbrances against the property. The partners (but not the debtor) will contest the assessment; however, the partners are confident they will prevail because the audit is just requesting documentation. In the event the partners lose, the debtor will pay the amount which is provided for in the Plan. Essentially, the debtor will sell one additional property to pay off the additional assessment of $170,000 if the partners lose.

H. Partner Information. The partners and their salary information are as follows:

Merrill Myron McGahan	$48,000 annual salary
Carmen McGahan	None
Merrill Mazie McGahan	None

II
FINANCIAL DATA PROJECTIONS

A. Summary. A summary of the financial statements for 2011 through 2016 tax returns are set forth in ***Exhibit B*** attached hereto and made a part hereof.

B. Current Balance Sheet. The balance sheet as of December 31, 2016 is attached to and made a part hereof as ***Exhibit C.*** The balance sheet is presented with the cost of the properties, not fair market value.

C. Balance Sheet at Plan Confirmation. The projected balance sheet at plan confirmation is attached to and made a part hereof as ***Exhibit D.*** The balance sheet is presented with the cost of the properties, not fair market value.

D. Income Statement. The income statement for January 1, 2016 through December 31, 2016 is attached to and made a part hereof as ***Exhibit E.*** The income statement from time of filing on March 4, 2016 to December 31, 2016 is attached to and made a part hereof as ***Exhibit F***. The losses in 2016 were mainly due to debtor not leasing the various warehouses.

E. Actual and Pro-Forma Financial Data. Actual and pro-forma income statement/cash flow projections on a monthly basis from January 1, 2016 to December 31, 2016 (actual) see ***Exhibit G*** and January 1, 2017 to December 31, 2017 (pro-forma) is attached to and made a part hereof as ***Exhibit H.*** Pro-forma income/cash flow projections for the next three years, beginning 2016 and ending 2019, is attached to and made a part hereof as ***Exhibit I***.

Financial statements, summaries, and projections were prepared by debtor's counsel based upon unaudited historical financial data provided by debtor. Where the data used was other than actual data, that fact is revealed with respect to the particular financial statement, summary or projection and the basis for deviation from the actual data disclosed. The assumptions used were determined from various sources including economic forecasts and reports prepared by the United States government, State of Alaska, and private economic reporting services. In some instances, assumptions were based upon prior experience and knowledge of either counsel for the debtor or debtor's management personnel.

The following specific assumptions regarding the pro-forma income/cash flow statements are as follows:

1. *Insurance.* Debtor expects an increase of one to two percent over the next couple of years. This is a combination of auto and liability insurance. Liability and auto insurance are likely to be higher over the next couple of years due to debtor's bankruptcy status. The cost of insurance for 2017 is lower because some of the insurance was paid in 2016. The yearly cost of insurance is reflected in 2018 and 2019.

2. *Maintenance & Repair.* Debtor expects maintenance to increase by ten percent due to the increasing ages of the buildings.

3. *Taxes.* Real property taxes are estimated to increase by two percent per year and are based upon 2016 assessments.

4. *Sales of Property.* The debtor expects to sell three of the smaller tracts of land at an average sale price of $250,000 each. The properties expected to be sold have warehouses on them. It is estimated that the two Danna Street properties will be sold in 2017. The other parcel to be sold is 51361 Nurphy. This property has a warehouse on it. Half of the net proceeds are to be paid to the joint owners, Mr. & Mrs. Hamilton. A payment of $112,500 will be made to the fifty-percent joint owner as well as the ten percent sales commission to the real estate agent. The Hamiltons have a subrogated lien that is secured by the Hamilton property and will be paid to the Hamiltons at the closing of the Hamilton property by the closing agent. The amount paid for the subrogated lien will reduce the unsecured claim of the Hamiltons in the same amount. The Hamilton property is expected to sell in 2018.

5. *Vehicle Expenses.* Vehicle expenses currently are approximately $5,000 per year, but are expected to increase ten percent each year.

F. Projected Plan Payments. Plan payments are attached to and made a part hereof as part of the cash flow projections (refer to **Exhibit I)** and amortization schedules (**Exhibit J)**.

G. Working Capital. Debtor's working capital is significantly enhanced by the sale of real property. The plan provides for various reserve funds so that the debtor will have sufficient working capital in the event of unforeseen circumstances.

H. Income Tax Consequences of Plan Confirmation. Debtor is taxed as a partnership. The debtor does not pay any federal or state income tax because the income tax liability flows through, one hundred percent, to the members of the partnership. To the extent that the reorganization as confirmed by the court results in a discharge or forgiveness of indebtedness (which indebtedness was previously deducted by debtor), debtor will realize income in the tax year in which the plan, as confirmed, is consummated and the discharge/forgiveness effective [IRC §108(b)(1)]. Such debt forgiveness also flows through to the members of the partnership.

I. Debtor's Attorneys' Fees. Attorneys' fees accrued through December 31, 2016 are $47,525. Attorneys' fees paid to date are $2,000 and debtor has not paid the filing fee of $1,717. The attorneys' fees yet to be incurred are estimated to be $10,000 to $15,000.

J. Liquidation of Assets: The debtor does not plan to liquidate any assets outside the ordinary course of business. Assets will be liquidated, but the debtor's business is the sale of developed properties and rental income.

K. Current Value of Claims & Value of Collateral. The debtor obtained a broker's opinion of value for various properties and are summarized as follows:

51316 Nurphy: Runway property (Pgs 6 & 7 of Exhibit A)	$860,000
52001 Danna: Warehouse (Pgs 10 & 11 of Exhibit A)	225,000
52084 Danna: Warehouse (Pgs 12 & 13 of Exhibit A)	270,000
51361 Nurphy: Hamilton warehouse (Pgs 4 & 5 of Exhibit A)	475,000
5416 Kodiak (33 acres raw land) (Pgs 8 & 9 of Exhibit A)	500,000
52184 Montague: Partner's home (Pgs 14 & 15 of Exhibit A)	375,000
55138 Bay Court (raw land) (Pgs 16 & 17 of Exhibit A)	25,000

L. Classification of Claims: Debtor has classified the various claims of creditors for the plan as set forth in **Exhibit K**:

M. Contested Claims. The debtor does not intend to contest the claims of any creditors. The debtor's partners will contest the assessment of the IRS which is based upon a recent audit. The contest of the amended claim affects the debtor because debtor's property secures the amounts due by the partners. The first claim filed by the IRS in a related case was for the amount of $368,265. The claim was amended to $510,667 which is an increase of $142,402. This difference of $142,402 will be contested by the partners. In the event the IRS prevails, the debtor will make payment as set forth in the pro formas as set forth in **Exhibit L**.

III
PLAN SUMMARY

The debtor's current operations includes: (a) leasing three warehouses; (b) collecting airplane tie-down fees; (c) sales of land developed by the debtor. The majority of funds needed to fund a plan is derived by selling land developed by debtor. The land, while being an estate asset, is encumbered by IRS liens totaling $368,265. The amounts due the

IRS are not liabilities of this Chapter 11 bankruptcy estate, but due to the IRS liens, the IRS will be paid from the sale proceeds. The remaining funds from operations and the sale of the properties will be paid to debtor's creditors as set out below.

A. Secured Claims.

S-1 ***Kenai Peninsula Borough.*** Kenai Peninsula Borough's claim of $5,849 will be paid with statutory interest on or before June 30, 2017 with the total amount paid estimated to be $6,494.

S-2 ***Internal Revenue Service.*** The IRS has a lien claim against the property of debtor. S-2 will be paid upon the closing of any property for which the IRS has a lien. The IRS's lien claim will be paid the net proceeds (sales price less 10% commission and less normal closing costs) as follows:

Debtor will sell one of the three properties (52001 Danna St; 52084 Danna St.; or, 51361 Nurphy St) by June 30, 2017 for no less than $200,000. The debtor will sell one of the remaining properties by October 31, 2017 for no less than $200,000. The debtor will sell the remaining property by June 30, 2018 for no less than $200,000 without the personal residence of Merrill Myron McGahan (father) and not less than $400,000 with the principal residence.

Net proceeds from the sales are estimated by be:

Property	Sale Price	Commission	Est. Costs	Net
52001 Danna St	225,000	22,500	1,000	201.500
52084 Danna St	270,000	27,000	1,000	242,000
51361 Nurphy St (w/residence)	250,000	25,000	125,623	99,377

B. Priority Claims.

The debtor does not have any priority claims

C. Administrative Fees/Costs.

1. ***U.S. Trustee.*** Debtor will pay all quarterly fees as they come due and will do so until the case is either closed, converted, or dismissed. Debtor will file all monthly operating reports and progress reports when due.

2. ***Beaty & Draeger, Ltd (B&D).*** B&D will be paid fees approved by the court (estimated to be $62,525) and shall be paid after unsecured debt in 2019 and 2020.

D. Unsecured Claims

Unsecured claims will be paid $60,110 plus accrued interest at 6% on or before October 31, 2018, with the total amount paid estimated to be $69,464.

E. Equity Holders. The equity holders will retain their equity interest in the debtor provided all plan payments are made pursuant to the plan, but will receive no distributions (except for salaries of management as approved by the court) until all secured, priority, administrative, and unsecured claims are paid in full as set forth herein.

F. Executory Contracts. Debtor has no executory contracts.

G. Subrogated Lien: The US and Hamiltons have subrogated liens in the amounts of $368,265 and $ 11,124 respectively. The US lien will be paid upon the sale of any of the properties through closing. The Hamilton lien will be paid upon the earlier of the sale of the Hamilton property, or upon payment of the unsecured claim.

H. Cash Needed at Closing. The debtor is expecting the plan to be confirmed on June 30, 2017. The debtor must have sufficient cash to pay the following payments within ten (10) days of plan confirmation.

Trustee fees	$ 650
TOTAL	$ 650

As of December 31, 2016, the debtor has cash on hand in the amount of $324.

IV
LIQUIDATION VALUE

In the event debtor is forced to liquidate, the amounts to be paid to various claims are attached hereto and made a part hereof as **Exhibit M**.

V
PAYMENTS OUTSIDE THE PLAN

Debtor shall cause Merrill Myron McGahan (a partner in the debtor partnership) to pay the US $1,300 per month during the pendency of the plan beginning March 25, 2017 and on the same day of each month thereafter. The debtor will be in default if Merrill Myron McGahan fails to make the monthly payment. The US will give debtor notice that it is in default pursuant to this section. If debtor does not remedy the default in twenty days, the debtor will be in default. The default provision set forth in the plan will be followed upon default.

VI
MISCELLANEOUS

A. Management To Be Retained. The following individuals will be retained:

Position	Name	Salary
Partner	Merrill Myron McGahan	$48,000

Partner	Carmen McGahan	None
Partner	Merrill Mazie McGahan	None

B. Other Payments to Management. There are no additional payments to management other than normal reimbursements for travel and marketing.

C. Additional Provisions Related to Secured Claims, Security Interests, Subrogated Liens. The holders of claims in Class S-1, secured interests held by the IRS, subrogated liens held by the IRS and Hamilton are to retain security interests in the assets of debtor as such existed on the date the petition was filed, including (to the extent provided for in the loan or security agreement and perfected prior to the date the petition was filed) a security interest in and to all after-acquired property of a like and similar nature and character from and after the date the petition was filed, until such time as the allowed secured claims, security interests, and subrogated liens have been satisfied in full.

D. Vesting of Assets. Except as set forth in Section C above, as of the effective date of the plan, all assets of debtor shall vest in debtor free and clear of the interests, legal or equitable, liens, encumbrances and charges, if any, of any person, firm or entity.

E. Insider and Management Transaction.

1. Transactions Within Two Years. There have been no transactions within two years between management and the company other than in the ordinary course of business, or loans to or from the debtor by the partners. The debtor has paid fishing lodge and personal expenses of the partners, but all of the expenses have been treated as partner draws.

2. Management Contracts. All contracts with management and insiders are within the ordinary course of business.

3. Draws / Loans to Management. Merrill Myron McGahan's compensation has, up to the filing of this disclosure statement, been made up of distributions from the partnership. Upon plan confirmation, distributions will no longer be made and Merrill Myron McGahan will only be paid a salary of $48,000.

4. Guarantees of Management. The partners have not guaranteed obligations owed to various executory contracts and creditors, except that the security interest of the IRS against the debtor is a result of the individual liability of one partner (Merrill Myron McGahan) to the IRS.

5. Other Insider Information. Ownership of some of the properties held by the debtor are jointly owned by insiders. The ownership interests are relatively small (5% - 10%) and these small percentages are held either by Carmen McGahan (the third partner of debtor and Merrill Myron McGahan's wife), and Delores McGahan (Merrill Myron McGahan's mother). In addition, the three partners' personal residences are on two of the properties: 52184 Montegue (son, Merrill Mazie McGahan) and 51361 Nurphy St (Merrill Myron McGahan & wife Carmen McGahan). The partners live on these properties rent free.

6. ***Extraordinary Risk Factors.*** The business economy for the real property on the Kenai Peninsula, and specifically Nikiski, is tied to oil development. The outlook for development depends upon many variables which are always in flux.

7. ***Retirement Benefits.*** There currently are no employee retirement programs.

8. ***Causes Leading to Bankruptcy.*** A major cause leading to the need to file Chapter 11 was timing. The debtor has finally finished the development of the airport, but at a time when oil is at an all-time low and scarcity of potential purchasers. The economy has strengthened recently and the debtor is beginning to see increased interest in the properties.

DATED: 2/22/2017

__/S/ Merrill Myron McGahan__________________
Partner
McGahan Family Limited Partnership, Debtor

__/S/ Terry P. Draeger____________________
Attorney for Debtor
BEATY & DRAEGER, LTD.