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9
10 **IN THE UNITED STATES BANKRUPTCY COURT**
11 **FOR THE DISTRICT OF ARIZONA**

12 **IN RE GRESHAM & GRAHAM GENERAL**
13 **PARTNERSHIP,**

14 **Debtor.**

15 **IN PROCEEDINGS UNDER CHAPTER 11**

16 **Case Number: 2:17-bk-08801-EPB**

17 **FIRST AMENDED DISCLOSURE STATEMENT IN SUPPORT OF DEBTOR'S**
18 **PLAN OF REORGANIZATION DATED JANUARY 9, 2018**

19 **I. OVERVIEW AND IDENTIFICATION OF PROPONENT**

20 Gresham & Graham General Partnership, debtor and debtor-in-possession ("**Debtor**"),
21 submits this *First Amended Disclosure Statement to Accompany First Amended Plan of*
22 *Reorganization Dated February 23, 2018*. The Debtor is the proponent of the Plan. A copy of the
23 Plan is attached to this Disclosure Statement as **Exhibit A**. Capitalized terms in this Disclosure
24 Statement have the same meaning as provided in the Bankruptcy Code, Bankruptcy Rules, the Plan
25 at *Article 1 – Definitions*, or as separately defined in this Disclosure Statement.

26 **II. PRELIMINARY STATEMENT**

27 The Disclosure Statement and Plan are submitted pursuant to Chapter 11 of the Bankruptcy
28 Code (the "Code"). The Debtor submits this Disclosure Statement to all of its Creditors in order to
comply with provisions of the Code requiring the submission of information necessary for Creditors
to arrive at an informed decision in exercising their right to vote for acceptance or rejection of the
Plan.

1 **III. PLAN AND CODE PROVISIONS FOR VOTING**

2 A. Relationship of Disclosure Statement to the Plan.

3 This Disclosure Statement provides relevant information about the Debtor, its
4 financial condition, and the Plan. This Disclosure Statement contains a detailed discussion of the Plan
5 and its implementation; however, the discussion of the Plan in this Disclosure Statement is only a
6 summary of the Plan and should be read in conjunction with the Plan, which is a legal document, and,
7 which upon confirmation, will become binding upon the parties. Accordingly, this Disclosure
8 Statement is qualified by the Plan. If there is any inconsistency between the Plan and this Disclosure
9 Statement, the Plan is controlling.

10 The Debtor urges Creditors and other parties-in-interest to consult with independent
11 counsel in connection with their decision to accept or reject the Plan. Your Claim will be assigned to
12 a Class of Creditors, and the treatment of each Class is set forth in this Disclosure Statement and in
13 the Plan. The Debtor has used its best efforts to comply with 11 U.S.C. § 1129 for this treatment. The
14 only representations the Debtor is authorized to make concerning the value of its assets or potential
15 distributions are contained in this Disclosure Statement.

16 The Debtor may not solicit acceptances or rejections of the Plan until the Court
17 conducts a hearing on the Disclosure Statement, with notice of the hearing given to all Creditors of
18 the Debtor, and the Court approves the Disclosure Statement as containing sufficient information for
19 a Creditor to make an informed decision with respect to the Plan.

20 B. Creditors Allowed to Vote: Deadline.

21 Creditors holding Allowed Claims are entitled to vote to accept or reject the Plan,
22 unless the Plan lists such Claims as unimpaired. The Court will fix a date that will be the last date by
23 which ballots upon the proposed Plan must be filed with counsel for the Debtor as agents of the Court.

24 **Ballots must be received by:**

25 **Law Office of Blake D. Gunn**
26 **Chapter 11 Ballot Returns**
27 **P.O. Box 22146**
28 **Mesa, AZ 85277**

1 **no later than the date fixed by the Court. No ballots received by the above counsel for the Debtor**
2 **after that date will be counted in determining whether the Plan should be confirmed.**

3 Even though a Creditor may choose not to vote or may vote against the Plan, the Creditor will be
4 bound by the terms and treatment set forth in the Plan if the Plan is accepted by the requisite majorities
5 in each Class of Creditors and/or is confirmed by the Court. Creditors who fail to vote will not be
6 counted in determining acceptance or rejection of the Plan. Allowance of a Claim or interest for
7 voting purposes does not necessarily mean that the Claim will be allowed or disallowed for purposes
8 of distribution under the terms of the Plan. Any Claim to which an objection has been or will be
9 made will be allowed for distribution only after determination by the Court. Such determination may
10 be made after the Plan is confirmed.

11 The Plan must conform to the requirements of 11 U.S.C. § 1129 which include: (1)
12 that with respect to each class of claims or interests, each holder of a claim or interest has accepted
13 the plan or will receive or retain under the plan on account of such claim or interest property of a
14 value that is not less than the amount such holder would receive if the debtor were to be liquidated
15 under Chapter 7; (2) that confirmation of the plan is not likely to be followed by liquidation or the
16 need for further reorganization; and (3) that the plan does not discriminate unfairly and is fair and
17 equitable with respect to each class of claims and interests that is impaired under and has not accepted
18 the plan.

19 C. Voting Provisions.

20 In order for the Plan to be deemed accepted by a Class of Creditors, under 11 U.S.C.
21 § 1126(c), Creditors in an Impaired Class, that is, claimants defined in 11 U.S.C. § 1124, whose legal,
22 equitable or contractual rights are altered, that hold at least two-thirds (2/3) in the dollar amount and
23 more than one-half (1/2) in the total number of the Allowed Claims in a particular Class of Creditors
24 voting on the Plan, with timely received ballots, must accept the Plan. Since the Plan provides for
25 only one Impaired Class, the "cram down" provisions of § 1129(b) of the Code are not applicable to
26 the Plan.

27 D. Representations Limited.

28

1 No representations concerning the Debtor, particularly regarding future business
2 operations or the value of the Debtor's assets, have been authorized by the Debtor except as set forth
3 in this Disclosure Statement. You should not rely on any other representations or inducements
4 proffered to you to secure your acceptance in arriving at your decision in voting on the Plan. Any
5 person making representations or inducements concerning acceptance or rejection of the Plan should
6 be reported to counsel for the Debtor at the address above and to the United States Trustee. The
7 United States Trustee may be reached at (602) 682-2600.

8 While every effort has been made to provide the most accurate information available,
9 the Debtor is unable to warrant or represent that all information is without inaccuracy, although no
10 known inaccuracies are present in this Disclosure Statement or the Plan. Further, some of the
11 information contained herein consists of projections of future performance of an uncertain business.
12 While every effort has been made to ensure that the assumptions are valid and the projections are as
13 accurate as can be made under the circumstances, the Debtor does not undertake to certify or warrant
14 the absolute accuracy of the projections and other information contained herein. The Court has not
15 verified the accuracy of the information contained herein. The Court's approval of the Disclosure
16 Statement does not imply that the Court endorses or approves the Plan, but only that, if the
17 information is accurate, it is sufficient to provide adequate information for Creditors to make an
18 informed decision to approve or reject the Plan.

19 **IV. THE DEBTOR**

20 A. History of the Debtor.

21 Gresham & Graham is an Arizona general partnership formed as part of the estate plan
22 of Thomas and Theresa Littler. Gresham & Graham was formally created in 2010, although the estate
23 plan of the Littlers originated much earlier. The partnership has owned interests in three parcels of
24 real property during its existence. During the first year of its existence, Littlers held a parcel of real
25 property located in San Diego in their Thomas name for the benefit of the partnership. The San Diego
26 parcel was formally deeded to the partnership in December 2011. In mid-2012, the Littlers primary
27 residence was transferred to the partnership.

1 In 2012, the partnership filed a Chapter 11 proceeding and ultimately confirmed a
2 Plan. At the time of confirmation, values of the real property were set and the claims of secured and
3 general unsecured creditors were fixed. Under the terms of that Plan, the Littlers contributed two
4 parcels of additional real property to the partnership. The two parcels in Heber, Arizona, had
5 approximately \$50,000.00 of equity in them at the time of the transfer.

6 The Plan filed along with this Disclosure Statement does not propose to change the
7 claims fixed under the first Plan and does not modify the first Plan, except to provide for liquidation
8 of assets and the curing of other secured obligations.

9 B. Debtor's Management.

10 Members of the Littler family who have achieved the age of majority were originally
11 partners of the general partnership. Thomas Littler, Theresa Littler, Christopher Littler, and Courtney
12 Littler held partnership interests as of 2012. Following the confirmation of the original plan of
13 reorganization and the addition of the Heber property to the partnership's assets and the funding of a
14 pension plan, Christopher and Courtney withdrew from the partnership on December 24, 2015 in
15 preparation for transfer of the partnership interests to a family trust. That transfer has not yet
16 occurred. Theresa Littler and Thomas Littler presently hold all partnership interests and have the
17 responsibility for managing the properties of the partnership. Thomas and Theresa Littler also
18 personally pay all the operating expenses of each property.

19 C. Description of the Debtor's Property.

20 The Debtor owns three residential real properties. The primary residence referred to
21 above is located 341 W. Secretariat, Tempe, Arizona which is also the home office for Thomas
22 Littler's law practice. The San Diego property is a condominium located in Pacific Beach. Thomas
23 and Theresa Littler occupy the Tempe property and use it as a residence and Thomas law office and
24 have been responsible for maintaining it. The San Diego property has historically been used as a
25 summer and vacation residence, although the partnership made attempts to operate the property as a
26 rental. However, in the year preceding this bankruptcy filing, no rentals have occurred, and the
27 Littlers revised their plans for the San Diego property. Various furnishing and appliances located in
28

1 the San Diego property were conveyed to the Debtor. The furnishings and appliances in the Tempe
2 property remain the property of the Littlers.

3 The Heber property is a residence and a lot that was owned by Thomas Littler's father
4 and conveyed to the Littlers prior to his death. The partnership intended to sell the property, and it
5 was listed and put on the market, but a depressed market in the area and the number of properties
6 placed for sale as the economy recovered has caused the partnership to delay the listing and sale of
7 the property.

8 D. Factors Precipitating Chapter 11.

9 In 2013, the Debtor confirmed a Plan of Reorganization. The Debtor began
10 performing under that plan, but conditions had not improved to the extent necessary to achieve of a
11 sale of the Heber property to provide additional funding to the Debtor. Also, Mr. Littler's income
12 from Gordon Silver, the firm of which he was a shareholder and on which he depended for income
13 for plan payments, declined, bonuses disappeared, he departed, and the firm then folded and his
14 income was decreased while re-establishing his practice. The Debtor determined that it would sell
15 in an orderly liquidation which allows Thomas Littler to continue to practice law, generate income to
16 pay plan payments for a period of time, its Arizona properties and retain the San Diego property. A
17 trustee's sale of the Tempe property was commenced, and the Debtor filed the instant Petition.

18 E. Events Since the Petition Date.

19 This case was filed in late July 2017. A meeting of creditors was held in September.
20 No litigation has occurred in the case, and no creditor has sought stay relief. The Debtor has filed all
21 required operating reports.

22 **V. SUMMARY OF THE DEBTOR'S FINANCIAL STATUS**

23 The Debtor's financial status is summarized as follows:

24 A. Assets.

25 1. Real Property.

26 a. 341 W. Secretariat Dr., Tempe, Arizona. This property is a single
27 family dwelling. This property has a fair market value of approximately \$634,000.00 based on recent
28 prices from comparable sales and a listing opinion from Keller Williams Realty. The range of prices

1 provided by the broker was \$435,000.00 to \$728,000.00, with \$634,000.00 being the mid-range
2 value.

3 b. 3907 Gresham St. #6, San Diego, California. This property is a
4 condominium located in Mission Beach. This property has a fair market value of approximately
5 \$800,000 to \$835,000.00 based on a listing price opinion received from Berkshire Hathaway.

6 c. 3379 Panorama Dr, Heber, AZ 85928 and one-third acre adjoining lot.
7 This property is a cabin in the Rim Country in Northern Arizona. This property has a fair market
8 value of approximately \$190,000.00 based on the listing broker's pricing opinion.

9 2. Personal Property.

10 • Encumbered cash, \$0.00.
11 • Unencumbered cash – \$15.00. As of the date of this Disclosure Statement,
12 the Debtor holds no cash.

13 • Accounts receivable – \$0.00.

14 • Other – \$10,000.00 of personal property, which consists of appliances and
15 furnishings located at the San Diego property.

16 B. Claims and Interests.

17 1. Administrative Expenses.

18 2. Prepetition Claims.

19 There are no unsecured prepetition claims upon which the Debtor is
20 obligated.

21 3. Secured Claims as of the Petition Date include:

Creditor	Amount Owing	Collateral	Value of Collateral Estimate
Select Portfolio Servicing, Inc PO Box 65250 Salt Lake City, UT 84165-0250	\$685,000.00	First Position DOT on San Diego house	\$800,000.00
Ocwen Loan Servicing, LLC PO Box 24738 West Palm Beach, FL 33416-4738	\$891,162.71	First Position DOT on Tempe House	\$634,000.00
AmeriCapital, LLC 15150 N. Hayden Suite 225 Scottsdale AZ 85260	\$105,000.00	First Position DOT on Heber House and Lot	\$190,000.00

1	Thomas E. Littler, Trustee of the Thomas E. Littler P.C. Retirement Plan dated January 1, 2015, 341 W Secretariat Dr Tempe, AZ 85284	\$200,000.00	Second Position DOT on Tempe, Heber and Lot, and San Diego Condo	
4	Navajo County Assessor	Unknown	Heber House	\$190,000.00
5	San Diego County Assessor	Unknown	San Diego House	\$800,000.00
6	Maricopa County Assessor	Unknown	Tempe House	\$634,000.00
8	Kaufman BC Investments, LLC	\$3,500.00	lien on various items of personal property that secures a private credit line.	\$3,500.00

11 4. Priority Claims. As of the Petition Date, there were no liquidated priority
12 claims.

13 5. General Unsecured Claims. Other than potential deficiency claims, the
14 Debtor has not scheduled any general unsecured claimants.

15 6. Interests in the Debtor. The membership interests of the Debtor are held by
16 Thomas Littler, Theresa Littler,.

17 VI. PLAN OF REORGANIZATION

18 A. Summary of the Plan.

19 The following is a brief and simplified summary of payments to be made to Creditors
20 under the Plan. The Plan itself should be consulted for more information. **In the event of conflict or
21 inconsistency between the Plan and this Disclosure Statement, the terms of the Plan control.**

22 This is a liquidating plan.

23 B. Classification and Treatment of Expenses, Claims, and Interests.

24 Claims and interests shall be treated as follows under this Plan:

25 1. Treatment of Unimpaired (Non-Voting) Classes.

26 a. Class 1 - Administrative Expenses. All Unimpaired Classes and
27 Allowed Claims in those Classes, unless paid sooner pursuant to an order entered by the Court, will
28 be paid on the first business day of the month following the Effective Date. The following Classes of
Administrative Expenses and Claims are Unimpaired under the Plan. Pursuant to § 1126(f) of the

1 Bankruptcy Code, each such class, and each holder of an Administrative Expense or Claim in such
2 class, is conclusively presumed to have accepted the Plan, and the solicitation of acceptances from
3 such holders is not required.

4 b. Class 6 – Priority Claims. The holders of Allowed Class 6 Claims, if
5 any, shall be paid in full on the first business day of the month following the Effective Date, in
6 accordance with their respective legal, equitable and contractual rights. This Class is not Impaired
7 and is deemed to have accepted the Plan.

8 c. Class 5 – Membership Interests in Debtor. The Littlers will retain their
9 partnership interests in the Debtor in exchange for a new value contribution consisting of \$100,000.00
10 to be used for the plan payments and the amounts to pay for maintenance and renovation of the
11 Properties and sufficient to fund regular debt service payments on all properties pursuant to
12 anticipated “adequate protection” stipulations. The Littlers will also make capital contributions
13 sufficient to pay post-confirmation debt service. As of the Effective Date of the Plan, the Debtor
14 estimates that the new value contribution of the Littlers will be valued at no less than \$150,000.00.
15 This Class is not Impaired and is deemed to have accepted the Plan.

16
17 2. Treatment of Impaired (Voting) Classes.

18
19 In addition to the treatment set forth below for each class of Secured Claims, the
20 following provisions apply to all Secured Classes 2-A through 2-E described below: (1) no due on
21 sale clause shall apply or be enforceable; (2) regardless of any sale however, Secured Classes 2-A
22 through 2-D retain all their liens and security interests in the applicable property to the extent they
23 hold an Allowed Secured Claim in the same as determined by the Court pursuant to 11 U.S.C. section
24 506 (or in an order confirming this Plan if no objection is made to the Debtor’s valuation set forth in
25 the Disclosure Statement and Plan) until such Class receives payment in full of its Allowed Secured
26 Claim; and (3) no cross default provisions by lenders shall apply or be enforceable. Furthermore, no
27 holder of a claim secured by single family dwelling situated on less than two-and-one half acres shall
28

1 not retain an unsecured claim for any deficiency between the fair market value of its collateral and
2 the amount realized upon consensual or non-consensual sale.

3
4 a. Class 2A – Secured Claim of Ocwen Loan Servicing, LLC, or the
5 holder of the beneficial interest under a first position deed of trust on the Tempe House. The holder
6 of the Claim in this Class shall be paid the full amount of its claim according to the terms of the Loan
7 Modification Agreement attached hereto as Exhibit “B”. In the event the Plan and Exhibit “B”
8 contain conflicting terms, the agreement appearing in Exhibit “B” shall control. This Class is
9 impaired under the Plan.

10 c. Class 2C—Secured Claim of AmeriCapital, LLC secured by a first
11 position deed of trust on the Heber House. The amount of this Claim is expected to be in the amount
12 of \$100,000 on the Petition Date.

The amount of this Claim will be paid on the following terms:

13 i. The Allowed Secured Claim shall accrue interest at the contract
14 rate of interest.

15 ii. Commencing 30 days after the Effective Date, Debtor shall
16 make the regular monthly payments pursuant to the terms of the Note and Deed of Trust of interest
17 only in the amount of \$1,026.25 every month for a period of twelve months from the Effective Date;

18 iii. Debtors will list the Heber House for sale no later than twelve
19 (24) months from the Effective Date and will market it for sale over the next twelve (12) months. If
20 not sold within thirty six (24) months of the Effective Date, the stay will be lifted and Americapital
21 will be allowed to proceed with noticing and conducting a trustee’s sale of the Heber Property.

22 d. Class 2D—Secured Claim of The Littler PC Retirement Plan secured
23 by a first position deed of trust on the Tempe Property, the San Diego Property, and the Heber
24 Property. The amount of this Claim is expected to be in the amount of \$197,091.90 on the Effective
25 Date (estimated for purposes of this Plan to be November 1 2017)

The holder of the Claim in this Class shall be paid as follows for its claim:

26
27 i. The Allowed Secured Claim shall accrue interest at the contract rate of
28 interest of 6% per annum;

1 ii. Payment of \$1,000.00 per month to the Littler PC Retirement Plan
2 until the Secured Claims in Classes 2A, 2B and 2C are either paid in full, brought current, or the Real
3 Property securing those Claims are sold.

4 v. The holder of the Claim in this Class shall retain its lien until all
5 payments required under the Debtor's Plan have been made, or alternatively, the property securing
6 its claim is sold at an amount equal to its Allowed Secured Claim, less reduction of principal
7 attributable to post-confirmation payments. This Class is impaired under the Plan.

8 e. Class 2E--Secured Claim of Kaufman BC Investments, LLC, secured
9 by a lien on personal property of the Debtor located the San Diego House. The Debtor believes that
10 this claim may have been paid in full under the prior plan, but to the extent any balance still remains,
11 such claimant will be paid according to the terms of the Plan. The holder of the claim in this class shall
12 be paid the full amount of claim with interest at the rate of ten percent (10%) per annum over 60
13 months beginning 30 days following the Effective Date. The Class 2E claimant shall retain its lien
14 until all payments required under the Plan are made. This Class is impaired under the Plan.

15 g. Class 3 – Secured Tax Claims.

16 1. Class 3-A. Maricopa County is the only potential holder of a
17 Class 3-A Claim. The Class 3-A Claim shall be paid with interest at the rate of 16 percent (16%)
18 per annum within five years measured from the Petition Date. Until paid the amount of its Allowed
19 Claim, the County shall retain any lien that secures its Claim. This Class is not Impaired.

20 2. Class 3-B. San Diego County is the only potential holder of a
21 Class 3-B Claim. The Class 3-B Claim shall be paid with interest at the statutory rate within five
22 years measured from the Petition Date. Until paid the amount of its Allowed Claim, the County
23 shall retain any lien that secures its Claim. This Class is not Impaired.

24 3. Class 3-C. Navajo County is the only potential holder of a
25 Class 3-A Claim. The Class 3-C Claim shall be paid with interest at the rate of 16 percent (16%) per
26 annum within five years measured from the Petition Date. Until paid the amount of its Allowed
27 Claim, the County shall retain any lien that secures its Claim. This Class is not Impaired.

28 h. Class 4 – General Unsecured Claims. All claims not separately

1 classified shall be Class 4 General Unsecured Claims. The Debtor does not believe that any claims
2 in this Class exist other than the Specialized Unsecured Claim that was fixed in the prior Chapter 11
3 case. No interest shall be paid on account of the Allowed Claims in this Class. Beginning on the
4 first business day of the month following the Effective Date, the holders of Allowed Class 4 Claims
5 shall receive thirty six (36) equal monthly payments of principal on account of their Allowed Claims.
6 The total amount to be paid to Class 4 is the lesser of the total of claims in this Class or the liquidation
7 value of the Debtor's personal property plus any excess capital contributions or sale/refinance
8 proceeds remaining after satisfaction of claims having higher priority than general unsecured claims.
9 At the end of three (3) years, the holders of Class 4 Claims shall be paid the full outstanding unpaid
10 amount, if any, of their Allowed Claim. This Class is Impaired.

11 i. Equity Security Holders: Class 5

12 Any Equity Security Holder who wishes to retain equity security in the
13 Reorganized Debtor shall contribute new value to the Debtor in the form of cash or property. Equity
14 Security Holders who make new value contributions shall receive a membership interest in the
15 Reorganized Debtor in proportion to the value of the new value contributed. The Littlers will retain
16 membership interests in the Debtor in exchange for a new value contribution in the amount necessary
17 to fund any shortfalls in operating income. As of the anticipated confirmation date, the amount of
18 their contribution will be approximately \$150,000.00. Their contribution includes payments they
19 have made directly to secured creditors from personal funds prior to Confirmation, payments made
20 for renovation of the Properties to prepare them for sale, for contributions made to make the Plan
21 Payments, and other payments to Debtor to fulfill Plan commitments. This Class is not Impaired and
22 is deemed to have accepted the Plan.

23 C. Administration of the Plan.

24 The Plan provides for the appointment of the Debtor as the Plan Disbursing Agent to
25 collect, administer and distribute assets in accordance with the terms of the Plan. The Debtor will
26 receive no compensation for acting as the Plan Disbursing Agent.

27 The Plan Disbursing Agent will be authorized to employ legal and accounting
28 professionals necessary to carry out the provisions of the Plan; provided, however, that prior to
Substantial Consummation, any such employment shall be subject to Court approval. Whenever the
Plan, Code, Rules or documents implementing the Plan require or permit notice to the Debtor after

1 the Effective Date, such notice shall be effective only when also given to the Plan Disbursing Agent.
2 Unless terminated sooner, the Plan Disbursing Agent shall serve until the Plan is fully consummated.

3 D. Unclaimed Funds and Interests.

4 For a period of two months from the date of the disbursement, the Plan Disbursing
5 Agent shall retain any distribution hereunder, which remains unclaimed. Thereafter, the Claims
6 giving rise to the right to distribution of such unclaimed funds will be deemed disallowed and any
7 unclaimed funds, net of expenses, will be redistributed pro rata to the remaining creditors, except that
8 (i) no redistribution will be made to any creditor whose pro rata share of the funds to be distributed
9 does not exceed \$25.00 and (ii) no further distribution shall be made if the total amount of unclaimed
10 funds do not exceed \$500.00 plus the costs of distribution. If the amount of unclaimed funds does not
11 exceed \$500.00 plus the costs of distribution, such funds will be retained by the Plan Disbursing
12 Agent as reimbursement for expenses in administering such unclaimed funds.

13 E. Disputed Claims.

14 Not later than sixty (60) days after the Effective Date, the Debtor may file with the
15 Bankruptcy Court, and serve on the holder of each Disputed Claim, (i) an objection to any Claim, or
16 (ii) a motion to determine the extent, priority or amount of any secured or other Claim. All such
17 claims are preserved in the Plan. Any Creditor, including those expressly discussed above, that wishes
18 to have its Claim determined by the Court to be a secured or priority Claim, must file with the Court
19 a motion seeking that determination not later than the Confirmation Date or file a timely response to
20 the Debtor's objection if such objection is filed. To the extent that (a) the Debtor objects to any filed
21 Claim or (b) a Creditor seeks to have a Claim that the Plan treats as a general unsecured Claim
22 determined to be secured or to have priority, sufficient funds shall be withheld from distributions for
23 the estimated payment of such claim under the Plan until any such objection or determination has
24 been resolved by an order of the Court. No distributions will be made on any Disputed Claim until
25 such claim is Allowed or the secured or priority status is determined. At the present time, the Debtor
26 has not identified any claims that are disputed (except as to the amount owed on the secured portion
27 of a claim).

28 F. Means of Execution of the Plan.

1 Present estimates of administrative claims, priority tax claims, and filed general unsecured
2 claims indicate that the Plan will require approximately \$10,000.00 in initial funding, with the
3 exception of debt service payments made to holders of Allowed Secured Claims. The Debtor
4 estimates that its annual income after all expenses (including payments to secured creditors, and
5 contributions from insiders) during the first year of the Plan will be approximately \$5,000.00, which
6 amount shall be paid to general unsecured creditors. The Debtor will fund the Plan from the
7 following:

- 8 a. income produced by any rentals of the real property it owns,
- 9 b. the proceeds of a new value contribution to be contributed to the Plan by the Debtor's
10 principals; and
- 11 c. the net proceeds from the sale of the Tempe and Heber properties.

12 G. Risks of the Plan.

13 Risks involve various market risks. One involves the rental market risk, *i.e.*, whether
14 the San Diego property can be leased and produce the rents and cash flow going forward. If this does
15 not occur, there is a risk that the cash flow from operations will be inadequate to fund the Plan over
16 its term. However, the Debtor's general partners will make the necessary capital contributions to
17 fund the Plan regardless of income from operations. Of course, any plan dependent upon capital
18 contributions from stakeholders also carries the risk that the stakeholders will not have sufficient
19 funds to make capital contributions. In this case, the Debtor believes that the Littlers are financially
20 stable and can make the necessary contributions.

21 H. Alternatives to Reorganization – Liquidation Analysis.

22 The Debtor estimates the fair market value of its properties to be \$190,000.00 for the
23 Heber House, approximately \$634,000.00 for the Tempe House, and approximately \$800,000.00 for
24 the San Diego House. The Debtor has scheduled secured claims for creditors that do not exceed those
25 values. If the Estate were liquidated, the properties would either be sold or surrendered to the lenders
26 whose claims are secured by those properties and sold by the lenders at auction. The Debtor would
27 have a right to recover excess proceeds following the sale. The Plan provides for the payment of all
28 Allowed Claims in full or the surrender of property in satisfaction of lien claims secured by residential

1 real property. A liquidation sale, including a foreclosure type sale, with normal costs of sale, would
2 certainly generate net sales proceeds far less than the estimated fair market value of the Debtor's
3 property portfolio (which value assumes a more orderly sales process, with a willing buyer – and a
4 willing seller). Liquidation could produce sales proceeds inadequate to provide full payment to
5 creditors, as called for in this Plan. A summary of this liquidation analysis is contained in the attached

6 **Exhibit B.**

7 I. Executory Contracts and Unexpired Leases.

8 1. Prepetition. On the Effective Date, leases with the tenants of the properties (to
9 the extent such exist) are assumed. All contract assumptions are made pursuant to the provisions of
10 this Plan. Other than those that are assumed, all other prepetition executory contracts and leases are
11 rejected as of the Effective Date. Claims resulting from the rejection of a prepetition Executory
12 Contract (if any) shall be filed within thirty (30) days after entry of the Confirmation Order or such
13 Claims are waived and deemed not allowed. Any Claims filed pursuant to a rejected prepetition
14 Executory Contract (if any) shall be subject to objection by the Debtor and to consideration by the
15 Court. If any such Claim becomes an Allowed Claim, it shall be a Class 8 General Unsecured Claim.

16 2. Post-Petition. All post petition leases and executory contracts are assumed as
17 of the Effective Date. Any Claims resulting from the rejection of a post-petition Executory Contract
18 (if any) shall be filed within thirty (30) days of entry of the Confirmation Order or such Claims are
19 waived and deemed not allowed. Any such Claims shall be subject to objection by the Debtor and to
20 consideration by the Court. If any such Claim becomes an Allowed Claim, it shall be a Class 4
21 General Unsecured Claim.

22 J. Causes of Action.

23 The Debtor has the right to bring any avoidance actions for the benefit of the Estate.
24 The Debtor is currently unaware of any Cause of Action it may have.

25 K. Plan Modification.

26 The Debtor may modify or amend the Plan at any time prior to Confirmation with
27 Court approval if such modifications do not adversely or materially affect the rights of the Creditors,
28 or to remedy any defect or omission or to correct any inconsistency of the Plan.

1 L. Court Jurisdiction.

2 The Court shall retain jurisdiction over this Estate as set forth in the Plan. This
3 jurisdiction includes, but is not limited to, matters involving interpretation, correction, modification
4 or reconciliation any inconsistencies in the Plan, entry of any order deemed necessary and appropriate
5 by the Court to implement the Plan, and adjudication of all Causes of Action.

6 M. Retention of Documents.

7 The Plan Disbursing Agent shall retain records of disbursements under the Plan for
8 such time as attorneys are generally required to maintain records of distributions from their trust
9 accounts, after which time they will be destroyed, unless ordered retained for cause.

10 **VII. ACCEPTANCE AND CONFIRMATION**

11 A. Acceptance of Plan by Impaired Class.

12 The "cram down" provisions of § 1129(b) of the Code are applicable to Confirmation
13 because there are several Impaired Classes in the Plan.

14 Notwithstanding the rejection of any class of the Plan, the Court may still confirm the
15 Plan if, as to each Impaired Class which has not accepted the Plan, the Plan "does not discriminate
16 unfairly" and is "fair and equitable". A plan does not discriminate unfairly within the meaning of the
17 Bankruptcy Code if a rejecting Impaired Class is treated equally with respect to other classes with equal
18 priority or legal rights. "Fair and equitable" has different meanings for secured claims, unsecured claims
19 and interests. A plan is fair and equitable as to a class of unsecured claims that rejects the plan, if the plan
20 provides (a) that each holder of a claim in the rejecting class will receive or retain on account of its claim
21 property that has a value, as of the effective date of the plan, equal to the allowed amount of the claim; or
22 (b) but no holder of a claim or interest that is junior to the claims of the rejecting class will receive or
23 retain under the plan any property on account of such junior claim or interest.

24 The plan is fair and equitable as to a class of equity interests that rejects the Plan if the
25 plan provides (a) that each holder of an interest included in the rejecting class receive or retain on account
26 of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the
27 allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption
28 price to which such holder is entitled, or the value of such interest; or (b) that no holder of an interest that

1 is junior to the interest of the rejecting Class will receive or retain under the Plan any property on account
2 of such junior interest.

3 The Debtor believes that the treatment under the Plan of the holders of Claims and
4 Interests in such Classes will satisfy the "fair and equitable" test because (a) with respect to classes holding
5 secured claims, the plan provides for payment of their allowed claims and for retention of their lien on
6 collateral until the allowed claim is paid in full; (b) with respect to a class of unsecured claims, no holder
7 of a claim or interest junior to such class will receive or retain property on account of the junior interest.
8 The equity security holders will only receive or retain an equity interest if the equity security holder makes
9 a new value contribution. Likewise, the Plan allows any third party to make a capital contribution to the
10 Debtor in exchange for an equity interest in the Reorganized Debtor.

11 In the event that one or more classes of impaired Claims reject the Plan, the Court will
12 determine at the Confirmation hearing whether the Plan is fair and equitable with respect to and does not
13 discriminate unfairly against, any rejecting impaired Class of Claims.

14 B. Alternatives to the Plan and Liquidation Analysis.

15 1. The Alternative to the Debtor's Plan of Reorganization is Liquidation under
16 Chapter 7. See § VI-H above for a discussion of the liquidation analysis.

17 2. United States Trustee Fees. Until the Chapter 11 case is closed, the Debtor
18 must file post-confirmation reports and pay quarterly fees under 28 U.S.C. § 1930(a)(6) which are
19 paid for with Estate funds. However, the Debtor can act to close the case as quickly as possible,
20 thereby reducing the amount of such fees.

21 **VIII. SOURCE OF INFORMATION**

22 The primary source of information for this Disclosure Statement is the Debtor. Other sources
23 include documents provided by the Littlers, the Debtor, and documents filed by creditors concerning
24 their claims.

25 **IX. TAX CONSEQUENCES**

26 A summary description of certain United States federal income tax consequences of the Plan
27 follows. This description is for informational purposes only and, owing to a lack of definitive judicial
28 or administrative authority or interpretation, substantial uncertainties exist with respect to various tax

1 consequences of the Plan discussed below. This disclosure describes only the principal United States
2 federal income tax consequences of the Plan to the Debtor and to holders of Claims and Equity
3 Interests. No opinion of counsel has been sought or obtained with respect to any tax consequences of
4 the Plan. No rulings or determinations of the Internal Revenue Service ("IRS") or any other tax
5 authorities have been sought or obtained with respect to any tax consequences of the Plan, and the
6 discussion below is not binding on the IRS or other authorities. No representations are being made to
7 the Debtor or any holder of a Claim or Equity Interest regarding the particular tax consequences of
8 the Confirmation and consummation of the Plan. No assurance can be given that the IRS would not
9 assert, or that a court would not sustain, a different position from any discussed here.

10 The following discussion of the United States federal income tax consequences is based on
11 the Internal Revenue Code of 1986, as amended, Treasury Regulations, judicial authorities, published
12 positions of the IRS and other applicable authorities, all as in effect on the date of this document and
13 all of which are subject to change or differing interpretations (possibly with retroactive effect).

14 The following discussion does not address foreign, state or local tax consequences of the Plan,
15 nor does it purport to address the United States federal income tax consequences of the Plan to special
16 classes of taxpayers (*e.g.*, banks and certain other financial institutions, insurance companies, tax-
17 exempt organizations, governmental entities, persons that are, or hold their Claims through,
18 passthrough entities, persons whose functional currency is not the United States dollar, foreign
19 persons, dealers in securities or foreign currency, employees of a debtor, persons who received their
20 Claims by exercising an employee stock option or otherwise as compensation, and persons holding
21 Claims that are a hedge against, or that are hedged against, currency risk or that are part of a straddle,
22 constructive sale, or conversion transaction). Furthermore, the following discussion does not address
23 United States federal taxes other than income taxes.

24 Holders of Claims and Equity Interests are strongly urged to consult their own tax advisor regarding
25 the United States federal, state, local and foreign tax consequences of the transactions described in
26 this Disclosure Statement and in the Plan.

27 A. United States Federal Income Tax Consequences to the Debtor.
28

1 Under the Plan, the Debtor's outstanding indebtedness will be satisfied by payment in
2 cash (the "**Value**"). The satisfaction of a debt obligation for an amount of cash less than the "adjusted
3 issue price" of the debt obligation generally gives rise to cancellation of indebtedness ("**COD**")
4 income to the debtor.

5 A debtor does not, however, recognize COD income if the debt discharge occurs in a
6 Title 11 bankruptcy case. Instead, the debtor reduces its tax attributes to the extent of its COD income
7 in the following order: (1) net operating losses ("**NOLs**") and NOL carryforwards; (2) general
8 business credit carryforwards; (3) minimum tax credit carryforwards; (4) capital loss carryforwards;
9 (5) the tax basis of the Debtor's depreciable and nondepreciable assets (but not below the amount of
10 their liabilities immediately after the discharge); and (6) foreign tax credit carryforwards.

11 A debtor may elect to alter the preceding order of attribute reduction and, instead, first
12 reduce the tax basis of its depreciable assets. The reduction in tax attributes occurs only after the tax
13 for the year of the debt discharge has been determined (*i.e.*, such attributes may be available to offset
14 taxable income that accrues between the date of discharge and the end of the debtor's tax year).
15 Because the Debtor does not hold NOLs, it is not expected that the Debtor will be required to reduce
16 their tax attributes materially.

17 **B. Federal Income Tax Consequences to Creditors.**

18 The following discusses certain United States federal income tax consequences of the
19 transactions contemplated by the Plan to Creditors that are "United States Holders," as defined below.

20 The United States federal income tax consequences of the transactions contemplated
21 by the Plan to Creditors (including the character, timing and amount of income, gain or loss
22 recognized) will depend on, among other things: (1) whether the Claim and the consideration received
23 in respect of it are "securities" for federal income tax purposes; (2) the manner in which a Creditor
24 acquired a Claim; (3) the length of time the Claim has been held; (4) whether the Claim was acquired
25 at a discount; (5) whether the Creditor has taken a bad debt deduction with respect to the Claim (or
26 any portion of it) in the current tax year or any prior tax year; (6) whether the Creditor has previously
27 included in its taxable income accrued by unpaid interest with respect to the Claim; (7) the holder's
28 method of tax accounting; and (8) whether the Claim is an installment obligation for federal income

1 tax purposes. Creditors, therefore, should consult their own tax advisors regarding the particular tax
2 consequences to them of the transactions contemplated by the Plan.

3 For purposes of the following discussion, a "United States holder" is a Creditor that is
4 (1) a citizen or individual resident of the United States; (2) a partnership or corporation created or
5 organized in the United States or under the laws of the United States, a political subdivision of the
6 United States, or a State of the United States; (3) an estate whose income is subject to United States
7 federal income taxation regardless of its source; or (4) a trust if (i) a court within the United States is
8 able to exercise primary supervision over the administration of the trust and one or more United States
9 fiduciaries have the authority to control all substantial decisions of the trust, or (ii) the trust was in
10 existence on August 20, 1996, and properly elected to be treated as a United States person.

11 1. Sale or Exchange of Claims.

12 Under the Plan, Creditors will receive Value in exchange for their Claims. A Creditor who
13 receives Value or an interest in exchange for its Claim under the Plan will generally recognize gain
14 or loss for United States federal income tax purposes in an amount equal to the difference between
15 the Value received and the Creditor's adjusted tax basis in its Claim. The character of the gain or loss
16 as capital gain or loss or as ordinary income or loss will be determined by a number of factors,
17 including the nature of the Claim as held by the Creditor, whether the Claim constitutes a capital asset
18 in the hands of the Creditor, whether the Claim was purchased at a discount, whether any amount
19 received in respect of a Claim constitutes accrued interest, and whether and to what extent the Creditor
20 has previously claimed a bad debt deduction with respect to its Claim. A Creditor who recognizes a
21 loss on a transaction conducted under the Plan may be entitled to a bad debt deduction, either in the
22 taxable year of the Effective Date or a prior taxable year.

23 2. Accrued Interest.

24 Under the Plan, Value may be distributed or deemed distributed to certain Creditors with
25 respect to their Claims for accrued interest. Holders of Claims for accrued interest that previously
26 have not included such accrued interest in taxable income will be required to recognize ordinary
27 income equal to the amount of Value received with respect to such Claims for accrued interest.
28

1 Holders of Claims for accrued interest that have included such accrued interest in taxable
2 income generally may take an ordinary deduction to the extent that such Claim is not fully satisfied
3 under the Plan (after allocating the distribution between principal and accrued interest), even if the
4 underlying Claim is held as a capital asset. The adjusted tax basis of any Value received in exchange
5 for a Claim for accrued interest will equal the amount of Value on the Effective Date, and the holding
6 period for the property will begin on the day after the Effective Date. It is not clear the extent to which
7 consideration that may be distributed under the Plan will be allocable to interest. Creditors are advised
8 to consult their own tax advisors to determine the amount, if any, of consideration receiver under the
9 Plan that is allocable to interest.

10 3. Market Discount.

11 In general, a debt obligation, other than one with a fixed maturity of one year or less, that is
12 acquired by a holder in the secondary market (or, in certain circumstances, on original issuance) is a
13 "market discount bond" as to that holder if the obligation's stated redemption price at maturity (or, in
14 the case of a debt obligation having original issue discount, the revised issue price) exceeds the
15 holder's adjusted tax basis in the debt obligation immediately after its acquisition. However, a debt
16 obligation will not be a "market discount bond" if such excess is less than a statutory de minimis
17 amount. To the extent that a Creditor has not previously included market discount in its taxable
18 income, gain recognized by a Creditor with respect to a "market discount bond" will generally be
19 treated as ordinary interest income to the extent of the market discount accrued on such bond during
20 the Creditor's period of ownership. A holder of a market discount bond that is required to defer
21 deduction of all or a portion of the interest on indebtedness incurred or maintained to acquire or carry
22 the bond may be allowed to deduct such interest, in whole or in part, on the disposition of such bond.

23 4. Other Claimholders.

24 If a Creditor reaches an agreement with the Debtor to have its Claim
25 satisfied, settled, released, exchanged, or otherwise discharged in a manner other than as described
26 in the Plan, that Creditor should consult with its own tax advisors regarding the tax consequences of
27 that satisfaction, settlement, release, exchange or discharge.

28 5. Information Reporting and Backup Withholding.

1 Certain payments, including payments in respect of accrued interest or market discount, are
2 generally subject to information reporting by the payor to the IRS. These reportable payments do not
3 include those that give rise to gain or loss on the exchange of a Claim. Moreover, such reportable
4 payments are subject to backup withholding under certain circumstances. A United States holder may
5 be subject to backup withholding at a rate of 28% with respect to certain distributions or payments of
6 accrued interest, market discount, or similar items pursuant to the Plan, unless the holder (a) comes
7 within certain exempt categories (which generally include corporations) and, when required,
8 demonstrates this fact, or (b) provides a correct United States taxpayer identification number and
9 certifies under penalty of perjury that the holder is a U.S. person, the taxpayer identification number
10 is correct, and that the holder is not subject to backup withholding because of a failure to report all
11 dividend and interest income. Payments that give rise to gain or loss on the exchange of a Claim are
12 not subject to backup withholding. Backup withholding is not an additional tax. Amounts subject to
13 backup withholding are credited against a holder's United States federal income tax liability, and a
14 holder may obtain a refund of any excess backup withholding by filing an appropriate claim for refund
15 from the IRS.

16 C. Federal Income Tax Consequences to Holders of Equity Interests.

17 The Debtor provides no opinion as to tax consequences of the Plan to equity security
18 holders. The Debtor anticipates that equity security holders will make new value contributions to
19 preserve their equity interests, and therefore such contributions may affect the value of capital
20 accounts.

21 D. Importance of Obtaining Professional Tax Assistance.

22 The foregoing discussion is intended only as a summary of certain United States
23 federal income tax consequences of the Plan and is not a substitute for careful tax planning with a tax
24 professional. The above discussion is for informational purposes only and is not tax advice. The tax
25 consequences are in many cases uncertain and may vary depending on a Creditor's or Equity Interest
26 holder's particular circumstances. Accordingly, Creditors and Equity Interest holders are strongly
27 urged to consult their tax advisors about the United States federal, state and local and applicable
28

1 foreign income and other tax consequences of the Plan, including with respect to tax reporting and
2 record keeping requirements.

3 **IRS Circular 230 Notice:** to comply with U.S. Treasury regulations, be advised that any U.S.
4 federal tax advice included in this communication (and it is not intended that any such advice be
5 given in this Disclosure Statement) is not intended or written to be used, and cannot be used, to avoid
6 any U.S. federal tax penalties or to promote, market, or recommend to another party any transaction
7 or matter. Claimants are advised to consult with their tax advisers respecting the individual tax
8 consequences of the transactions contemplated by the plan, including state and local tax
9 consequences.

10 **X. DISCLAIMER**

11 Court approval of this Disclosure Statement and accompanying Plan, including exhibits, is
12 not a certification of the accuracy of the contents thereof. Furthermore, Court approval of these
13 documents does not constitute the Court's opinion as to whether the Plan should be approved or
14 disapproved.

15 **XI. CONFIRMATION OF THE PLAN**

16 **A. Voting Procedures.**

17 The ballot to be used for voting for the rejection or acceptance of the Plan is being
18 mailed to the holders of Claims in Classes Two through Four. The holders of impaired claims should
19 carefully read the instructions printed on the ballot, complete, date and sign the ballot, and transmit
20 the completed ballot to the Debtor. The ballot should be returned to the address indicated in Section
21 III (B) of this Disclosure Statement.

22 **B. Hearing on Confirmation.**

23 A hearing on confirmation of the Plan has been set for _____ at _____
24 a.m., before the Honorable Eddward P. Ballinger, United States Bankruptcy Judge, 230 North First
25 Avenue, Courtroom 703, 6th Floor, Phoenix, Arizona.

26 DATED this 9th day of January 2018.

27
28 /s/ Blake D. Gunn 019112

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FILED via ECF this 9th day of January 2018.

COPY of the foregoing mailed
This 9th day of January 2018 to:

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