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1263 INVESTORS, LLC

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
SACRAMENTO DIVISION

In re:)	Case No. 16-90002-E-11
1263 INVESTORS, LLC)	
)	
Debtor)	
)	
)	

DISCLOSURE STATEMENT TO FIRST AMENDED
PLAN OF REORGANIZATION DATED OCTOBER 9, 2016

This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of 1263 INVESTORS, LLC (the Debtor). This Disclosure Statement contains information about the Debtor and describes the First Amended Plan of Reorganization (the "Plan") filed by the Debtor on October 9, 2016. *Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.*

The proposed distributions under the Plan are discussed at pages 7-10 of this Disclosure Statement. General unsecured creditors are classified in Class 4, and will receive a distribution of 50% of their allowed claims upon the sale of the 7348 Grant Road Property.

A. Purpose of This Document

1 This Disclosure Statement describes:

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

13 Be sure to read the Plan as well as the Disclosure Statement. This Disclosure
 14 Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your
 15 rights.

16 **B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

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

19 1. *Time and Place of the Hearing to Finally Approve This Disclosure*
 20 *Statement and Confirm the Plan*

21 The hearing at which the Court will determine whether to finally approve this
 22 Disclosure Statement and confirm the Plan will take place on _____, at _____m. in
 23 Courtroom____ at the United States Bankruptcy Court, Modesto, California.

24 2. *Deadline for Voting to Accept or Reject the Plan*

25 If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and
 26 return the ballot in the enclosed envelope to Reynolds Law Corporation 424 Second Street,
 27 Suite A, Davis, CA 95616. See section IV.A. below for a discussion of voting eligibility
 28 requirements.

1 Your ballot must be received by [insert date] or it will not be counted.

2 3. *Deadline for Objecting to the Adequacy of Disclosure*

3 Objections to this Disclosure Statement must be filed with the Court and served upon
4 the Debtor's Representative, the Office of the United States Trustee and all creditors
5 requesting special notice.

6 4. *Identity of Person to Contact for More Information*

7 If you want additional information about the Plan, you should contact Stephen M.
8 Reynolds 424 Second Street, Suite A, Davis, CA 95616. (530) 297 5030 telephone.

9 C. **Disclaimer**

10 *The Court has approved this Disclosure Statement as containing adequate*
11 *information to enable parties affected by the Plan to make an informed judgment about its*
12 *terms. The Court has not yet determined whether the Plan meets the legal requirements for*
13 *confirmation, and the fact that the Court has approved this Disclosure Statement does not*
14 *constitute an endorsement of the Plan by the Court, or a recommendation that it be*
15 *accepted.*

16 II. **BACKGROUND**

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

18 The Debtor is a California Limited Liability Company. There are various investors
19 owning percentage shares of the Debtor. Daniel Shaw as Vice President of L.G. Servicing
20 has been active in the formation and management of the Debtor. L.G. Servicing is the
21 Manager of the Debtor. The Debtor was formed in December 2009 to pursue real estate
22 investment and lending opportunities. Debtor became the owner of the two parcels commonly
23 known as 7318 and 7348 Crane Road, Oakdale, California by way of transfers in October
24 2010 (97%) and March 2015 (3%). The 7318 Crane Road property was transferred subject to
25 two senior deeds of trust described below as Classes One and Two. The 7348 Crane Road
26 property was encumbered by a first priority deed of trust on October 17, 2014 described
27 below as Class Three.

28 Prior to the filing of the bankruptcy case the Debtor attempted a short sale of the 7318

1 Crane Road property. As discussed below the 7318 property is worth less than than the
2 amount of the Class One first priority deed of trust. A prepetition short sale attempt to sell the
3 7318 property failed due to various clouds on title. A Quiet Title action was prosecuted in
4 Stanislaus Superior Court; Case No. 2013361 which resulted in a Judgment Quieting Title
5 entered December 10, 2015. Since filing the present Chapter 11 case Debtor has obtained an
6 order valuing the 7318 Crane Road property.

7 **B. Insiders of the Debtor**

8 Daniel J. Shaw, as Vice President of L.G. Servicing, Inc. is active in the ongoing
9 management of the Debtor. L.G. Servicing, Inc. is the Manager. Mr. Shaw has no equity
10 interest in the Debtor or any of the creditors of the Debtor

11
12 **C. Management of the Debtor Before and During the Bankruptcy**

13 L.G. Servicing and Mr. Shaw managed the Debtor before and during the bankruptcy.
14 It is anticipated that the same management will remain in place after Plan confirmation. Mr.
15 Shaw is the primary source of information for this Disclosure Statement. The bankruptcy
16 estate has not employed an accountant and the projections contained in this Disclosure
17 Statement are the product of Mr. Shaw and counsel. Mr. Shaw has prepared the Monthly
18 Operating Reports filed in this case.

19 **D. Events Leading to Chapter 11 Filing**

20 Nationstar as servicer of the Class One claim sought to foreclose on the 7318 Crane
21 Road Property. The present case was filed so that the two Crane road properties could be
22 marketed and sold.

23 **E. Significant Events During the Bankruptcy**

24 Debtor has obtained Court approval for the employment of Debtor's attorney and real
25 estate professional. The Debtor has obtained an order valuing the 7318 Crane Road parcel as
26 collateral and obtained a "short-sale" purchaser for that parcel. Debtor's proposed sale of the
27 7318 parcel was not allowed because the Class 3 creditor has not appeared in this case and has
28 not communicated either an objection or an acceptance of the proposed sale.

1 **F. Projected Recovery of Avoidable Transfers**

2 The Debtor does not intend to pursue preference, fraudulent conveyance, or other
3 avoidance actions. To Debtor's knowledge there are no avoidable transfers.

4 **G. Claims Objections**

5 Except to the extent that a claim is already allowed pursuant to a final non-appealable
6 order, the Debtor reserves the right to object to claims. Therefore, even if your claim is
7 allowed for voting purposes, you may not be entitled to a distribution if an objection to your
8 claim is later upheld. The procedures for resolving disputed claims are set forth in Article V
9 of the Plan. In the event that the Class Two claim holder files a claim the Debtor intends to
10 object to that claim. The claim bar date has passed in this case.

11 **H. Current and Historical Financial Conditions**

12 The identity and fair market value of the estate's assets are listed in Exhibit B.

13 The most recent post-petition operating report filed since the commencement of the
14 Debtor's bankruptcy case is set forth in Exhibit C.

15 **SUMMARY OF THE PLAN OF REORGANIZATION**

16 **A. What is the Purpose of the Plan of Reorganization?**

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

21 **B. Unclassified Claims**

22 Certain types of claims are automatically entitled to specific treatment under the Code.
23 They are not considered impaired, and holders of such claims do not vote on the Plan. They
24 may, however, object if, in their view, their treatment under the Plan does not comply with
25 that required by the Code. As such, the Plan Proponent has *not* placed the following claims in
26 any class:
27
28

1 1. *Administrative Expenses*

2 Administrative expenses are costs or expenses of administering the Debtor's chapter
3 11 case which are allowed under § 507(a) (2) of the Code. The Code requires that all
4 administrative expenses be paid on the effective date of the Plan, unless a particular claimant
5 agrees to a different treatment.

6 The following chart lists the Debtor's estimated administrative expenses, and their
7 proposed treatment under the Plan:

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
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
Professional Fees, as approved by the Court.	Estimated to be \$10,000 or less.	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.
Clerk's Office Fees	Estimated none.	Paid in full on the effective date of the Plan
Other administrative expenses	Estimated none.	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	\$1,000 or less	Paid in full on the effective date of the Plan
TOTAL	\$11,000	

27 2. *Priority Tax Claim*

28 Priority tax claims are unsecured income, employment, and other taxes described by

§ 507(a) (8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The Internal Revenue Service has filed an amended claim for priority taxes in the amount of \$0.00.

Classes of Claims and Equity Interests

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

Class	Impairment	Treatment
--------------	-------------------	------------------

1	Class 1	Impaired	Claim No. 2 filed on May 11, 2016. The claim was
2	The claim of THE		filed in the amount of \$601,299.13 and is secured by a
3	BANK OF NEW		first priority deed of trust against the real property
4	YORK MELLON		commonly known as 7318 Crane Road, Oakdale, CA
5	f/k/a THE BANK		(APN: 063-026-004). The value of 7318 Crane Road,
6	OF NEW YORK		Oakdale, CA was determined to be \$486,500 per
7	as successor in		Debtor's Motion to Value Collateral, civil minute order
8	interest to JP		entered July 12, 2016, docket no. 56. Debtor
9	Morgan Chase		anticipates selling the 7318 Crane Road, Oakdale, CA
10	Bank, N.A. as		and paying all proceeds less costs of sale to Class 1.
11	Trustee for		Debtor anticipates paying less than the amount of the
12	Structured Asset		Class 1 claim and will require the permission of the
13	Mortgage		claim holder. Debtor anticipates Class 1 will waive
14	Investment II Inc.		any unsecured portion of its claim. Debtor anticipates
15	Mortgage Pass-		that Class 1 will receive more than it would receive if
16	Through		Class 1 were to exercise its rights under the senior deed
17	Certificates Series		of trust and foreclose on 7318 Crane Road. The
18	2004-AR7. This		Debtor obtained the 7318 Crane Road, Oakdale, CA
19	claim is serviced		property as a foreclosing creditor junior to Class 1 and
20	by		was never in privity with Class 1.
21	NATIONSTAR		
22	MORTGAGE		
23	LLC.		

24
25
26
27
28

1	Class 2	Impaired	The value of 7318 Crane Road, Oakdale, CA was
2	THE BANK OF		determined to be \$486,500 per Debtor's Motion to
3	NEW YORK		Value Collateral, civil minute order entered July 12,
4	MELLON f/k/a		2016, docket no. 56. The senior lien, Class One,
5	THE BANK OF		exceeds the value of the 7318 Crane Road, Oakdale,
6	NEW YORK as		CA property. The Debtor obtained the 7318 Crane
7	successor trustee		Road, Oakdale, CA property as a foreclosing creditor
8	to JP Morgan		junior to Class 2 and was never in privity with Class 2.
9	Chase Bank, N.A.		Unless Class 2 files a proof of claim and holds an
10	as Trustee for the		allowed claim there will be no distribution to Class 2.
11	certificateholders		
12	of SWABS		
13	Master Trust,		
14	revolving home		
15	equity loan asset		
16	backed notes,		
17	series 2004-Q by		
18	assignment		
19	recorded July 26,		
20	2012		
21	Class 3	Impaired	This claim is in the original amount of \$250,000 and is
22	Bellavista Capital		secured by a first priority deed of trust against the real
23	a/k/a Bella Vista		property commonly known as 7348 Crane Road,
24	Capital		Oakdale, CA (APN: 063-026-003). Debtor shall
25			market and sell the 7348 Crane Road property in order
26			to satisfy the claim of Class 3. Debtor believes that the
27			value of the 7348 Crane Road property is greater than
28			the amount of the Bellavista Capital claim.

1 2 3 4 5	Class 4 General Unsecured	Impaired	General unsecured claim holders will receive pro rata payment from the net proceeds of the sale of the 7348 Crane Road property. Class 4 claims total \$96,163.00. The sale of the 7318 is not expected to generate net proceeds for payment of Class 4 creditors.
6 7 8 9	Class 5 Equity Security Holders	Unimpaired	The equity security holders shall make receive a distribution only in the event that Class 3 and 4 claims are paid in full.

11 **D. Means of Implementing the Plan**

12 1. *Source of Payments*

13 Payments and distributions under the Plan will be funded by the following:

14 Sale of real property. *All sales contemplated by this Plan of Reorganization shall be*
15 *completed within sixty (60) months of the Plan Effective Date. It is the intention of the*
16 *Debtor to complete these sales in much less time.*

17 2. *Post-confirmation Management*

18 L.G. Servicing, Inc. will continue to manage the Debtor.

19 **E. Risk Factors**

20 The proposed Plan has the following risks:

21 The contemplated sale of the 7348 Crane Road property may not realize the projected
22 value; in that case the distribution to Class 4 general unsecured would be reduced. If the
23 proposed sale of 7318 Crane Road is not closed it would not change the distribution to Class 4
24 and Class 1 would receive its collateral rather than a cash payment. Class 3 Bellavista Capital
25 has allowed the Debtor to proceed with the sale of the 7348 property. If Bellavista
26 determined to foreclose on its security interest there would be no distribution to Class 4 or 5.

27 **F. Executory Contracts and Unexpired Leases**

28 The Plan, in Article VII, lists all executory contracts and unexpired leases that the

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

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

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

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

The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Is sixty days following Plan Confirmation. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

G. Tax Consequences of Plan

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

V. CONFIRMATION REQUIREMENTS AND PROCEDURES

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

1 or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or
2 equity interest holder votes to accept the Plan; and the Plan must be feasible. These
3 requirements are not the only requirements listed in § 1129, and they are not the only
4 requirements for confirmation.

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

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

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

12 In this case, the Plan Proponent believes that classes 1, 2, 3 and 4 are impaired and
13 that holders of claims in each of these classes are therefore entitled to vote to accept or reject
14 the Plan.

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

16 Only a creditor or equity interest holder with an allowed claim or an allowed equity
17 interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if
18 either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has
19 been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of
20 claim or equity interest, unless an objection has been filed to such proof of claim or equity
21 interest. When a claim or equity interest is not allowed, the creditor or equity interest holder
22 holding the claim or equity interest cannot vote unless the Court, after notice and hearing,
23 either overrules the objection or allows the claim or equity interest for voting purposes
24 pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

25
26 ***The deadline for filing a proof of claim in this case was May 11, 2016.***

27
28 **2. What Is an Impaired Claim or Impaired Equity Interest?**

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

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

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

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

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan [and to the Adequacy of the Disclosure Statement].

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

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or 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

1 insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the
 2 Plan is eligible to be confirmed by “cram down” on non-accepting classes, as discussed later
 3 in Section B.2.

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

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

9 A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in
 10 amount of the allowed equity interests in the class, who vote, cast their votes to accept the
 11 Plan.

12 2. *Treatment of Nonaccepting Classes*

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

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

23
 24 C. **Liquidation Analysis**

25 To confirm the Plan, the Court must find that all creditors and equity interest holders
 26 who do not accept the Plan will receive at least as much under the Plan as such claim and
 27 equity interest holders would receive in a chapter 7 liquidation. The proposed Plan is a
 28 liquidating Plan. In Chapter 7 liquidation the court appointed bankruptcy trustee would likely

hire real estate professionals to market and sell the real property of the estate. In addition, the trustee would likely hire counsel and an accountant to meet the reporting requirements of a Chapter 7 estate. The Chapter 7 trustee would also be allowed compensation for his or her time. The administrative costs of a Chapter 7 trustee would very likely reduce the distribution to general unsecured creditors

D. Feasibility

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

1. Ability to Initially Fund

There are no immediate payments due upon Plan confirmation.

2. Ability to Make Future Plan Payments and Operate Without Further Reorganization

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments. The Plan is to be funded by the sale of the real property of the estate.

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

V. EFFECT OF CONFIRMATION OF PLAN

A. DISCHARGE OF DEBTOR

Discharge. On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in § 1141(d)(6)(B). After the effective date

1 of the Plan your claims against the Debtor will be limited to the debts described in clauses (i)
2 through (iii) of the preceding sentence.

3 **B. Modification of Plan**

4 The Plan Proponent may modify the Plan at any time before confirmation of the Plan.
5 However, the Court may require a new disclosure statement and/or revoting on the Plan.
6 The Plan Proponent may also seek to modify the Plan at any time after confirmation only if
7 (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the
8 proposed modifications after notice and a hearing.

9 **C. Final Decree**

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

15
16
17 Dated: October 9, 2016

Respectfully submitted,

18 By: /s/ Daniel J. Shaw
Daniel J. Shaw, Vice President
19 L.G. Servicing Inc. Manager
Plan Proponent
20

21 By: /s/ Stephen M. Reynolds
Stephen M. Reynolds
22 Attorney for 1263 INVESTORS, LLC
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EXHIBIT B

ASSETS OF THE DEBTOR

Wells Fargo Checking (value per 8/31/16)	\$	292
7348 Crane Road, Oakdale CA (value per schedules)	\$	291,500
7318 Crane Road, Oakdale CA (value per motion to value)	\$	486,500

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

In re: 1263 Investors, LLC
15700 Winchester Blvd
Los Gatos, CA 95030

Case No. 16-90002-E-11

**CHAPTER 11
MONTHLY OPERATING REPORT
(SMALL REAL ESTATE/INDIVIDUAL CASE)**

SUMMARY OF FINANCIAL STATUS

MONTH ENDED: 08/31/16

PETITION DATE: 01/05/16

1. Debtor in possession (or trustee) hereby submits this Monthly Operating Report on the Accrual Basis of accounting (or if checked here the Office of the U.S. Trustee or the Court has approved the Cash Basis of Accounting for the Debtor).

Dollars reported in \$1

	<u>End of Current Month</u>	<u>End of Prior Month</u>	<u>As of Petition Filing</u>
2. Asset and Liability Structure			
a. Current Assets	\$292	\$32	
b. Total Assets	\$801,792	\$801,502	\$802,756
c. Current Liabilities	\$0	\$0	
d. Total Liabilities	\$866,774	\$866,774	\$866,774
3. Statement of Cash Receipts & Disbursements for Month	<u>Current Month</u>	<u>Prior Month</u>	<u>Cumulative (Case to Date)</u>
a. Total Receipts	\$1,000	\$44	\$3,362
b. Total Disbursements	\$739	\$14	\$4,326
c. Excess (Deficiency) of Receipts Over Disbursements (a - b)	\$261	\$30	(\$964)
d. Cash Balance Beginning of Month	\$32	\$2	\$1,257
e. Cash Balance End of Month (c + d)	\$292	\$32	\$292
4. Profit/(Loss) from the Statement of Operations	<u>Current Month</u>	<u>Prior Month</u>	<u>Cumulative (Case to Date)</u>
	N/A	N/A	N/A
5. Account Receivables (Pre and Post Petition)	\$0		
6. Post-Petition Liabilities	\$0		
7. Past Due Post-Petition Account Payables (over 30 days)	\$0		

At the end of this reporting month:

- | | | |
|--|------------|-----------------|
| 8. Have any payments been made on pre-petition debt, other than payments in the normal course to secured creditors or lessors? (if yes, attach listing including date of payment, amount of payment and name of payee) | <u>Yes</u> | <u>No</u>
NO |
| 9. Have any payments been made to professionals? (if yes, attach listing including date of payment, amount of payment and n 32 | | NO |
| 10. If the answer is yes to 8 or 9, were all such payments approved by the court? | | |
| 11. Have any payments been made to officers, insiders, shareholders, relatives? (if yes, attach listing including date of payment, amount and reason for payment, and name of payee) | | NO |
| 12. Is the estate insured for replacement cost of assets and for general liability? | YES | |
| 13. Are a plan and disclosure statement on file? | | NO |
| 14. Was there any post-petition borrowing during this reporting period? | | NO |
15. Check if paid: Post-petition taxes YE U.S. Trustee Quarterly Fees ; Check if filing is current for: Post-petition tax reporting and tax returns: YE.
(Attach explanation, if post-petition taxes or U.S. Trustee Quarterly Fees are not paid current or if post-petition tax reporting and tax return filings are not current.)

I declare under penalty of perjury I have reviewed the above summary and attached financial statements, and after making reasonable inquiry believe these documents are correct.



Date: 9/5/2016 0:00

Responsible Individual

VP of LG Servicing, Manager
of 1263 Investors, LLC

BALANCE SHEET
(Small Real Estate/Individual Case)For the Month Ended 08/31/16

Assets		Check if Exemption Claimed on Schedule C	Market Value
Current Assets			
1	Cash and cash equivalents (including bank accts., CDs, etc.)		\$292
2	Accounts receivable (net)		
3	Retainer(s) paid to professionals		
4	Other: _____		
5	_____		\$0
6	Total Current Assets		\$292
Long Term Assets (Market Value)			
7	Real Property (residential) - appraisal		\$486,500
8	Real property (commercial land)		\$315,000
9	Furniture, Fixtures, and Equipment		
10	Vehicles		
11	Partnership interests		
12	Interest in corporations		
13	Stocks and bonds		
14	Interests in IRA, Keogh, other retirement plans		
15	Other: _____		
16	_____		
17	Total Long Term Assets		\$801,500
18	Total Assets		\$801,792
Liabilities			
Post-Petition Liabilities			
Current Liabilities			
19	Post-petition not delinquent (under 30 days)		\$0
20	Post-petition delinquent other than taxes (over 30 days)		\$0
21	Post-petition delinquent taxes		\$0
22	Accrued professional fees		\$0
23	Other: _____		
24	_____		
25	Total Current Liabilities		\$0
26	32 Long-Term Post Petition Debt		
27	Total Post-Petition Liabilities		\$0
Pre-Petition Liabilities (allowed amount)			
28	Secured claims (residence)		\$599,904
29	Secured claims (other)		\$170,705
30	Priority unsecured claims		
31	General unsecured claims		\$96,165
32	Total Pre-Petition Liabilities		\$866,774
33	Total Liabilities		\$866,774
Equity (Deficit)			
34	Total Equity (Deficit)		(\$64,982)
35	Total Liabilities and Equity (Deficit)		\$801,792

NOTE:

Indicate the method used to estimate the market value of assets (e.g., appraisals; familiarity with comparable market prices, etc.) and the date the value was determined.

SCHEDULES TO THE BALANCE SHEET**Schedule A
Rental Income Information****List the Rental Information Requested Below By Properties (For Rental Properties Only)**

	<u>Property 1</u>	<u>Property 2</u>	<u>Property 3</u>
1 Description of Property	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
2 Scheduled Gross Rents	<u></u>	<u></u>	<u></u>
Less:			
3 Vacancy Factor	<u></u>	<u></u>	<u></u>
4 Free Rent Incentives	<u></u>	<u></u>	<u></u>
5 Other Adjustments	<u></u>	<u></u>	<u></u>
6 Total Deductions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
7 Scheduled Net Rents	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
8 Less: Rents Receivable (2)	<u>\$0</u>	<u></u>	<u></u>
9 Scheduled Net Rents Collected (2)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(2) To be completed by cash basis reporters only.

**Schedule B
Recapitulation of Funds Held at End of Month**

	<u>Account 1</u>	<u>Account 2</u>	<u>Account 3</u>
10 Bank	<u>\$292</u>	<u></u>	<u></u>
11 Account No.	<u>2133552386</u>	<u></u>	<u></u>
12 Account Purpose	<u>DIP Checking</u>	<u></u>	<u></u>
13 Balance, End of Month	<u>\$292</u>	<u></u>	<u></u>
14 Total Funds on Hand for all Accounts	<u><u>\$292</u></u>	<u></u>	<u></u>

Attach copies of the month end bank statement(s), reconciliation(s), and the check register(s) to the Monthly Operating Report.

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Increase/(Decrease) in Cash and Cash Equivalents

For the Month Ended 08/31/16

		Actual Current Month	Cumulative (Case to Date)
Cash Receipts			
1	Rent/Leases Collected	\$0	\$0
2	Cash Received from Sales		
3	Interest Received		
4	Borrowings		
5	Funds from Shareholders, Partners, or Other Insiders		
6	Capital Contributions		
7	Advance on Note - FB Investors	\$0	\$275
8	Advance on Note - Quicksilver	\$1,000	\$3,000
9	Misc. Refund from the Tax Collector	\$0	\$43
10	Advance by DCI Properties, LLC	\$0	\$44
11			
12	Total Cash Receipts	\$1,000	\$3,362
Cash Disbursements			
13	Elevator Repairs	\$0	\$0
14	Fire Sprinkler Maint.	\$0	\$0
15	Garbage	\$0	\$0
16	Gardening/Landscape	\$400	\$400
17	HVAC - Repairs	\$0	\$0
18	Insurance	0	0
19	Janitorial	\$0	\$0
20	Leasing Costs	\$0	\$350
21	Legal & Accounting	0	0
22	Property Management	\$0	\$0
23	Painting	\$0	\$0
24	Parking Lot Sweeping	\$0	\$0
25	Property Taxes	\$0	\$2,021
26	Repairs & Maintenance	\$0	\$15
27	Roof Repairs	\$0	\$0
28	Security Service	\$0	\$0
29	Taxes & Licenses (FTB)	\$0	\$0
30	Utilit	\$0	\$0
31	Water & Sewer	\$0	\$0
32	Franchise Tax Board - Annual Fee	\$0	\$800
33	Interest Expense	\$0	\$0
34			
35	Principal Reduction	\$0	\$0
36	Bank Fees	\$14	\$84
37	Correction - Error in Jan 2015	\$0	\$6
38	US Trustee Fees	\$325	\$650
39			
40	Total Cash Disbursements:	\$739	\$4,326
41	Net Increase (Decrease) in Cash	\$261	(\$964)
42	Cash Balance, Beginning of Period	\$32	\$1,257
43	Cash Balance, End of Period	\$292	\$292