

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Baltimore Division)

In re:

LEAH M. GANSLER, et al.,

Debtors,

)
)
) Case No.: 15-25311 (RAG)
) Chapter 11

)
) (Case Nos. 15-25311 (RAG) and
) 15-26726 (NVA) Jointly Administered
) under 15-25311 (RAG))

AMENDED DISCLOSURE STATEMENT

Leah M. Gansler, et al, Debtors, submit the following as their Amended Disclosure Statement.

I.
INTRODUCTION

Judicial approval of this Amended Disclosure Statement is a prerequisite to the solicitation of acceptance of the Debtors’ Amended Plan of Reorganization, a draft copy of which is submitted simultaneously herewith (“the Plan”). The purpose of the Amended Disclosure Statement is to furnish to the holders of Claims and Interests such information that, as far as is reasonably practicable under the circumstances, will enable them to make an informed judgment about the Plan.

All holders of claims and interests should note that no representations concerning the Debtors, particularly as to their future business operations or value of their properties has been authorized or will be authorized by the Debtors other than as set forth in this Amended Disclosure Statement. This Amended Disclosure Statement is pending final or provisional approval by the Court, which such approval could possibly be received at the time of the hearing on confirmation of the Plan. If an unauthorized representation is made to obtain acceptance of a plan, such representation should be reported in writing to undersigned counsel for the debtor, who will in turn make it known to the Court for such action as the Court may deem appropriate.

The information contained herein with respect to real property values is based upon extensive conversations with realtors and the values stated are considered to be realistic

values of the properties. In arriving at the estimates the Debtors have relied upon the advice of their Realtors. The Debtors do not warrant or represent that the information contained herein is without inaccuracy, although great effort has been made to be accurate.

II.
VOTING INSTRUCTIONS AND SOLICITATION OF ACCEPTANCES

Enclosed with the Amended Disclosure Statement as finally or provisionally approved will be a ballot provided to Creditors so that they may vote either for or against the Amended Plan. **The Court's order scheduling a hearing on confirmation will set the deadline date for filing ballots. In order for any ballot to be eligible to be counted each such ballot must actually be received by undersigned counsel, at the address set forth below, on or before 5:00 p.m. eastern time on the deadline date. Ballots received at any time thereafter will not be counted, regardless of postmark date or date of transmittal.**

BALLOTS MUST BE DELIVERED TO:

John C. Gordon, Esq.
Proposed Counsel for Debtors
532 Baltimore Annapolis Blvd.
Severna Park, MD 21146

BALLOTS SHOULD NOT BE SENT TO THE COURT.

Subject to the specific provisions of 11 U.S.C. § 1124 a Creditor whose claim is impaired is deemed to include any Creditor who will receive less than full cash payment for the allowed amount of its Claim or whose pre-petition rights have otherwise been altered in any way by the provisions of the Plan. Claims of certain Creditors may be disputed by the Debtors. The holders of disputed Claims may vote for or against the Plan only to the extent that their Claims have been allowed for the purposes of voting. Similarly, the holders of Claims which have been scheduled by the Debtors or filed with the Court and have been designated as contingent or un-liquidated may vote only to the extent that their Claims have been allowed by the Court for the purpose of voting.

Any ballot included with this Amended Disclosure Statement **is not a proof of claim and will not be treated as such for purposes of voting or otherwise.**

The register of Claims filed against the Debtors may be inspected at the Office of the Clerk, United States Bankruptcy Court, 101 West Lombard Street, Suite 8530, Baltimore, MD 21201 during normal operating hours of the court, Monday – Friday 8:45 a.m. – 4:00 p.m. For

those creditors or individuals with access to the PACER system, the claims and claims register may be viewed online.

Only those votes that actually accept or reject the plan will be counted.

A Class of Creditors is deemed to have accepted the Plan if the Plan has been accepted both by the Holders of at least two thirds (2/3) of the total dollar amount of the Claims in that particular class, and also by a majority of the creditors in that class who are allowed to vote and **who actually voted on the plan.**

At the hearing on Confirmation the Bankruptcy Court will receive and consider a ballot report. Undersigned counsel will prepare the ballot report. The ballot report will tally the votes received and tally those entitled to be counted for acceptance or rejection of the Plan. The Court will also then and there consider whether or not the Plan satisfies the various requirements of the Bankruptcy Code, including feasibility and whether it is in the best interests of Creditors.

In order to confirm the Plan, the Court must find that each holder of an allowed Claim or interest in each impaired Class of Claims has either accepted the Plan or that each such holder will receive or retain on account of its Claim or interest, property of a value that is not less than what that holder would receive if the Debtors had liquidated their assets under the provisions of Chapter 7 of the Bankruptcy Code, all as of the Effective Date. The Court may use the “cram-down” provisions of the Code to confirm the Plan even if the Plan is not accepted by all of the impaired Classes, provided that the Court finds that the Plan was accepted by at least one impaired Class (not counting the votes of insiders) and that the Plan does not discriminate unfairly against, and is fair and equitable to all non-accepting impaired Classes.

The Debtors intend to rely on these “cram down” provisions if necessary to gain confirmation of the Plan.

The Debtors believe that the Plan is feasible, fair and equitable and in the best interests of the Creditors and the Debtors, and that the Plan does not discriminate unfairly against any class of creditors. Accordingly, the Debtors recommend that each allowed claimant **vote for the plan.**

This Amended Disclosure Statement and the accompanying Amended Plan should be read in their entirety. The words defined in Article I of the plan when used in this Amended Disclosure Statement carry the same meaning given to those terms in the definitions in Article I of the plan. Upon approval by the court, the Amended Disclosure Statement becomes an “approved Amended Disclosure Statement.” Unless the court

specifically authorizes to the contrary, only an “approved Amended Disclosure Statement” may be generally disseminated to creditors in conjunction with solicitation of acceptances of a plan.

III.
HISTORY AND BACKGROUND OF THE DEBTORS AND THEIR BUSINESS

Mrs. Gansler filed her petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Maryland, Baltimore, on November 3, 2015. Mr. Gansler filed his petition under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Maryland, Baltimore, on December 1, 2015. The Cases were consolidated under Mrs. Gansler’s case on December 14, 2015. Mrs. Gansler was the head of a Washington, D.C area philanthropic organization, Charity Works for many years. She has worked without compensation. Charity Works has been closed. Mr. Gansler is a professor emeritus at the University of Maryland, College Park. He is also a published author and noted authority in the field of logistics. He held the position of Under Secretary of Defense for Logistics under two administrations. Mr. Gansler is a member of the boards of directors of several corporations. In October 2015 Mr. Gansler started the “Gansler Group LLC” which consults with defense related organizations and corporations. Debtors have and continue to act as a debtors-in-possession. No Trustee has been appointed and no Creditors Committee has been created.

A. BACKGROUND OF THE DEBTORS

Debtors are individuals, wife and husband. Mr. Gansler has been a very successful businessman and due to patriotic reasons took a 90% pay cut to fulfill the position of Under Secretary of Defense for Logistics (“U/SECDEF/Log”) under two administrations. After stepping down from the position as U/SECDEF/Log he accepted a position as a tenured professor at the University of Maryland and as a member of the board of directors of several defense related corporations.

In 2010 the Ganslers purchased a single family home in Palm Beach, Florida. The purchase price was \$1,787,500.00. They subsequently spent approximately \$700,000.00 in improvements to the property. In 2012 their acceptance of an unsolicited, all cash offer for the aforementioned “fully furnished” Palm Beach property, left them in position to purchase two condominiums in the Ritz Carlton, Singer Island, Florida. At the time of the purchase thereof the

Ganslers anticipated that they could quickly resell the Ritz Carlton condominiums. At the time when they made their offer on the condominiums Debtors did not realize that the apartments were “designer ready” rather than finished units. The combined purchase price of the two units was \$3,450,000.00. The interior modifications and finishes to the condominiums cost an additional \$1,000,000.00, for a total finished cost of \$4,450,000.00. Subsequent to entering into the contracts to purchase the condominiums, the Ganslers retained a mortgage broker to leverage the difference between the purchase price of the units and their anticipated additional cash investment amount. Several days prior to the scheduled closing of the purchase of the condominiums the broker said she was unable to obtain a mortgage commitment. Facing a \$1,000.00 per day penalty for failure to close at the designated time the Ganslers sought alternative funding. The broker introduced the Debtors to northern Virginia hard-money lender ADU Investments, LLC (herein “ADU”). ADU charged 12% per annum plus numerous additional fees. ADU cross collateralized the loan against the Gansler’s home in the Evans Farm Subdivision of McLean, Virginia and took a security interest in the furnishings in the Ritz Carlton condominiums.

The term of the ADU loan was one year. The condominiums have not sold and the Ganslers have sought and received three one-year extensions of the ADU loan.

In 2012 Mrs. Gansler suffered several severe health issues, one of which caused her to be placed into a medically induced coma for a period of two weeks, incapacitating her for several months. The Ganslers did not have a household manager or other outside individual to assist with managing their finances. That fact led to the Debtors to unknowingly be in arrears on the mortgage on their home in McLean, VA. The lender, Ocwen Loan Servicing LLC, would not accept anything short of full payment of all arrearages and the started foreclosure proceedings.

The Ganslers’ financial challenges began in 2012 when they exercised the sale of numerous stock options on the same day that the stocks were purchased. Contrary to the Debtors’ (and their accountants’) then understanding of the tax law, if an individual exercises on the same day both the purchase and the sale of stock options, any profit received thereon is taxable at the sellers’ marginal income tax rate rather than the capital gains tax rate.

That mistaken assumption caused the unexpected assessment against the Ganslers of tax liabilities and penalties in the amount of nearly one million dollars. The Ganslers retained the

services of the Tax Group Center of Calabasas, CA (herein "TGC") for the purposes of obtaining assistance and relief from those unexpected assessments. The Ganslers paid fees to TGC an amount of money in excess of \$150,000.00, based on TGC's representation that it could work out the problems caused by the ordinary tax treatment of the gains generated by the stock sales. In fact, the Debtors have received no tax relief as a result of TGC's efforts. Meanwhile the interest and penalties on the assessed tax amount has increased exponentially. Based on Debtors' information and belief, TGC has never even contacted the IRS regarding this matter.

In 2014 Mr. Gansler turned 80. At that time, he was required to step down from membership on several of the boards of directors on which he was then sitting. In addition, he was termed-out at the expiration of his appointment to several other boards of directors. The forgoing resulted in an annual income reduction of approximately \$600,000.00.

The lack of assistance from and the amount of fees paid to TGC, the lack of willingness of Ocwen Loan Servicing LLC to agree to work with the Ganslers on a loan modification, the increasing amount of debt owed to the IRS and the lack of sales of the Ritz Carlton condominiums precipitated Mrs. Gansler's bankruptcy filing on November 3, 2015.

The Internal Revenue Service started enforced collection activities in November 2015. The issuance of Notices of Levy both to corporations on whose boards of directors Mr. Gansler then sat and to the bank where the Debtors maintained their personal accounts, precipitated Mr. Gansler's bankruptcy filing on December 1, 2015.

B. FINANCIAL HISTORY OF THE DEBTORS

The problems which precipitated the Debtors' filing for bankruptcy protection were the reduced income of Mr. Gansler; the decision of Ocwen Loan Servicing LLC ("Ocwen") not to restructure or modify the mortgage on their Virginia property; the interest payments on the ADU loan, the fact that the Florida properties did not sell and the collection activities of the Internal Revenue Service. The Debtors submitted, resubmitted and then again resubmitted all information and data required by Ocwen for a loan modification. The Ocwen modification request was denied for the alleged failure of Debtors to provide certain documentation, which documentation in fact had been submitted by the office of undersigned counsel to Ocwen on Debtors' behalf on two different occasions. Debtors exhausted all other alternatives. Debtors filed for protection under Chapter 11 of the U.S. Bankruptcy Code to enable them to modify the

rates and terms of the mortgages on their real properties, negotiate their tax liabilities with the Internal Revenue Service and to achieve financial rehabilitation.

IV.
POST-PETITION OPERATIONS

Substantial discussions are ongoing with the Internal Revenue Service to resolve the tax issues. Mr. Gansler's consulting company has obtained several contracts that will enable him to fully fund the Debtors' proposed *Amended* Plan. Debtors have maintained their operations as debtors-in-possession since the filing of the case.

A. POST-PETITION REVENUE AND EXPENSES

Mr. Gansler's net income from his consulting company and his fee income from participation on various boards of directors is averaging \$35,000.00 per month. Monthly post-confirmation expenses will average less than \$29,000.00. The Debtors have developed an *amended* plan of reorganization to guide their operations during and after emerging from Chapter 11.

B. ANTICIPATED SOURCES OF REVENUE

The proposed plan requires a partial liquidation of the Debtors' real property. Upon investigation to determine the reasons why the condominiums had not been sold within the initial nine (9) months of this case, the office of undersigned was able to determine that the listing agent had made several egregious errors in the listing. The condominiums were not linked properly to the Ritz Carlton Palm Beach; luxury properties such as these condos in Palm Beach and were listed only in the *local version* of the Multiple Listing Service (MLS). Debtors have attempted to rectify the situation by petitioning the Court for authority to retain Concierge Auctions, LLC ("Concierge") a premier international auctioneer of high-end properties. Concierge is a luxury real estate auction company based in New York. When Concierge is engaged they utilize professional photographers for their web pages. When the listing is uploaded, it automatically populates on over 500,000 subscribers, worldwide. Concierge purchases ad copy in the international edition of the Wall Street Journal, local print editions as well as other online links. The normal marketing budget for Concierge is \$125,000.00 - \$150,000.00 per property. All costs of marketing are initially borne by Concierge, recoverable for sales proceeds, and a buyers premium of ten % is assessed on each sale and purchase. Any bidder of Concierge must verify

ability to close on any offer/bid by placing a substantial deposit, via wire transfer to the credit of Concierge; post a letter of credit from their financial institution verifying the ability of the bidder to perform on any successful bid and provide verification of account balances for the six month period prior to the issuance of the documents.

Debtors have filed expedited motions to sell the properties at auction, together with expedited process for Court approval to employ Concierge. Florida is a judicial foreclosure state. The average time for foreclosure from beginning to end is 150 days. This auction opportunity presents the best, quickest, most affordable and most likely to succeed solution available.

C. ANTICIPATED OPERATIONAL NEEDS

a. General and Administrative Expenses. Counsel for Debtors is billing his standard hourly rate of \$350.00 per hour for attorney time and \$195.00 per hour for paralegal time. Counsel anticipates that the total fees for representation in the instant case will not exceed \$150,000.00. The only professional fees that Debtors anticipate for the duration of the case are counsel’s fees and Realtor’s fees.

b. Costs of Financing. Unknown at this time.

c. Debtors post confirmation expenses (shown on a monthly basis):

Rent on Annapolis home	To be surrendered
Mortgages and Plan payments	\$12,000.00
Personal expenses	<u>\$ 7,000.00</u>
	\$29,000.00

V. THE PLAN OF REORGANIZATION

The obligations of the Debtors under their Amended Plan of Reorganization (the “Plan”) have been grouped into eight (8) classes. The Amended Plan provides separately for each class. Distributions on Allowed Claims (as defined below) under the Plan will be in full settlement and final satisfaction. Upon completion of the plan payments Debtors will apply for a discharge; after the Court grants the discharge the Debtors will be discharged from all claims that have arisen before confirmation of the Plan.

A “Claim” is generally defined by the Plan as a right to payment from the Debtors or from the Debtors’ property, or a right to an equitable remedy for breach of performance if such breach gives rise to a right to payment. The Plan defines an “Allowed Claim” as any Claim against the Debtors to the extent that: (a) a proof of claim if required was timely filed or deemed filed pursuant to §1111(a) of the Bankruptcy Code; and (b) no objection to the allowance of such Claim has been timely filed or the Claim is allowed (and then only to the extent allowed) by a final order after appropriate notice and hearing with respect to the objection thereto. A holder of a Claim will receive distributions only if the Claim is an Allowed Claim.

1. Class 1 - Administrative Claims.

This Class consists of Allowed Claims for costs and expenses of administration of Debtors’ estate, as defined in Section 503(b) of the Bankruptcy Code, including creditors having Allowed Claims entitled to priority under Section 364(c) of the Bankruptcy Code. The Debtors are current on all post-petition obligations arising from ordinary course of business operations. Debtors will continue to pay all administrative claims and expenses in full, as due. Based on Debtors’ projections they anticipate administrative expenses including the quarterly U.S. Trustee Fees, and attorney and other professional fees to average two thousand dollars (\$2,000.00) per month, post confirmation.

2. Class 2 – Priority Claims

This class includes Allowed Claims of the Internal Revenue Service (the “Service”)¹ and the County of Palm Beach, Florida.

The Service’s claim is in the principal amount of \$1,700,000.00; accruing interest at the rate of 3% per annum; and will be paid in full, with interest as applicable, within five years from the effective date. The terms of the repayment to the Service, prior to any audit reconsideration, is based upon the interest rate of 3%, and will be in the amount of \$4,250.00, interest only, post confirmation. If Debtors are granted the relief sought in the reconsideration request the payment will be reduced to \$1,750.00 per month, or at the rate of 3% interest only post confirmation based upon any amended Proof of Claim filed by the Service. The outstanding balance owed to the Service will be paid in full at the closing of the sale of the Florida real properties.

¹ Counsel for Debtors has requested an audit reconsideration from the Service. In the event the Debtors are successful in the reconsideration the claim of the Service may be reduced to as little as approximately \$700,000.00.

The Claim of the County of Palm Beach, Florida in the amount of \$76,000.00; will be paid in full, with interest as applicable, within five years from the effective date. The outstanding balance owed to Palm Beach County will be paid in full at closing of the sale of either of the Florida real properties.

The claims of the Service and the County of Palm Beach, Florida will be treated similarly as under 11 U.S.C. §507(a)(8)(A)(1). The Class 2 claims are to be paid in full, with interest as applicable, within within five years from the effective date or upon the sale of either of the Florida real properties, whichever is sooner.

If the Debtors fail to make any deposits of any currently accruing tax liability, fail to make payment of any tax to the Service or the County of Palm Beach, Florida within 10 days of the due date of such deposit or payment, or if the Debtors fail to file any required federal tax return by the due date of such return, then the claimant to whom the Debtors are in default may immediately declare that the Debtors are in default of the Plan. Failure to declare a default does not constitute a waiver by the Service or Palm Beach County, Florida of the right to declare that the Debtors are in default.

If one of the priority claimants declares the Debtors to be in default of their obligations under the Plan, then the entire imposed liability, together with any unpaid current liabilities, shall become due and payable immediately upon written demand made to the Debtors.

If full payment is not made within 14 days of such demand, the priority claimant may collect any unpaid liabilities through the administrative collection provisions of the Internal Revenue Code or the applicable state Tax Codes.

The Claim of the Service, will be paid in full within five years from the effective date of the amended plan with interest computed as under 26 U.S.C §6621(a)(1), presently 3% per annum. The Claim of the County of Palm Beach, Florida will be paid at the statutory rate pursuant to Florida Statutes.

The Debtors and any property of the debtors remain liable for all unpaid priority tax claims after confirmation.

This Class is not impaired and not entitled to vote on the Plan.

3. Class 3 – Liens Secured by 2700 N. Ocean Drive, 401A/501A, Singer Island, FL

ADU Investments LLC, secured Claim in the amount of \$2,587,000.00; Property Tax in favor of Palm Beach County, Florida in the amount of \$175,000.00; Home Owners Association

Dues in favor of 2700 N. Ocean Drive LLC in the amount of \$160,000.00 will be paid in full from the proceeds of the auction sale of the real property known as 2700 N. Ocean Drive, Units 401A/501A, Palm Beach, FL 33404.

This Class is not impaired and not entitled to vote on the Plan.

4. Class 4 – Secured Claim of OCWEN Loan Servicing, LLC.

Class 4 – Secured Claim of OCWEN Loan Servicing, LLC. OCWEN Loan Servicing, LLC's, secured Claim in the approximate amount of \$1,461,000.00 shall be deemed allowed in full and will be brought 100% current on or before the 90th day from confirmation of the Amended Plan of Partial Liquidation or upon availability of the sales proceeds from the proposed auction sale of the real property known as 2700 N. Ocean Drive, Units 401A/501A, Palm Beach, FL 33404, whichever shall occur first. The debtors shall thereafter pay Ocwen according to the applicable loan documents agreed to by the debtors and Ocwen, and those loan documents shall be in full force and effect. The interest of Ocwen in the collateral securing the debtors' obligations shall survive confirmation and remain in effect until Ocwen has been paid in full. A default of the debtors' obligations under the applicable loan documents agreed to by the debtors and Ocwen and under this Plan will have occurred if any of the following occur: (1) in the event that the secured claim of OCWEN Loan Servicing, LLC is not brought current on the earlier of the 90th day from confirmation of the Amended Plan of Partial Liquidation or upon availability of sale proceeds from the proposed auction sale of 2700 N. Ocean Drive, Units 401A/501A, Palm Beach, FL 33404, or (2) in the event that, after having brought the Ocwen loan current as provided above, the debtors fail to timely pay any amount owed under the applicable loan documents agreed to by the debtors and Ocwen. In the event of any such default, Ocwen shall immediately and without further act of or notice from this Court be deemed to have relief from the automatic stay and/or discharge injunction, to the extent applicable, to enforce its rights and interests against its collateral and the debtors and Ocwen shall be permitted to exercise all legal remedies available to it in light of the default. The stay provided for in Rule 4001(a)(3), Federal Rules of Bankruptcy Procedure, shall not apply to such relief.

This Class is impaired and entitled to vote on the Plan.

5. Class 5 – Secured Claim of M & T Bank.

M & T Bank's, secured Claim in the approximate amount of \$300,000.00, monthly payment of \$2,071.74 principal and interest. To the extent that the Class 5 Claim is allowed it will be modified to 15-year term, interest rate fixed at 3.00%.

6. Class 6 – Secured Claim of Porsche Financial Services.

Porsche Financial Services, secured Claim in the amount of \$30,000.00 monthly payment of \$889.06 principal and interest at the rate of 4.250% for a period of three (3) years or until fully amortized. *Till v. SCS Credit Corp.*, 541 U.S. 465 (2004).

7. Class 7 – Secured Claim of Mercedes-Benz Financial Services.

Mercedes-Benz Financial Services, secured Claim in the amount of \$10,000.00 monthly payment of \$296.35 principal and interest at the rate of 4.250% or until fully amortized. *Till v. SCS Credit Corp.*, 541 U.S. 465 (2004).

8. Class 8 – Unsecured Claims.

The unsecured claims of: American Express \$175,000.00; Evans Farm Homeowners Association \$7,000.00; Baltimore Gas and Electric Company 3,901.27; Bell South \$984.00; DirecTV \$339.29; Wells Fargo Bank \$154.99; Anne Page \$25,000.00; Blades of Green \$3,784.25; Clear Choice Pool Service \$2,434.53.

The class 8 creditors will be paid 100% of their claims, over a period of five (5) years. The monthly payment will be \$3,700.00 and will be distributed on a pro-rata basis.

This Class is impaired and entitled to vote on the Plan.

VI.
OVERVIEW OF THE PLAN AND TREATMENT OF CLAIMS

The Debtors' *amended* plan proposes full payment to all creditors. Plan payments will be funded from Debtors' wages and or from the sale of the Florida property.

Treatment of the Various Classes.

a. Class 1 Administrative Claims. As required by 28 U.S.C. §1930 (a)(6) the Plan provides that U.S. Trustee payments will be paid, in cash, on the Effective Date. Allowed and approved administrative claims existing on the effective date will be paid within twelve months and allowed administrative claims that arise after the effective date shall be paid upon approval, or within twelve months of approval. These claims are for approved attorney's fees and

quarterly U.S. Trustee fees.

Class 1 is not impaired and not entitled to vote.

b. Class 2 Priority Claims. These are the Claims of the Service in the principal amount of \$1,700,000.00; accruing interest at the rate of 3% per annum; will be paid in full, with interest as applicable, within five years from the effective date. The terms of the repayment to the Service, prior to any audit reconsideration consideration, based upon the interest rate of 3% will be \$4,250.00 interest only, post confirmation and if Debtors are granted the relief sought in the reconsideration the payment will be reduced to \$1,750.00 per month or at the rate of 3% interest only post confirmation based upon any amended Proof of Claim filed by the Service. The outstanding balance owed to the Service and Palm Beach County will be paid in full at any loan closing of the Florida real property.

Class 2 is impaired and entitled to vote.

c. Class 3 – Liens secured by 2700 N. Ocean Drive, 401A/501A, Singer Island, FL 33404. Claim of ADU Investments LLC, secured Claim in the amount of \$2,587,000.00; Property Tax in favor of Palm Beach County, Florida in the amount of \$175,000.00; Home Owners Association Dues in favor of 2700 N. Ocean Drive LLC in the amount of \$160,000.00 will be paid on or about October 19, 2016 from the proceeds of the auction sale of the real property known as 2700 N. Ocean Drive, Units 401A/501A, Palm Beach, FL 33404. These amounts will be paid in full from the Concierge auction proceeds.

Class 3 is unimpaired and not entitled to vote.

d. Class 4 – Secured Claim of OCWEN Loan Servicing, LLC's, secured Claim in the approximate amount of \$1,461,000.00 shall be deemed allowed in full and will be brought 100% current on or before the 90th day from confirmation of the Amended Plan of Partial Liquidation or upon availability of the sales proceeds from the proposed auction sale of the real property known as 2700 N. Ocean Drive, Units 401A/501A, Palm Beach, FL 33404, whichever shall occur first. The debtors shall thereafter pay Ocwen according to the applicable loan documents agreed to by the debtors and Ocwen, and those loan documents shall be in full force and effect.

Class 4 is impaired and entitled to vote.

e. Class 5 – Secured Claim of M & T Bank. This class consists of the claim of M & T

Bank in the approximate amount of \$300,000.00 payable at the rate of \$2,071.74 principal and interest. To the extent that the Class 5 Claim is allowed it will be modified to 15 year fixed at the rate of 3.00%.

Class 5 is impaired and entitled to vote.

f. Class 6 – Secured claim of Porsche Financial Services, in the amount of \$30,000.00 monthly payment of \$555.89 principal and interest at the rate of 4.250% for a period of five (5) years or until fully amortized. *Till v. SCS Credit Corp.*, 541 U.S. 465 (2004).

Class 6 is impaired and entitled to vote.

g. Class 7 – Secured claim of Mercedes-Benz Financial Services, in the amount of \$10,000.00, monthly payment of \$185.30 principal and interest at the rate of 4.250%, or until fully amortized. *Till v. SCS Credit Corp.*, 541 U.S. 465 (2004).

Class 7 is impaired and entitled to vote.

h. Class 8 – Unsecured claims of: The unsecured claims of: American Express \$175,000.00; Evans Farm Homeowners Association \$7,000.00; Baltimore Gas and Electric Company 3,901.27; Bell South \$984.00; DirecTV \$339.29; Wells Fargo Bank \$154.99; Anne Page \$25,000.00; Blades of Green \$3,784.25; Clear Choice Pool Service \$2,434.53.

The class 8 creditors will be paid 100% of their claims, over a period of five (5) years. The monthly payment will be \$3,700.00 and will be distributed on a pro-rata basis.

The first payment to this Class will be made on the first business day of the fourth month after the Effective Date and monthly thereafter until the Allowed Claimants of this class have received an amount equal to one hundred percent (100%) of their allowed claims.

This Class is impaired and is entitled to vote on the Plan.

VI.

FEASIBILITY: PLAN OBLIGATIONS RELATED TO PERFORMANCE

The Plan provides for the funding of Plan obligations through Debtors' future earnings, or in the event Debtors lose their source of income, through liquidation of the properties securing the debts.

Projected cash flow:

Monthly income		<i>\$35,000.00</i>
Monthly expenses		
	Personal	13,000.00
Class 1 (UST & Attorney Fees)		1,500.00
Class 2		0
Class 3		0
Class 4		12,151.92
Class 5		2,071.74
Class 6		889.06
Class 7		296.35
Class 8		<u>3,700.00</u>
Total Expense and plan payments		33,609.07
	Excess Income	<i>1,390.93</i>

Distributions to Creditors.

The dates of distributions to creditors are shown as would occur assuming an Effective Date of January 1, 2017. The primary disbursements would include:

(a) Payments to the U.S. Trustee, which will be determined by the published schedule of payments, on a quarterly basis, for the life of the plan or until the case is closed

(b) Payments to the priority and secured Creditors will continue to be made through the plan for the duration of the case or until the claim is fully amortized, whichever is sooner.

(c) Quarterly payments to the unsecured claimants will begin on the first business day of the fourth (4th) month after the Effective Date and continue monthly thereafter until the Class 8 creditors have received an amount equal to one hundred percent (100%) of their allowed claim. The monthly plan payment to the general unsecured creditors in the amount of three thousand seven-hundred dollars (\$3,700.00) will be distributed on a pro rata basis.

(d) If the projected levels of income and expenses are maintained and the Florida property is sold, the Debtors will be able to make all payments required under the Plan in a timely manner. The Plan is therefore feasible.

VII. **REASONS FOR SELECTION OF PLAN STRUCTURE**

The Plan was structured based on a realistic view of Debtors' projected employment and passive income. The most equitable distribution to all Creditors is that envisioned by the plan.

VIII.
APPLICATION OF 11 U.S.C. §1129(b)

The Debtors as the proponents of this plan of reorganization, hereby request that this Court determine that its provisions provide fair and equitable treatment to each class that is impaired under this plan and that the Court confirm the Plan notwithstanding the requirements of §1129(a)(8) of the Bankruptcy Code as to any such class.

IX.
MODIFICATION OF THE PLAN

The Debtors may modify this Plan at any time before the Confirmation Date but may not modify the Plan so that the Plan as so modified fails to meet the requirements of §§ 1122 and 1123. After the Debtors file a modification the Plan as modified becomes the Plan.

The Debtors may modify this Plan at any time after the Confirmation of and before substantial consummation of this Plan but it may not modify the Plan so that the Plan as modified fails to meet the requirements of §§ 1122 and 1123. The Plan as modified under this subsection becomes the Plan only if the Court after notice and a hearing confirms such Plan as modified under §1129 and circumstances warrant such modification.

Before or after Confirmation or in the Order of Confirmation the Debtors may, with the approval of the Court, and so long as it does not materially and adversely affect the interest of creditors, remedy any defect or omission or reconcile any inconsistencies in the Plan or amended Plan, in such manner as may be necessary to carry out the purposes and effect of the Plan.

X.
JURISDICTION OF THE COURT

Upon confirmation, the Debtors shall be re-vested with their assets subject only to outstanding liens created by or not avoided by the Debtors under the Code. The Debtors shall be entitled to manage their affairs without further Order of Court. Pursuant to the provisions of 11 U.S.C. § 1141 et seq. upon completion of all plan payments Debtors will apply to the Court for a discharge of all obligations incurred prior to the filing of the Chapter 11 case.

The Bankruptcy Court shall retain jurisdiction in this case for the following purposes:

(a) The classification of the claim of any creditor and the reexamination of claims that have been allowed for purposes of voting and the determination of such objections as may be filed to the claims of creditors. The failure by the Debtors to object or to examine any claim for

purposes of voting shall not be deemed to be a waiver of the Debtors' right to object to, or to reexamine the claim in whole or in part.

(b) The determination of all causes of action, controversies, disputes, and conflicts involving the Debtors or their assets arising prior to the Confirmation Date, whether or not subject to an action pending as of the Confirmation Date, between the Debtors and any other party, including but not limited to any right of the Debtor to recover assets pursuant to the provisions of the Bankruptcy Code.

(c) The correction of any defect, the curing of any omission, or the reconciliation of any inconsistency in this Plan or the Order of Confirmation as may be necessary to carry out the purposes and intent of this Plan.

(d) The modification of this Plan after confirmation pursuant to the Rules and the Code.

(e) The enforcement and interpretation of the terms and conditions of this Plan, including an agreement for satisfaction of an Allowed Claim.

(f) The making of such orders as may be necessary or appropriate to carry out the provisions of this Plan.

(g) The entering of an Order concluding and terminating this case.

Except as provided in this Article the Court's jurisdiction shall terminate as to this case on the Effective date of the Plan, and this case shall be terminated and closed on the later of (a) the day after the final payment is made to the creditors, or (b) the final disposition of all matters, if any, pending on said date, subject to being reopened upon application of a party in interest to consider a matter within the scope of the above sections. The discharge of Debtors' pre-petition obligations shall occur upon application to the Court, after all plan payments have been made and application for discharge has been approved and the discharge order entered.

XI.

TAX CONSEQUENCES OF THE PLAN TO THE DEBTORS AND CREDITORS

The adjustment of the Debtors debts in a bankruptcy proceeding under title 11 of the United States Code is an exception to the general rule stated in 26 U.S.C. § 108 that a forgiven debt may be recognized as income.

However, the Internal Revenue Code also provides that to the extent that a Debtors' debt is reduced or forgiven, whether or not in Title 11, certain tax attributes must be reduced. In rank

order, the reducible attributes are: 1) net operating loss; 2) general business credits; 3) capital loss carryover; 4) basis reduction under IRC Section 107, and 5) foreign tax credits.

Tax attributes are reduced one dollar for each dollar of debt discharged or forgiven, except in the cases of credit carry-overs, which are reduced 33-1/3 cents for each dollar of debt excluded from gross income. Tax attributes are first reduced by deducting any net operating losses until exhausted, then moving on to general business credits and so forth, down the list.

Although the Debtors' plan of reorganization features debt reduction that should result in the attribute reduction described above, the Debtor has no significant attributes that would be at risk.

The Debtors' Chapter 11 Plan does not contemplate a voluntary or involuntary surrender or foreclosure of any assets in satisfaction of non-recourse debt which would create debt discharge income under Commissioner v. Tufts, 461 U.S. 300 (1983) and United States v. Kirby Lumber Co., 254 U.S. 1 (1931) subject to 26 U.S.C. § 108 exceptions and exclusions.

The Debtors' Chapter 11 Plan does not contemplate transfers of property in satisfaction of recourse debt that can be excluded from gross income under 26 U.S.C. § 108(a) if the Debtors make the appropriate election under 26 U.S.C. § 108(d)(4).

The Debtors are individuals. Therefore, the tax year elections of 26 U.S.C. § 1398(d) do apply.

Any transaction involving the Debtors' property will be made taking full advantage of the tax saving benefits allowed under 11 U.S.C. § 1146 (a).

The estate's post-petition income tax obligations, including any and all post-petition capital gains tax due, will be paid before any distributions are made to creditors.

The Debtors do not foresee any specific tax consequences from their creditors beyond the obvious tax effects resulting from the claim reduction features of its Chapter 11 Plan. However, all parties and parties in interest are warned to consult with their tax advisors in making a decision.

Certain creditors may be exposed to tax consequences as a result of the Debtors plan being confirmed. Creditors are advised to seek qualified counsel to determine any possible tax consequences.

XII.
RECOVERABLE FRAUDULENT CONVEYANCES
AND PREFERENTIAL TRANSFERS

The Debtors know of no recoverable fraudulent conveyances or preferential transfers as of the date of the date hereof. During the ninety-day period precedent to the filing of this Chapter 11 the Debtor were in a cash flow crisis. A review of all expenditures made by the Debtors in satisfaction of creditor obligations reveals no payments made that were not in the ordinary course of business.

XIII.
DISPUTED CLAIMS

The sole disputed claims are those claims arising under: *Maryland Agricultural Land Preservation Foundation v. Phillip Dorsey, et al.* Circuit Court for St. Mary's County; CN: 18 C 15 001320.

XIV.
PENDING AND ANTICIPATED LITIGATION

During the pendency of this chapter 11 a state court action involving certain real property previously owned by the Debtors was commenced in the Circuit Court for Saint Mary's County, referenced above in Article XIII. The case was removed to this Court from St. Mary's County Circuit Court and was subsequently remanded. The Debtors have been interpleaded into that action, and may have to further amend this Amended Disclosure Statement and proposed Plan based on the outcome thereof. The matter is disputed by all contestants and the Debtors have substantial cross claims that will be therein.

XV.
ASSETS AND COMPARISON OF RESULTS UNDER THE PROPOSED PLAN WITH
CHAPTER 7 LIQUIDATION

There is significant risk that a failure to confirm the Plan as proposed, or the confirmation of any alternative plan, would lead to a liquidation of the Debtors under Chapter 7. A comparison of results under the Plan with those expected in Chapter 7 liquidation shows that liquidation may yield less distribution to all classes of creditors. Debtors' primary assets are the parcels of real property located at 2700 N. Ocean Drive, Units 401/501, Singer Island, FL, and 7203 Farm Meadow Court, McLean, VA. Those properties would be liquidated under Chapter 7. A forced sale, whether by a bankruptcy trustee or through a foreclosure proceeding under

applicable state law would likely attract less than fair market value and therefore could provide limited funds for distribution to creditors. In the event of a trustee or forced sale creditors would receive a lower payment than that which will be realized through the Plan.

The assets available for liquidation, should this case be converted to a case under Chapter 7 would be the Debtors' real property located at 2700 N. Ocean Drive Units 401/501, Singer Island, FL, and 7203 Farm Meadow Court, McLean, VA. The current assessed value of the Florida property is \$3,240,360.00 and the McLean property is \$1,331,300.00 with mortgage loans totaling \$4,087,000.00. For this analysis the Debtors' assume they will receive the typical 60% of the assessed value typically paid in a foreclosure proceeding for the real properties and 50% of the value of nonexempt personal property.

Total assets in the liquidated estate, therefore would be estimated as follows:

Net proceeds of sale of real property	ZERO
Liquidation of non-exempt assets	<u>\$ 4,380,000.00</u>
Total cash available to the Trustee in Chapter 7	\$ 4,380,000.00

If the Debtors received the projected amounts, there may be funds remaining in the estate after payment of all claims.

XVI.
SUMMARY AND CONCLUSIONS

The Plan proposed by Debtors, offers a fair recovery by all creditors. The Plan is designed to create assurance that all creditors will be paid the full value of their approved claims. It is clear that the adoption of this Plan would guarantee a return that is superior to the return that may be generated by liquidation under Chapter 7. Debtors therefore urge the Creditors to accept the Plan as proposed.

DATED: August 25, 2016

Respectfully submitted,

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