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6 **UNITED STATES BANKRUPTCY COURT**  
7 **EASTERN DISTRICT OF CALIFORNIA**

8 **IN RE:** ) **Case No.: 2016-25217 Chapter 11**

9 West Lane Properties, Inc. )

10 **DCN: MJH-4**

11 Debtor-In-Possession )

12 Honorable Michael S. McManus

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19 **AMENDED DISCLOSURE STATEMENT TO PLAN OF REORGANIZATION**

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15 **PLAN OF REORGANIZATION**

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14 \_\_\_\_\_ )

15 **AMENDED DISCLOSURE STATEMENT TO PLAN OF REORGANIZATION**

16 **I. INTRODUCTION**

17 This is the Disclosure Statement (“the Disclosure Statement”) in the Chapter 11 Case of  
18 West Lane Properties, Inc. (the Debtor). This Disclosure Statement contains information about  
19 the Debtor and describes the Plan of Reorganization (“the Plan”) filed by the Debtor. A full copy  
20 of the Plan is filed with this Disclosure Statement as Exhibit A. *Your rights may be affected.*  
21 *You should read the Plan and this Disclosure Statement carefully and discuss them with your*  
22 *attorney. If you do not have an attorney, you may wish to consult one.*

23 The proposed distributions under the Plan are discussed at page 6-7 of this Disclosure  
24 Statement. There are no unsecured creditors. Secured creditors will be paid from rents of the  
25 Debtor.

26 **A. PURPOSE OF THIS DOCUMENT**

- 1           □     The history of the Debtors and significant events during the bankruptcy case;
- 2           □     How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*,
- 3           what you will receive on your claim or equity interest if the Plan is confirmed);
- 4           □     Who can vote on or object to the Plan;
- 5           □     What factors the bankruptcy Court (the “Court”) will consider when deciding
- 6           whether to confirm the Plan;
- 7           □     Why West Lane Properties, Inc. believes the Plan is feasible, and how the
- 8           treatment of your claim or equity interest under the Plan compares to what you would
- 9           receive on your claim or equity interest in liquidation;
- 10          □     Whether the Plan is feasible; and
- 11          □     The effect of confirmation of the Plan.

12           **B. COURT APPROVAL OF DISCLOSURE STATEMENT**

13           The Bankruptcy Code and the Federal Rules of Bankruptcy Procedure **mandate** that the  
14           Plan of Reorganization be distributed to creditors **with** a Disclosure Statement. Before a  
15           Disclosure Statement can be distributed to creditors, however, it must be approved or  
16           conditionally approved by the Bankruptcy Court.

17           In compliance with the mandate of the Bankruptcy Code and the Federal Rules of  
18           Bankruptcy Procedure, this Disclosure Statement has been submitted to the Bankruptcy Court for  
19           approval. If you are receiving this Disclosure Statement, the Plan, **a ballot**, and an Order  
20           Approving the Disclosure Statement, the Disclosure Statement has been approved or  
21           conditionally approved by the Bankruptcy Court. That means the Court has determined the  
22           statement has sufficient information.

23           Approval of the Disclosure Statement **does not** constitute a determination by the  
24           bankruptcy court as to the desirability or feasibility of the plan. Approval of the Disclosure  
25           Statement does not mean the court has verified the accuracy of the information contained in it.

26           This Disclosure Statement summarizes what is in the Plan and tells you certain  
27           information relating to the Plan and the process the Court follows in determining whether or not  
28

1 to confirm the Plan.

2 **C. PLAN CONFIRMATION HEARING AND DEADLINES**

3 1) The hearing on final approval of the Disclosure Statement and confirmation of the  
4 Plan shall take place on April 4, 2017 at 10:00 a.m., in Courtroom 28, 7<sup>th</sup> Floor, United States  
5 Bankruptcy Court, Eastern District of California, Sacramento Division, located at 501 I Street,  
6 Sacramento California.

7 2) March 10, 2017, is fixed as the last day for the filing and serving of written objections  
8 to final approval of the Disclosure Statement;

9 3) March 10, 2017, is fixed as the last day for the filing and serving of written objections  
10 to confirmation of the Plan;

11 4) March 17, 2017, is fixed as the last day for submitting written acceptances or rejections  
12 of confirmation of the Plan by returned ballot:

13 5) March 17, 2017, is fixed as the last day for filing and serving written reply to any  
14 objections to confirmation of the Plan;

15 6) March 17, 2017, is fixed as the last day for filing and serving any evidence and briefs  
16 in support of confirmation of the Plan;

17 7) March 22, 2017, is fixed as the last day to file a tabulation of ballots regarding  
18 confirmation of the Plan.  
19

20 **II. BACKGROUND**

21 **A. Description and History of the Debtor's Business.**

22 The Debtor is a corporation. West Lane Properties, Inc. owns commercial real estate located at  
23 4629 West Lane, Stockton CA 95210. The property includes a warehouse of 11,648 square feet,  
24 divided into three rental units. The sole shareholder of West Lane Properties, Inc., is Hok C. Ma,  
25 who purchased this real property in 2005 on behalf of the Debtor, with a purchase price of  
26 1,300,000.00, and a down payment of \$300,000.00. The Seller was Linda Banks. At the time of  
27 this acquisition, there were three tenants, and Hok C. Ma took over one of the units to operate  
28

1 his automotive repair business, J.C. Master Tech. Inc.

2 The rentals from the other two tenants were paying some \$3,500.00 per month in rentals. In  
3 2014, West Lane Properties, Inc. was current in its loan with Linda Banks, but she wanted a payoff,  
4 so West Lane Properties Inc. obtained a first deed of trust with Pat De Santis, a Married Man, as his  
5 sole and separate property, ("Pat De Santis") as his sole and separate property, in the sum of  
6 \$550,00.00 and Linda Banks carried a second deed of trust in the sum of \$249,000.00. The Debtor  
7 owns no other real estate and no personal property.  
8

9  
10 **B. Events Leading to Chapter 11 Filing**

11 The commercial property was fully occupied with rental units from 2005 until the middle  
12 of 2015, when first one tenant vacated and then the other tenant vacated. Debtor has been unable  
13 to locate new tenants. This led to the inability of the Debtor to make payments to Pat De Santis,  
14 Linda Banks and the real property tax, due to rents being so low, and Pat De Santis. instituted  
15 foreclosure proceedings.

16 **C. Significant Events During the Bankruptcy**

17 Debtor has filed a cash collateral motion, a motion for the employment of professionals,  
18 and a statement that the Debtor is considered as 'single asset real estate' as defined in 11 U.S.C.  
19 §101(51B).

20 **D. Projected Recovery of Avoidable Transfers**

21 The Debtor does not intend to pursue preference, fraudulent conveyance, or other  
22 avoidance actions.

23 **E. Claims Objections**

24 Except to the extent that a claim is already allowed pursuant to a final non-appealable  
25 order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed  
26 for voting purposes, you may not be entitled to a distribution if an objection to your claim is later  
27 upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.  
28

**F. Current and Historical Financial Conditions**

1 Post-petition operating reports are filed with this Disclosure Statement. West Lane  
 2 Properties, Inc. income and expenses will remain roughly the same after the filing of the  
 3 bankruptcy case as before. It is anticipated that rents will remain roughly the same. Schedules,  
 4 six month projected profit and loss statement, and portions of the last two years of the tax returns  
 5 for West Lane Properties, Inc. are filed with this Disclosure Statement.

### 6 III. SUMMARY OF THE PLAN OF REORGANIZATION

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

#### 11 A. Unclassified Claims - Administrative Expenses

12 Certain types of claims are automatically entitled to specific treatment under the Code.  
 13 They are not considered impaired, and holders of such claims do not vote on the Plan. They may,  
 14 however, object if, in their view, their treatment under the Plan does not comply with that  
 15 required by the Code. As such, the Plan proponent has not placed the following claims in any  
 16 class:  
 17

##### 18 1) *Administrative Expenses*

19 Administrative expenses are costs or expenses of administering the Debtors'  
 20 Chapter 11 case which are allowed under § 507 (a)(2) of the Code. Administrative expenses also  
 21 include the value of any goods sold to the Debtors in the ordinary course of business and received  
 22 within 20 days before the date of the bankruptcy petition. The Code requires that all  
 23 administrative expenses be paid on the Effective Date of the Plan, unless a particular claimant  
 24 agrees to a different treatment.

25 The following chart lists the Debtors estimated administrative expenses, and their  
 26 proposed treatment under the Plan:

Type	Estimated Amount Owed	Proposed Treatment



1 2 3 4	Expenses Arising in the Ordinary Course of Business After the Petition Date	Estimated current at confirmation.	Paid in full on the effective date of the Plan, or according to terms of obligation if later.
5 6 7 8 9 10 11 12 13 14 15	Professional Fees, as approved by the Court	Estimated to be \$10,000.00 and costs or higher.	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan. These fees include attorneys fees.
16 17	Clerk's Office Fees	Estimated none.	Paid in full on the effective date of the Plan.
18 19 20 21	Other administrative expenses	Estimated none.	Paid in full on the effective date of the Plan, or according to separate written agreement.
22 23 24	Office of the US Trustee Fees	\$250.00	Paid in full on the effective date of the Plan.
25 26 27	TOTAL	\$10,000.250	

2. *Priority Tax Claims*

1 Priority tax claims are unsecured income, employment, and other taxes described by  
 2 §507(a)(8) of the Code. Unless the holder of such a §507(a)(8) priority tax claim agrees  
 3 otherwise, it must receive the present value of such claim, in regular installments paid over a  
 4 period not exceeding five years from the order of relief.

5 The Franchise Tax Board has filed a priority claim in the sum of \$823.54 which will be paid  
 6 within 90 days of the effective date of confirmation of the Plan, including statutory interest,  
 7 currently at 18%.  
 8

9 **Classes of Claims and Equity Interests.**

10 The following are the classes set forth in the Plan and the proposed treatment that they  
 11 will receive under the Plan:

Class	Impairment	Treatment
14 Class 1 15 Pat De Santis, a Married Man, 16 as his sole and separate 17 property. 18 19 20 21 22	Impaired	The secured claim of Pat De Santis, a Married Man, as his sole and separate property, shall be modified to monthly payments in the sum of \$4,054.65 (See below for further claim treatment description.)

<p>1 2 3 4 5 6 7</p> <p>Class 2 Linda Banks</p>	<p>Impaired</p>	<p>The secured claim of Linda Banks shall be modified to monthly payments in the sum of \$1,362.14 (See below for further claim treatment description.)</p>
---	-----------------	---

<p>8 9 10 11 12 13 14 15 16 17 18 19 20</p> <p>Class 3 Shabbir A. Khan</p>	<p>Impaired</p>	<p>This secured property claim will be paid \$1,205.38 in regular monthly installments so it will receive the present value of its claim paid over a period not to exceed five years from the order of relief with statutory interest. (See below for further claim treatment description.)</p>
--	-----------------	---

21  
22

**Class 1.**

23 Pat De Santis, a Married Man, as his sole and separate property, shall receive monthly  
24 payments of \$4,054.65 over five years commencing with the date of confirmation of the Plan.  
25 This sum is amortizing the principal over 30 years at 6%. The arrears if any shall be added to  
26 the principal without interest. This claim shall be paid in full within five years of the effective  
27 date of confirmation of Plan. The ordinary contract amount is \$5,880.58.

28

**Class 2.**

Linda Banks shall receive monthly payments of \$1,362.14 over five years, commencing

1 with the date of confirmation of the Plan. This sum is amortizing the principal over 30 years at  
2 6%. The arrears if any shall be added to the principal without interest. This claim shall be paid in  
3 full within five years of the effective date of confirmation of Plan. The ordinary contract amount  
4 is \$2,280.45.

5 **Class 3.**

6 Shabbir A. Khan shall receive monthly payments of \$1,205.38 over five years in a period  
7 not to exceed five years from the petition date. . This payment includes statutory interest,  
8 currently 18%.

9 **B. Means of Implementing the Plan**

10 Payments and distributions under the Plan will be funded by the following: The ongoing  
11 rental income received by the Debtor.

12 **C. Risk Factors**

13 The proposed Plan has the following risks:

14 If the principal of the Debtor is unable to continue his automotive repair business and has  
15 not located any additional tenants the Debtor may be unable to make the proposed Plan  
16 payments. This risk is mitigated by the eleven years the principal of the Debtor has been engaged  
17 in business and his prior ability to secure other tenants. To the extent that rents are necessary for  
18 a portion of the Plan payments a decline in market rents or an unexpected increase in maintaining  
19 the property would impair Debtor's ability to make Plan payments. This risk is mitigated by the  
20 ability of the Debtor to sell the rental property if necessary.

21 **D. Executory Contracts and Unexpired leases**

22 The Plan, in Article VIII, lists all executory contracts and unexpired leases that the Debtor  
23 will assume under the Plan. The Debtor is unaware of any executory contracts or unexpired  
24 leases and will not assume any under the Plan. Assumption means that the Debtor has elected to  
25 continue to perform the obligations under such contacts and unexpired leases, and to cure  
26 defaults of the type that must be cured under the Code, if any. Article VIII also lists how the  
27 Debtor will cure and compensate the other party to such contract of lease for any such defaults.  
28

If you object to the assumption of your unexpired lease or executory contract, the

1 proposed cure of any defaults, or the adequacy of assurance of performance, you must file and  
2 serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan,  
3 unless the court has set an earlier time

4 All executory contracts and unexpired leases that are not listed in the Plan as assumed  
5 will be rejected under the Plan. Consult your adviser or attorney for more specific information  
6 about particular contracts or leases.

7 If you object to the rejection of your contract or lease, you must file and serve  
8 your objection to the Plan within the deadline for objecting to the confirmation of the  
9 Plan.

10 The Deadline for 'filing a Proof of Claim Based on a Claim Arising from the Rejection of  
11 Lease or Contract Is Sixty Days following Plan Confirmation. Any claim based on the rejection of  
12 a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders  
13 otherwise.

14 **E. Tax Consequences of Plan.**

15 The Debtor is a corporation for state and federal tax purposes and all tax consequences, if  
16 any, will be paid through the Plan. Debtor shall timely file all corporate income tax returns  
17 during the Plan, pay any quarterly sums due, and shall timely pay all income taxes due during the  
18 Plan Failure to do will constitute a default of the Plan.

19 Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their  
20 Tax Liability Should Consult with Their Own Accountants, Attorneys And/Or Advisors.

21 Debtor anticipates making Plan payments from rental income. Historically Debtor has  
22 made its tax obligations from the same rental income. Confirmation of the Plan does not change  
23 Debtor's requirement to remain current on its taxes.

24 **IV CONFIRMATION REQUIREMENTS AND PROCEDURES**

25 To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the  
26 Code. These include the requirements that: the Plan must be proposed in good faith; at least one  
27 impaired class of claims must accept the plan, without counting votes of insiders; the Plan must  
28 distribute to each creditor and equity interest holder at least as much as the creditor or equity

1 interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest  
2 holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the  
3 only requirements listed in § 1129, and they are not the only requirements for confirmation. Even  
4 if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the  
5 nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A Plan that  
6 binds nonaccepting classes is commonly referred to as a “cram down” Plan. The Code allows the  
7 Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for  
8 consensual confirmation except the voting requirements of § 1129(a)(b) of the Code, does not  
9 “discriminate unfairly,” and is “fair and equitable” toward each impaired class that has not voted  
10 to accept the Plan.

11 **A. Who May Vote or Object**

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

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

18 In this case, the Plan Proponent believes that classes 1, 2 and 3 are impaired and that holders  
19 of claims in each of these classes are therefore entitled to vote to accept or reject the Plan.

20 1. *What is an Allowed Claim?*

21 Only a creditor or equity interest holder with an allowed claim or an allowed equity  
22 interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either  
23 (1) the Debtor has scheduled the claim on the Debtor’s schedules, unless the claim has been  
24 scheduled as disputed, contingent, or unliquidated, or (23) the creditor has filed a proof of claim  
25 or equity interest, unless an objection has been filed to such proof of claim or equity interest.  
26 When a claim or equity interest is not allowed, the creditor or equity interest holder holding the  
27 claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the  
28 objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of

the Federal Rules of Bankruptcy Procedure.

1           **The deadline for filing a proof of claim in this case is December 13, 2016. The last**  
2           **day for governmental units to file a proof of claim is February 5, 2017.**

3                           2.       *What Is an Impaired Claim?*

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

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

22           **Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the**  
23           **Confirmation of the Plan [and to the Adequacy of the Disclosure Statement if Not**  
24           **Previously Approved by the Court].**

25                           4.       *Who Can Vote in More Than One Class*

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

                          B.       **Votes Necessary to Confirm the Plan**

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

6 1. *Votes Necessary for a Class to Accept the Plan*

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

11 2. *Treatment of Nonaccepting Classes.*

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

19 You should consult your own attorney if a cramdown at confirmation will affect your  
20 claim or equity interest, as the variations of this general rule are numerous and complex.

21 **C. Liquidation Analysis**

22 To confirm the Plan, the Court must find that all creditors and equity holders who do not  
23 accept the Plan will receive at least as much under the Plan as such claim and equity interest  
24 holders would receive in a Chapter 7 liquidation. If this case were converted to Chapter 7 a  
25 Chapter 7 trustee would likely sell the 4629 West Lane property. Proceeds, net of costs of sale  
26 would likely total approximately \$675,000.00. Chapter 7 trustee fees would be approximately  
27 \$50,000.00 and accountant’s fees would be approximately \$50,000.00. After payment to the  
28 Class 3 tax creditor, there would be insufficient proceeds to pay the Class 1 creditor in full and



1 the Class 2 creditor would receive nothing. The Debtor's Plan of Reorganization proposes  
2 payments to Class 1 and 2 creditors at a modified monthly rate for a term of five years, and  
3 payment to Class 3 in full over a period of five years from the petition filing date.

4 D. Feasibility

5 The Court must find that confirmation of the Plan is not likely to be followed by the  
6 liquidation, or the need for further financial reorganization, of the Debtor or any successor to the  
7 Debtor, unless such liquidation or reorganization is proposed in the Plan.

8 1. *Ability to Initially Fund.*

9 The Plan Proponent believes that the Debtor will have enough cash on hand on the  
10 effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that  
11 date. The Debtor believes that creditors holding administrative priority claims will agree to  
12 payment<sup>6</sup> of their claims over time.

13 2. *Ability to Make Future Plan Payments*

14 The Plan Proponent must also show that it will have enough cash over the life of the Plan  
15 to make the required Plan payments.

16 You Should Consult with Your Accountant or Other Financial Advisor If You Have Any  
17 Questions Pertaining to These Projections.

18 **V. EFFECT OF CONFIRMATION OF PLAN**

19 **A. Discharge of Debtor**

20 Confirmation of this Plan does not discharge any debt provided in this Plan until the  
21 Court grants a discharge on completion of all payments under this Plan, or as otherwise provided  
22 in Section 1141(d)(5) of the Code. The Debtor will not be discharged from any debt excepted  
23 from discharge under Section 523 of the Code, except as provided in Ruler 4007c of the Federal  
24 Rules of Bankruptcy Procedure.

25 **B. Modification of Plan**

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

28 The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1)

1 the Plan has not been substantially consummated and (2) the Court authorizes the proposed  
2 modification after notice and a hearing.

3 **C. Final Decree**

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

8 Dated: February 10, 2017

Respectfully submitted,

9 West Lane Properties Inc.,

10 By: Hok C. Ma, President

11 /s/ Hok C. Ma

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16 /s/ Mark J Hannon \_\_\_\_\_  
17 MARK J HANNON  
18 Attorney for Debtor  
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