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9 **UNITED STATES BANKRUPTCY COURT**

10 **DISTRICT OF ARIZONA**

11 In Re:

12 Paul Philip Lunden and Claudia Anne Lunden,
13 Debtors.

In Proceedings Under Chapter 11

Case No.: 4:15-bk-15630-BMW

AMENDED DISCLOSURE STATEMENT

14 **I. INTRODUCTION**

15 This is the First Amended Disclosure Statement (the “Disclosure Statement”) in the
16 Chapter 11 case of Paul Philip Lunden and Claudia Anne Lunden (the “Debtors”). The
17 Disclosure Statement contains information about the Debtors and describes the Chapter 11 Plan
18 of Reorganization (the “Plan”) filed by Debtors.

19 *Your rights may be affected. You should read the Plan and this Disclosure Statement
20 carefully and discuss with your attorney. If you do not have an attorney, you may wish to
21 consult one.*

22 The proposed distributions under the Plan are discussed at pages 04-09 of this Disclosure
23 Statement. General unsecured creditors are classified in Class 2, and will receive a *pro rata*
24 portion of \$9,000, likely to result in a 5.52% recovery of allowed claims in quarterly payments
25 over five years from the Effective Date of the Plan.

26 **A. PURPOSE OF THIS DOCUMENT**

27 This Disclosure Statement is intended to summarize and analyze the proposed Plan of
28 Reorganization of Debtors. The Disclosure Statement attempts to make factual disclosures
relevant to your decision to accept or reject the Plan. To the extent any statement made in this

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1 Disclosure Statement is inconsistent with any provision in the actual Plan, the terms and
2 provisions of the Plan control. In particular, the definitions of the Plan are incorporated herein.
3 Any representations or inducements made to secure acceptance of the Plan other than those
4 made or referred to in this Disclosure Statement should not be relied on by any party in
5 interest. Although every effort has been made by the Debtors to be accurate in their statements
6 included in this Disclosure Statement, the Debtors' records have not been audited, and are not
7 warranted to be without inaccuracies.

8 No representations concerning the bankruptcy estate, the debtors or the plan are
9 authorized other than as set forth in this disclosure statement. You should not rely on any
10 representations or inducements made to secure your acceptance of the plan other than those
11 contained in this disclosure statement as approved by the bankruptcy court.

12 The Court has not verified the accuracy of the information contained in this disclosure
13 statement. The Court's approval hereof only signifies that if the information contained herein is
14 accurate, it is sufficient to provide creditors and interested parties an adequate basis to decide
15 whether to accept or reject the plan. Court approval is not a judicial endorsement of the plan.

16 This Disclosure Statement describes:

- 17 • The Debtors and significant events during the bankruptcy case;
 - 18 • How the Plan proposes to treat claims or equity interests of the type you hold (*e.g.*, what
19 you will receive on your claim or equity interest if the plan is confirmed);
 - 20 • Who can vote on or object to the Plan;
 - 21 • What factors the Bankruptcy Court (the "Court") will consider when deciding whether
22 to confirm the Plan;
 - 23 • Why the Debtor believes the Plan is feasible, and how the treatment of your claim or
24 equity interest under the Plan compares to what you would receive on your claim or
25 equity interest in liquidation; and
 - 26 • The effect of confirmation of the Plan.
- 27
28

1 **B. DEADLINES FOR VOTING AND OBJECTING; DATE OF PLAN CONFIRMATION**
2 **HEARING**

3 The Court has not yet confirmed the Plan described in this Disclosure Statement. This
4 section describes the procedures pursuant to which the Plan will or will not be confirmed.

5 The Bankruptcy Court will hold a hearing on approval of the Disclosure Statement and
6 confirmation of the Plan on _ / ____ / ____ at ____: ____ am/pm at the United States
7 Bankruptcy Court, James A. Walsh Courthouse, 38 S. Scott Avenue, Courtroom 446, Tucson,
8 AZ, before the Honorable Brenda Moody Whinery. Parties may also appear at the U.S.
9 Bankruptcy Court, 230 N. First Avenue, 3rd Floor, Courtroom 301, Phoenix, AZ.

10 Any objections to confirmation of the Plan or approval of the Disclosure Statement must
11 be filed and served by the time and date of the hearing, or in person at the hearing. If there is
12 any modification to the Plan, the Bankruptcy Court will determine whether it is a material
13 modification and whether a further hearing, re-voting, or change of any deadline is required.
14

15 **II. BACKGROUND**

16 **A. EVENTS LEADING TO CHAPTER 11 FILING**

17 Paul Lunden was forced into early retirement when he lost vision in his right eye and
18 was unable to continue working. Claudia Lunden has been doing residential cleaning for years
19 and had a reduction in income when her clients could not have her clean their houses anymore
20 due to the economy. Debtors had to borrow money from friends and family to keep their
21 mortgage current on their home located at 1709 W. Cortez Circle, Chandler, AZ 85224 (the
22 “Chandler Property”) and decided to sell the property. Debtors sold their Chandler Property
23 and used the net proceeds to move to their land located at 1256 West Phillips Way, Cochise,
24 AZ 85606 (the “Cochise Property”) and assist with monthly living expenses.

25 Debtors received a Notice of Trustee Sale for the Cochise Property after moving to the
26 land. The Cochise Property has negative equity from a first and second mortgage and Debtors
27 could not afford to bring the account current.
28

1 In addition to the foreclosure, Debtors had incurred unsecured credit card debt, medical
2 debt, and the two personal loans when they were trying to catch-up on the mortgage payments
3 for both the Chandler Property and the Cochise Property.

4 As a result of the foreclosure notice, personal loans, federal tax debt and unsecured
5 creditors, Debtors sought legal counsel regarding a personal bankruptcy filing.

6 **B. SIGNIFICANT EVENTS DURING THE BANKRUPTCY CASE**

7 Debtors filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code on
8 December 11, 2015. On June 5, 2015, No official committee of unsecured creditors has been
9 appointed. No trustee or examiner has been appointed.

10 The Bankruptcy Court has approved the employment of Neeley Law Firm, PLC as
11 counsel for the bankruptcy proceedings.

12 An Order Setting Bar Date for Filing Proofs of Claim was April 21, 2016.

13 **C. PROJECTED RECOVERY OF AVOIDABLE TRANSFERS**

14 The Debtors are not aware of any preference, fraudulent conveyance, or other potential
15 avoidance actions.

16 **D. CLAIM OBJECTIONS**

17 Except to the extent that a claim is already allowed pursuant to a final non-appealable
18 order, the Debtors reserve the right to object to claims. Therefore, even if your claim is allowed
19 for voting purposes, you may not be entitled to a distribution if an objection to your claim is
20 later upheld. The procedures for resolving disputed claims are set forth in the Plan.

21 **E. CURRENT AND HISTORICAL FINANCIAL CONDITION OF DEBTORS**

22 The identity and fair market value of the estate's assets are listed in Exhibit "1" and was
23 obtained from the Debtors directly at the time of filing.

24 Paul Lunden is still retired and receives a steady social security income. Claudia Lunden
25 has been working consistently and continues to clean residential properties. A summary of the
26 Debtor's monthly operating reports filed since the commencement of the Debtors' bankruptcy
27 case is set forth in Exhibit "2". A Plan budget attached as Exhibit "3" lists an expected average
28

1 annual income throughout the life of the Plan and these numbers have been determined based
2 on the average income throughout the life of the Plan and Debtors' expectation of income over
3 five years. The Debtors provided their monthly expenses at the time of filing and have
4 determined these have not changed and are not expected to change significantly over the life of
5 the Plan.

6 F. ANTICIPATED PAYMENTS TO CREDITORS

7 After payment of administrative claims and priority claims, the Debtors will make
8 quarterly payments to satisfy claims of their unsecured creditors. Debtors anticipate beginning
9 payments to general unsecured creditors once administrative and priority claims have been
10 paid, which will be no later than month forty-eight from the Effective Date and will conclude
11 in month sixty.

12
13 **III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF**
14 **CLAIMS AND EQUITY INTERESTS**

15 A. WHAT IS THE PURPOSE OF THE PLAN OF REORGANIZATION?

16 As required by the Code, the Plan places claims and equity interests in various classes
17 and describes the treatment each class will receive. The Plan also states whether each class of
18 claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery
19 will be limited to the amount provided by the Plan.

20 B. UNCLASSIFIED CLAIMS

21 Certain types of claims are automatically entitled to specific treatment under the Code.
22 They are not considered impaired, and holders of such claims do not vote on the Plan. They
23 may, however, object if, in their view, their treatment under the Plan does not comply with that
24 required by the Code. As such, the Plan Proponent has not placed the following claims in any
25 class:
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1 **1. Administrative Expenses**

2 1(a) Professional Fees.

3 The following professionals have agreed to accept payment over time as follows.
4 Payments will be made monthly, due on the 15th day of the month, starting the first full calendar
5 month after the Effective Date (subject to approval of fees by the Bankruptcy Court). Payments
6 to general unsecured creditors will be made quarterly after administrative claims and priority
7 claims are paid in full.

Name and Role of Professional	Estimated Amount	Proposed Treatment
Neeley Law Firm, PLC	\$5,000	Paid in full on the Effective Date of the Plan, or according to separate written agreement, or according to the Court Order if such fees have not been approved by the Court on the Effective Date of the Plan.

8 **Estate professionals are not entitled to vote on confirmation of the Plan.**

9 1(b) Post-Confirmation Compensation of Professional Persons.

10 Compensation for services rendered and for reimbursement of expenses by a
11 professional person after the Effective Date need not be approved by the Bankruptcy Court.
12 Professional persons may invoice the reorganized Debtors (or other responsible third-party)
13 directly, and the reorganized Debtors (or other responsible third-party) may pay such invoices
14 without further order from the Bankruptcy Court.

15 1(c) United States Trustee Fees.

16 All fees payable to the United States Trustee as of confirmation will be paid on
17 the Effective Date; post-confirmation fees to the United States Trustee will be paid when due.

18 **2. Priority Tax Claims**

19 Priority tax claims are unsecured income, employment and other taxes described
20 by §507(a)(8) of the Code. Unless the holder of such a §507(a)(8) priority tax claim agrees
21 otherwise, it must receive the present value of such claim in regular installments paid over a
22

1 period not exceeding five years from the petition date. Payments to general unsecured creditors
 2 will be made quarterly after administrative claims and priority claims are paid in full. Priority
 3 claims will likely be paid in full early.

4 Debtors' estimated § 507(a)(8) priority tax claims consists of a Claim of the
 5 Internal Revenue Service. The Internal Revenue Service shall receive \$6,971.36 and shall
 6 accrue interest of 4% per annum until paid in full. Payments will begin immediately in month
 7 one from the Effective Date and is expected to be paid in full by month thirty-six of the Plan.

11 **C. CLASSES OF CLAIMS AND EQUITY INTERESTS**

12 The following are the classes set forth in the Plan, and the proposed treatment that they
 13 will receive under the Plan:

14 **1. Classes of Secured Claims**

15 Allowed Secured Claims are claims secured by property of the Debtor's
 16 bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under
 17 §506 of the Code. If the value of the collateral or setoffs securing the creditor's claims is less
 18 than the amount of the creditor's allowed claim, the deficiency will be classified as a general
 19 unsecured claim.

20 The following chart lists all classes containing Debtors' secured prepetition
 21 claims and their proposed treatment under the Plan:

22 **a. Debtor to Strip Lien to Value of Collateral and Pay Over Time**

Class	Name of Creditor	Description of Collateral	Value	Interest Rate	Monthly Payment
1A	Ditech Financial, LLC	1256 W. Phillips Way Cochise, AZ 85283	\$75,000	4%	\$358.00

1 Debtor contends the value of the collateral is less than the amount of the Claim. Debtor
 2 will pay as a Secured Claim the amount equal to the value of the collateral as established by the
 3 Bankruptcy Court. Debtor will pay the above Secured Claim in full with interest from the
 4 Effective Date through 360 monthly payments. Payments will be due on the 1st day of the
 5 month, starting on August 1, 2016. Any remaining amount due is a general Unsecured Claim
 6 and will be treated in Section (C)(3) below.

7 **These claims are impaired and are entitled to vote on confirmation of the Plan.**

8 **b. Debtor to Strip Lien**

Class	Name of Creditor	Collateral	Value of Collateral
1B	PNC Bank, N.A.	1256 W. Phillips Way Cochise, AZ 85283	\$75,000

12 Any Claim of a Creditor whose lien is stripped is a general Unsecured Claim and will be
 13 treated in Section (B)(5) below.

14 **These claims are impaired and are entitled to vote on confirmation of the Plan.**

15 **c. Debtor to Adjust Terms and Pay Amount in Full Over Time**

Class	Name of Creditor	Description of Collateral	Amount Due	Interest Rate	Monthly Payment	Term
1C	Amigo Financial, LLC	2001 Mazda Tribune	\$10,731.24	5%	\$203.00	60 Months

20 **These claims are impaired and are entitled to vote on confirmation of the Plan.**

21 **d. Property to Be Surrendered. NONE.**

22 **e. Deadline for § 1111(b) Election**

23 An election of application of §111(b)(2) of the Code by a class of secured creditors in a
 24 chapter 11 case may be made at any time prior to the conclusion of the hearing on the
 25 disclosure statement or within such later time as the court may fix. If the disclosure statement is
 26 conditionally approved pursuant to Rule 3017.1, and a final hearing on the disclosure statement
 27

1 is not held, the election of application of §1111(b)(2) may be made not later than the date fixed
2 pursuant to Rule 3017.1(a)(2) or another date the court may fix. The election shall be in writing
3 and signed unless made at the hearing on the disclosure statement. The election, if made by the
4 majorities required by §1111(b)(1)(A)(i), shall be binding on all members of the class with
5 respect to the plan.

6 **2. Classes of Priority Unsecured Claims**

7 Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of
8 the Code are required to be placed in classes. The Code requires that each holder of such a
9 claim receive cash on the effective date of the Plan equal to the allowed amount of such claim.
10 However, a class of holders of such claims may vote to accept different treatment.

11 **3. Class of General Unsecured Claims**

12 This class includes all known non-priority unsecured creditors, including
13 deficiency claims, and rejection claims, whether scheduled or based on proofs of claim on file.
14 Allowed claims of general unsecured creditors (including allowed claims of creditors whose
15 executory contracts or unexpired leases are being rejected under this Plan) will be paid as
16 follows:

17 Creditors will receive a *pro-rata* share of a fund totaling \$9,000, likely to result
18 in a 5.52% recovery of allowed claims. Pro-rata means the entire amount of the fund
19 divided by the entire amount owed to creditors with allowed claims in this class.

20 Payments to general unsecured creditors will be made quarterly after administrative
21 claims and priority claims are paid in full, which will be no later than month forty-eight
22 from the Effective Date and will conclude in month sixty. Any general unsecured
23 creditors expected to receive a *pro rata* share of less than \$50.00 will not receive a
24 payment unless a request is made in writing within 90 days of Effective Date to Debtors'
25 counsel at:
26
27
28

1 Paul & Claudia Lunden
2 c/o Neeley Law Firm, PLC
3 2250 E. Germann Rd, Suite 11
4 Chandler, AZ 85286

5 All payments will be completed before 60 months passes from the Effective Date
6 of the Plan.

7 **This class is impaired and is entitled to vote on confirmation of the Plan.**

8 **D. RISK FACTORS**

9 Debtors' ability to earn income is the only risk factor in this case. Based on the Debtors'
10 income history, they are expected to be able to pay claims as proposed in the Plan.

11 **E. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

12 The Plan lists all executory contracts and unexpired leases that the Debtors will assume
13 under the Plan. Assumption means that the Debtors have elected to continue to perform the
14 obligations under such contracts and unexpired leases, and to cure defaults of the type that must
15 be cured under the Code, if any.

16 If you object to the assumption of your unexpired lease or executory contract, the
17 proposed cure of any defaults, or the adequacy of assurance of performance, you must file and
18 serve your objection to the Plan within the deadline for objecting to the confirmation of the
19 Plan, unless the Court has set an earlier time.

20 **F. TAX CONSEQUENCES OF PLAN**

21 The confirmation and consummation of the Plan may result in federal and state income
22 tax consequences to holders of claims. Tax consequences to a particular creditor will depend on
23 the particular circumstances regarding the claim of that creditor.

24 Creditors concerned with how the plan may affect their tax liability should consult with
25 their own accountants, attorneys, and/or advisors.

26 **IV. CONFIRMATION REQUIREMENTS AND PROCEDURES**

27 To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the
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1 Code. These include the requirements that: the Plan must be proposed in good faith; at least
2 one impaired class of claims must accept the plan, without counting votes of insiders; the Plan
3 must distribute to each creditor and equity interest holder at least as much as the creditor or
4 equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity
5 interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are
6 not the only requirements listed in § 1129, and they are not the only requirements for
7 confirmation.

8 **A. WHO MAY VOTE OR OBJECT**

9 Any party in interest may object to the confirmation of the Plan if the party believes that
10 the requirements for confirmation are not met.

11 Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A
12 creditor or equity interest holder has a right to vote for or against the Plan only if that creditor
13 or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for
14 voting purposes and (2) impaired.

15 In this case, the Plan Proponent believes that classes are impaired and that holders of
16 claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The
17 Plan Proponent believes that classes are unimpaired and that holders of claims in each of these
18 classes, therefore, do not have the right to vote to accept or reject the Plan.

19 **1. What Is an Allowed Claim or an Allowed Equity Interest?**

20 Only a creditor or equity interest holder with an allowed claim or an allowed
21 equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed
22 if either (1) the Debtor has scheduled the claim on the Debtors' schedules, unless the claim has
23 been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of
24 claim or equity interest, unless an objection has been filed to such proof of claim or equity
25 interest. When a claim or equity interest is not allowed, the creditor or equity interest holder
26 holding the claim or equity interest cannot vote unless the Court, after notice and hearing,
27 either overrules the objection or allows the claim or equity interest for voting purposes pursuant
28

1 to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

2 *The deadline for filing a proof of claim in this case was April 21, 2016.*

3 **2. What Is an Impaired Claim or Impaired Equity Interest?**

4 As noted above, the holder of an allowed claim or equity interest has the right to
5 vote only if it is in a class that is impaired under the Plan. As provided in § 1124 of the Code, a
6 class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the
7 members of that class.

8 **3. Who is Not Entitled to Vote?**

9 The holders of the following five types of claims and equity interests are not
10 entitled to vote:

- 11 • holders of claims and equity interests that have been disallowed by an order of
12 the Court;
- 13 • holders of other claims or equity interests that are not “allowed claims” or
14 “allowed equity interests” (as discussed above), unless they have been “allowed”
15 for voting purposes.
- 16 • holders of claims or equity interests in unimpaired classes;
- 17 • holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8)
18 of the Code; and
- 19 • holders of claims or equity interests in classes that do not receive or retain any
20 value under the Plan;
- 21 • administrative expenses.

22 *Even if you are not entitled to vote on the plan, you have a right to object to the confirmation*
23 *of the plan and to the adequacy of the Disclosure Statement.*

24 **4. Who Can Vote in More Than One Class?**

25 A creditor whose claim has been allowed in part as a secured claim and in part as
26 an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or
27 reject a Plan in each capacity, and should cast one ballot for each claim.

B. VOTES NECESSARY TO CONFIRM THE PLAN

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cram down” on non-accepting classes, as discussed later in Section (B)(2).

1. Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

2. Treatment of Nonaccepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a “cram down” plan. The Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a “cram down” confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. LIQUIDATION ANALYSIS

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as **Exhibit “1”**.

1 **D. FEASIBILITY**

2 The Court must find that confirmation of the Plan is not likely to be followed by the
3 liquidation, or the need for further financial reorganization, of the Debtors or any successor to
4 the Debtors, unless such liquidation or reorganization is proposed in the Plan.

5 Debtors are gainfully employed and expect to have the ability to make payments over
6 the life of the Plan. Debtors have provided financial information in **Exhibit “3”**.

7 You should consult with your accountant or other financial advisor if you have any
8 questions pertaining to these projections.

9
10 **V. EFFECT OF CONFIRMATION OF PLAN**

11 **A. DISCHARGE OF DEBTOR**

12 Confirmation of this Plan does not discharge any debt provided for in this Plan until the
13 Bankruptcy Court grants a discharge on completion of all payments under this Plan, or as
14 otherwise provided in § 1141(d)(5) of the Code, or the Bankruptcy Court grants a limited
15 (“hardship”) discharge as allowed under Bankruptcy Code § 1141(d)(5)(B). Debtors will not be
16 discharged from any debt excepted from discharge under § 523 of the Code, except as provided
17 in Rule 4007(d) of the Federal Rules of Bankruptcy Procedure.

18 **B. MODIFICATION OF PLAN**

19 The Plan Proponent may modify the Plan at any time before confirmation of the Plan.
20 However, the Court may require a new disclosure statement and/or revoting on the Plan.

21 Upon request of the Debtors, the United States trustee, or the holder of an allowed
22 unsecured claim, the Plan may be modified by the court at any time after confirmation of the
23 Plan but before the completion of payments under the Plan, to (1) increase or reduce the
24 amount of payments under the Plan on claims of a particular class, (2) extend or reduce the
25 time period for such payments, or (3) alter the amount of distribution to a creditor whose claim
26 is provided for by the Plan to the extent necessary to take account of any payment of the claim
27 made other than under the Plan.

1 **C. FINAL DECREE**

2 Once the estate has been fully administered, as provided in Rule 3022 of the Federal
3 Rules of Bankruptcy Procedure, the Debtors, or such other party as the Court shall designate in
4 the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close
5 the case. Alternatively, the Court may enter such a final decree on its own motion.
6

7 **VI. OTHER PLAN PROVISIONS**

8 **A. EFFECTIVE DATE OF PLAN**

9 The Effective Date of the Plan is the fifteenth day following the date of the entry of the
10 order of confirmation. If a notice of appeal has been filed, Debtors may waive the finality
11 requirement and put the Plan into effect, unless the order confirming the Plan has been stayed. If
12 a stay of the confirmation order has been issued, the Effective Date will be the first day after
13 that date on which no stay of the confirmation order is in effect, provided that the confirmation
14 order has not been vacated.

15 **B. DISPUTED CLAIM RESERVE**

16 Debtors do not dispute any claims.

17 **C. CRAMDOWN**

18 Pursuant to 11 U.S.C. § 1129(b), Debtors reserve the right to seek confirmation of the
19 Plan despite the rejection of the Plan by one or more classes of creditors. The Debtor's ability to
20 "cramdown" this Plan over the objections of creditors may be affected, in part, by how the
21 Bankruptcy Court rules on the applicability of the "Absolute Priority Rule" in this case. The
22 Absolute Priority Rule provides, in essence, that junior claimants, including the Debtor, are
23 barred from retaining any non-exempt property under the Plan unless senior claimants are paid
24 in full. The Debtor asserts that the law in this District is that the Absolute Priority Rule applies
25 to individual debtors in the event of an objection to the Chapter 11 Plan. *See Zachary v.*
26 *California Bank (In re. Zachary)* 811 F.3d 1191, 1193 (9th Cir. 2016) (Holding that "a
27
28

1 bankruptcy judge may find that a debtor’s plan is ‘fair and equitable’ to an objecting creditor
2 only if the plan complies with the absolute priority rule”).

3 In the present case, the Debtor proposes to retain a small amount of non-exempt property
4 and proposes to pay less than 100% of claims. If Debtor cannot obtain consent of all classes, and
5 therefore seeks to proceed with a “cramdown” plan, the Debtor reserves the right to present plan
6 provisions that will provide new value to the creditors as an exception to the absolute priority
7 rule. *See Bonner Mall Partnership v. U.S. Bancorp Mortgage Co. (In re Bonner Mall*
8 *Partnership)*, 2 F.3d 899 (9th Cir. 1993).

9 **D. SEVERABILITY**

10 If any provision in the Plan is determined to be unenforceable, the determination will in
11 no way limit or affect the enforceability and operative effect of any other provision of the Plan.

12 **E. GOVERNING LAW**

13 Except to the extent a federal rule of decision or procedure applies, the laws of the State
14 of Arizona govern the Plan.

15 **F. LAWSUITS AND OTHER CLAIMS FOR RELIEF**

16 Debtors do not have any non-bankruptcy litigation or known causes of action against
17 anyone. Debtors also believe no causes of action exist for fraudulent transfers, voidable
18 preferences, or other claims for relief.

19 Without limiting the foregoing, Debtors retain all causes of action that they have against
20 any party, whether arising pre- or post-petition, and all such causes of action vest in the
21 reorganized Debtors on the Effective Date. The nondisclosure of unknown causes of action is
22 not a settlement, compromise, waiver or release of such cause of action, and does not judicially
23 estop the Debtors from asserting any such cause of action as a claim or defense. Confirmation of
24 the Plan does not constitute a settlement, compromise, waiver, or release of any cause of action
25 unless the Plan or Confirmation Order specifically and unambiguously so provide.
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1 **G. NOTICES**

2 Any notice to the Debtor must be in writing, and will be deemed to have been given three
3 days after the date sent by first-class mail, postage prepaid and addressed as follows:

4 Paul & Claudia Lunden
5 c/o Neeley Law Firm, PLC
6 2250 E. Germann Rd, Suite 11
7 Chandler, AZ 85286

8 **H. POST-CONFIRMATION UNITED STATES TRUSTEE FEES**

9 Following confirmation, Debtors must continue to pay quarterly fees to the United States
10 Trustee to the extent, and in the amounts, required by 28 U.S.C. § 1930(a)(6). So long as Debtor
11 is required to make these payments, Debtor must file with the Bankruptcy Court quarterly
12 reports in the form specified by the United States Trustee for that purpose.

13 DATED: August 5, 2016

14 By: /s/ Paul Philip Lunden
15 Paul Philip Lunden
16 Debtor

17 /s/ Claudia Anne Lunden
18 Claudia Anne Lunden
19 Co-Debtor

20 /s/ Kenneth L. Neeley
21 Kenneth L. Neeley
22 Attorney for Debtors
23

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28 In re: Lunden
Case No. 15-15630

17

EXHIBIT 1

LIQUIDATION ANALYSIS: WHAT CREDITORS WOULD RECEIVE IF THE CASE WERE CONVERTED TO A CHAPTER 7

Real Property: 1256 W. Phillips Way, Cochise, AZ 85606 (AKA 1256 W. Eslick Ranch Rd.)

Fair Market Value	Liens	Amount of Exemption	Net Proceeds
\$75,000.00	\$189,496.65	N/A	\$0.00

Personal Property:

Description	Liquidation Value	Secured Claim	Amount of Exemption	Net Proceeds
2002 Ford Windstar Minivan	\$1,400.00	N/A	\$6,000.00	\$0.00
2001 Mazda Tribute	\$2,700.00	\$10,731.24	N/A	\$0.00
1988 Allegro M-33 Basement	\$1,000.00	N/A	\$6,000.00	\$0.00
1981 Prowler Fleetwood Trailer	\$1,500.00	N/A	N/A	\$1,500.00
1977 American Travel Trailer	\$1,800.00	N/A	\$150,000.00	\$0.00
Household Good and Furnishing	\$941.00	N/A	\$11,000.00	\$0.00
Small Electronics	\$100.00	N/A	\$1,000.00	\$0.00
Miscellaneous Books	\$50.00	N/A	\$500.00	\$0.00
Acoustic Guitars	\$50.00	N/A	\$800.00	\$0.00
Sewing Machine and Bible	\$20.00	N/A	\$2,000.00	\$0.00
Miscellaneous Clothing	\$200.00	N/A	\$1,000.00	\$0.00
Wedding Rings	\$75.00	N/A	\$4,000.00	\$0.00
Pets	\$0.00	N/A	\$1,600.00	\$0.00
Checking Account – GW (#986)	\$31.00	N/A	100%	\$0.00
Checking Account – GW (#994)	\$1,762.63	N/A	\$600.00	\$1,162.63
Checking Account – GW (#014)	\$34.97	N/A	N/A	\$34.97
Undeposited Check	\$625.00	N/A	N/A	\$625.00

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1	Term Life Insurance Policy	\$0.00	N/A	N/A	\$0.00
2	Class Action Lawsuit Claim	Unknown	N/A	N/A	\$0.00
3	Account Receivables	\$700.00	N/A	N/A	\$700.00
4	Business Supplies - Cleaning	\$140.00	N/A	\$5,000.00	\$0.00
5	Business Supplies – Handyman	\$320.00	N/A	\$5,000.00	\$0.00
6	Total				\$4,022.60

7
8 **Summary:**

9	Net Proceeds of Real Property and Personal Property	\$4,022.60
10	Chapter 7 Trustee Fees	\$1,005.65
11	Priority Claims	\$6,308.22
12	NET FUNDS AVAILABLE FOR DISTRIBUTION TO UNSECURED	(\$3,291.27)
13	CREDITORS	

14	Estimated Amount of Unsecured Claims	\$163,155.52
15	Percent Distribution to Unsecured Creditors Under Proposed Plan	5.52%
16	Percent Distribution to Unsecured Creditors Under Liquidation Analysis	0.00%

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In re: Lunden
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EXHIBIT 2

SUMMARY OF MONTHLY OPERATING REPORTS (“MOR”)

Month	DOC No.	Total Net Receipts	Total Distributions	Net
January 2016	34	\$3,806.30	\$3,035.27	\$771.03
February 2016	37	\$3,517.30	\$3,642.55	(\$125.25)
March 2016	46	\$3,377.30	\$3,289.02	\$88.28
Average		\$3,566.97	\$3,322.28	\$244.69

Exhibit 3 - Projected Income and Expenses for Paul and Claudia Lunden

	Year 1		Year 2		Year 3		Year 4		Year 5	
Average Monthly Income	\$1,700.00		\$1,700.00		\$1,700.00		\$1,715.00		\$1,715.00	
Social Security Income	\$1,695.00		\$1,695.00		\$1,695.00		\$1,695.00		\$1,695.00	
Total Monthly Income	\$3,395.00		\$3,395.00		\$3,395.00		\$3,410.00		\$3,410.00	
Monthly Non-Plan Expenses										
Rent	\$150.00		\$150.00		\$150.00		\$150.00		\$150.00	
Home Maintenance	\$100.00		\$100.00		\$100.00		\$100.00		\$100.00	
Electriciy, Heat, Natural Gas	\$150.00		\$150.00		\$150.00		\$150.00		\$150.00	
Propane	\$35.00		\$35.00		\$35.00		\$35.00		\$35.00	
Telephone, Cable, Internet	\$176.00		\$176.00		\$176.00		\$176.00		\$176.00	
Food and Housekeeping Supplies	\$556.00		\$556.00		\$556.00		\$556.00		\$556.00	
Clothing, Laundry & Dry Cleaning	\$160.00		\$160.00		\$160.00		\$160.00		\$160.00	
Medical and dental expenses	\$120.00		\$120.00		\$120.00		\$120.00		\$120.00	
Transportation Expenses	\$340.00		\$340.00		\$340.00		\$340.00		\$340.00	
Entertainment, Recreations, Clubs	\$225.00		\$225.00		\$225.00		\$225.00		\$225.00	
Insurance: Health	\$152.00		\$152.00		\$152.00		\$152.00		\$152.00	
Inusurance: Auto	\$173.00		\$173.00		\$173.00		\$173.00		\$173.00	
Emergency/ Contingency/ Misc.	\$137.00		\$137.00		\$137.00		\$137.00		\$137.00	
Total Expenses	\$2,474.00		\$2,474.00		\$2,474.00		\$2,474.00		\$2,474.00	

Estimated Plan Payments	Date	Year 1	Year 2	Year 3	Year 4	Year 5
Admin Claims		\$230.00	\$230.00			
Class 1A (Ditech Financial)		\$358.00	\$358.00	\$358.00	\$358.00	\$358.00
Class 1C (Amigo Financial)		\$203.00	\$203.00	\$203.00	\$203.00	\$203.00
Class 2 Priority Claims		\$130.00	\$130.00	\$360.00		
Class 3 GUC					\$375.00	\$375.00
Total Plan Payments		\$921.00	\$921.00	\$921.00	\$936.00	\$936.00