

United States Bankruptcy Court  
District of New Hampshire

In re Barry J. and Sally A. Caravan

Debtor(s)

Case No. 14-12055-JMD

Chapter 11

**AMENDED DISCLOSURE STATEMENT, DATED AUGUST 12, 2016**

**I. INTRODUCTION**

This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of Barry J. and Sally A. Caravan (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the **Plan of Reorganization dated August 12, 2016** (the "Plan") filed by Barry J. and Sally A. Caravan on August 12, 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 4-7 of this Disclosure Statement. General unsecured creditors listed as a convenience class in Class 3 will receive 100% of their allowed claims. The mortgage deficiency claims classified in Class 3 will receive a distribution of 51.37% of their allowed claims, to be distributed prorata payments over 60 months.

**A. Purpose of This Document**

This Disclosure Statement describes:

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

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

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

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

1. *Time and Place of the Combined Hearing to Approve This Disclosure Statement and Confirm the Plan:*

The hearing at which the Court will determine whether to approve this Disclosure Statement and confirm the Plan will take place on September 13, 2016, at 11:00 a. m., in Courtroom 2, at the US Bankruptcy Court, 1000 Elm Street, 11<sup>th</sup> floor, Courtroom 2, Manchester, NH 03101.

2. *Deadline For Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot to Robert L. O'Brien, Attorney at Law, via US Mail: P.O. Box 357, New Boston NH 03070-0357; via email: [RobOBJD@gmail.com](mailto:RobOBJD@gmail.com); via fax: 603-250-0822. See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by September 7, 2016 or it will not be counted.

3. *Deadline For Objecting to the Adequacy of Disclosure and Confirmation of the Plan*

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon the United States Trustee, Debtor, Counsel for Debtor and all parties who requested notice, by September 7, 2016.

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

If you want additional information about the Plan, you should contact Debtor's Counsel, Robert L. O'Brien, P.O. Box 357, New Boston NH 03070-0357, 603-459-9965, Fax: 603-250-0822, Email: RobOBJD@gmail.com.

**C. Disclaimer**

*The Court has not approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until September 7, 2016.*

**II. BACKGROUND**

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

The Debtor is a married couple who have lived in separate households for 10 years last past. Since 2003, the Debtor has been in the business of **purchasing, rehabilitating and renting residential dwelling units**. Since the inception of this case, Debtor Barry has also engaged in the business of plumbing contracting, as an employee of a licensed contractor. Joint Debtor Sally has been engaged as a day care provider for a facility.

**B. Insiders of the Debtor**

As individuals, there are no "insiders" as the term is used in the Bankruptcy code. Debtor is the sole owner of the realty which they own and manage. Debtor and Joint Debtor are employed by others, and neither has nor shares the profits, proceeds or expenses of any of other businesses outside of their rental properties.

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

During the two years prior to the date on which the bankruptcy petition was filed, there were no officers, directors, managers or other persons in control of the Debtor. Debtor managed business and did not utilize any outside management.

The Debtor during this chapter 11 case has been the sole manager of the rental realty.

After the effective date of the order confirming the Plan, the Debtor will continue to be the sole manager of the rental realty. The responsibilities and compensation of the Post Confirmation Manager/Debtor is described in section **III D. 2** of this Disclosure Statement.

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

Prior to the filing the bankruptcy petition, Debtor was involved in managing and renting the rental units that they own. About 24 month prior to filing the bankruptcy petition, Debtor began to experience the effects of the present economic depression that has gripped the United States. As the failing economy affected his tenants, it also affected Debtor, as the tenants were not able to keep up the rental payments. Further contributing to the present circumstances of Debtor was the economic impact of the banks and other creditors making mortgage modifications impossible to secure.

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

Both Debtor Barry and Joint Debtor Sally have each maintained gainful employment in order to generate additional income to help pay their living expenses and supplement the budgets of the rental units. Debtor has managed to keep all units occupied. In the projections, Debtor built in a modest vacancy cushion on those rental parcels that

otherwise have a positive cash flow. Doing so will allow Debtor to demonstrate feasibility and fairness in treatment between creditors, as well as making payments on the secured obligations as of confirmation of the plan.

The realty at 83 West Main Street, Bradford NH experienced a casualty loss when a oil supplier erroneously filled an abandoned oil tank on the premises causing a spill. The NH EPA investigated and is overseeing the remediation of the realty. It is expected that the realty will be restored to its prior condition without long term effects. Debtor will continue to deal with this matter through the course of the plan.

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

The Debtor has investigated all prior transactions and dealings prior to filing this case and concludes that no transfers occurred that would be avoidable. Accordingly, Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

#### **G. Claims Objections**

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

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

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

1. 66 Morse Hill Road, Newbury NH – Homestead of Joint debtor Sally
  - a. First Mortgage held by FNMA - \$185,000
  - b. Second Mortgage held by Citibank NA - \$71,000
  - c. FMV: \$200,000 – **Negative \$56,000 equity**
2. 126 Crescent Lake Road, Acworth, NH –Homestead of Debtor Barry
  - a. no mortgage obligations against it.
  - b. property tax lien \$14,000 treated outside of the plan.
  - c. FMV: \$150,000 –**Positive \$136,000 equity**
  - d. **Homestead exemption: \$120,000**
  - e. **Non-exempt equity: \$16,000**
3. 148 Laurel Street, Newport NH- year-round rental investment realty
  - a. Mortgage held by Ocwen Mortgage Co. - POC#5: \$99,465
  - b. FMV: \$100,000 - **zero equity**
4. 42 Laurel Street, Newport NH - year-round rental investment realty
  - a. Mortgage held by Wells Fargo Mortgage, LLC - \$82,765
  - b. FMV: \$95,000 – **Non-exempt equity: \$12,235**
5. 48 Laurel Street, Newport, NH - year-round rental investment realty
  - a. Mortgage held by Wells Fargo Mortgage LLC- \$169,335
  - b. FMV: \$120,000 - **Negative equity-Deficiency: 49,360.22**
6. 83 West Main Street, Bradford NH - year-round rental investment realty
  - a. Mortgage held by JP Morgan Chase - \$120,210
  - b. FMV: \$103,000 – **Negative equity –Deficiency: \$17,210.70**

### III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

#### A. What is the Purpose of the Plan of Reorganization?

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

#### B. Unclassified Claims

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

##### 1. *Administrative Expenses*

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

The following chart lists the Debtor's estimated administrative expenses, and their 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: NONE	<b>0.00</b>	Paid in full on the effective date of the Plan, or according to terms of obligation if later
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date: NONE	<b>0.00</b>	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. Chapter 13 fees paid \$2,500 at filing Chapter 11 fees paid \$5,000 at conversion No additional fees will be charged, billed or due.	<b>Paid \$5,000</b>	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: None.	<b>0.00</b>	Paid in full on the effective date of the Plan
Other administrative expenses: None	<b>0.00</b>	Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees: ONGOING	<b>\$975</b>	Paid in full on the effective date of the Plan
<b>TOTAL DUE</b>	<b>\$975</b>	

##### 2. *Priority Tax Claims*

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.

Debtor's has no § 507(a)(8) priority tax claims. Prior to confirmation, Debtor will have filed the tax returns for 2014 and 2015. There is no tax liability owed for either year. Debtor will file all subsequent tax returns in a timely manner over the course of the plan.

**C. 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:

1. *Classes of Secured Claims*

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

The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

Class		Impairment	Treatment	
Admin Claims: Attorney Fees Quarterly UST fees		Unimpaired \$5,000 ch 11 fee paid. \$0due. \$975.00	These claims will be paid in full, in cash, upon the effective date of this Plan	
Class #	Description	Insider? (Yes or No)	Impairment	Treatment
<b>1A</b>	<p><i>Secure claim of:</i> Name = <b>Wells Fargo Bank NA</b></p> <p>Collateral Description = <b>42 Laurel St, Newport NH</b></p> <p>Allowed Secured Amount = <b><u>\$95,000</u></b></p> <p>Priority of lien = <b>Fully Secured by Mortgage</b></p> <p>Principal owed = <b>\$95,000</b></p> <p>Post-petition taxes and insurance paid by Mortgage holder = <b>\$8,904.08</b></p> <p>Total claim = \$82,765.39</p>	<b>NO</b>	<p>Impaired</p> <p><b>Cramdown:</b> Interest rate reduction to 5.5% for 222 months.</p>	<p>Monthly payment = <b>\$1,009.82</b> \$656.81 p&amp;i + \$353.01/m</p> <p>escrowed taxes &amp; ins are subject to change in the future.</p> <p>Pmts Begin = <b>October 1, 2016</b></p> <p>Pmts End = <b>Apr 1, 2035</b></p> <p>Interest rate % = <b>5.5%</b> (Rate reduced from 7.375% to 5.5%)</p> <p>Treatment of Lien = <b>Fully Secured</b></p> <p>Post-Petition amount to be paid to mortgage holder on effective date of Plan. = <b>\$8,904.08</b></p>

<p><b>1B</b></p>	<p><i>Secure claim of:</i> Name = <b>Wells Fargo Bank NA</b></p> <p>Collateral Description = <b>48 Laurel St, Newport NH</b></p> <p>Allowed Secured Amount = <b>\$120,000</b></p> <p>Priority of lien = <b>Fully Secured by 1st Mortgage</b></p> <p>Principal owed = <b>\$120,000</b></p> <p>Post-Ptn taxes and insurance paid by Mortgage holder = <b>\$17,984.94</b></p> <p>Total claim = \$169,360.22 Deficiency amount is \$49,360.22, which is addressed in Class 3.</p>	<p><b>NO</b></p>	<p>Impaired</p> <p><b>Cramdown:</b> Interest rate reduction to 5.5% for 222 months.</p> <p>Balance reduced to FMV of \$120,000</p>	<p>Monthly payment = <b>\$1,578.36</b> \$862.53 P&amp;I + \$715.36/m</p> <p>escrowed taxes &amp; ins are subject to change in the future.</p> <p>Pmts Begin = <b>Oct 1, 2016</b></p> <p>Pmts End = <b>Apr 1, 2035</b></p> <p>Interest rate % = <b>5.5%</b> (Rate reduced from 7.375% to 5.5%)</p> <p>Treatment of Lien = <b>Fully Secured</b></p> <p>Post-Petition amount to be paid to mortgage holder on effective date of Plan. = <b>\$17,984.94</b></p>
<p><b>1C</b></p>	<p><i>Secure claim of:</i> Name = <b>JP Morgan Chase Bank NA</b></p> <p>Collateral Description = <b>83 West Main St, Bradford NH</b></p> <p>Allowed Secured Amount = <b><u>\$103,000.00</u></b></p> <p>Priority of lien = <b>Fully Secured 1st Mortgage</b></p> <p>Principal owed = <b><u>\$103,000.00</u></b></p> <p>Post-Ptn taxes and insurance paid by Mortgage holder = <b><u>\$12,157.62</u></b></p> <p>Total claim = \$120,210.70 Deficiency amount is \$17,210.70, which is addressed in Class 3.</p>	<p><b>NO</b></p>	<p>Impaired</p> <p><b>Cramdown:</b> Interest rate reduction to 5.5% for remaining term of loan.</p> <p>Balance reduced to FMV of \$103,000</p> <p>Term extended to 360 months</p>	<p>Monthly payment = <b>\$1,199.60</b> \$584.82 p&amp;i + \$614.78</p> <p>escrowed taxes &amp; ins are subject to change in the future.</p> <p>Pmts Begin = <b>Oct 1, 2016</b></p> <p>Pmts End = <b>Oct 1, 2046</b></p> <p>Post-Ptn Taxes = <b>\$12,157.62</b></p> <p>Interest rate % = <b>5%</b> Rate reduced from 6.25% to 5%</p> <p>Treatment of Lien = <b>Fully Secured</b></p> <p>Post-Petition amount to be paid to mortgage holder on effective date of Plan. = <b>\$12,157.62</b></p>

<b>2A</b>	<i>Secure claim of:</i> Name = <b>FNMA</b>  Collateral Description = <b>66 Morse Hill Road, Newbury NH-HOMESTEAD OF JOINT DEBTOR Sally Caravan</b>  Allowed Secured Amount =\$185,000  Priority of lien = <b>First Mortgage</b>  Principal owed =\$ <b>185,000</b>  Pre-pet. arrearage = <b>\$9,461.19-Disputed</b>  Total claim =\$ <b>185,000</b>	<b>NO</b>	Unimpaired  Debtor to continue paying under the original terms of the mortgage.	Monthly payment per existing mortgage = <b>\$1,419.90</b>  Pmts Begin = <b>Original terms</b> Pmts End = <b>Original terms</b>  Interest rate % = <b>5.375%</b>  Treatment of Lien = <b>fully secured</b>  Pre- & Post Petition arrears to be paid to mortgage holder on effective date of Plan. = no greater amount than \$9,461.19
<b>2B</b>	<i>Secure claim of:</i> Name = <b>Citibank NA</b>  Collateral Description = <b>66 Morse Hill Road, Newbury NH-HOMESTEAD OF JOINT DEBTOR Sally Caravan</b>  Allowed Secured Amount =\$ <b>71,000</b>  Priority of lien = <b>partially secured 2nd mortgage</b>  Principal owed = <b>\$71,000</b>  Pre-pet. arrearage =\$ <b>0.00</b>  Total claim = <b>\$71,000</b>		Unimpaired  Debtor to continue paying under the original terms of the mortgage.	Monthly payment = <b>\$320.22</b>  Pmts Begin = <b>Original terms</b> Pmts End = <b>Original terms</b>  Pre-Ptn Arrears = <b>\$0.00</b>  Interest rate % = <b>0%</b>  Treatment of Lien = <b>partially secured 2<sup>nd</sup> mortgage</b>

<b>2C</b>	<p><i>Secure claim of:</i> Name = <b>Ocwen Loan Servicing LLC</b></p> <p>Collateral Description = <b>148 Laurel St, Newport NH</b></p> <p>Allowed Secured Amount = <b><u>\$99,464.70</u></b></p> <p>Priority of lien = Fully Secured</p> <p>Principal owed = <b><u>\$99,464.70</u></b></p> <p>Pre-pet. arrear of \$217.34 was paid since filing of petition.</p> <p>Total claim = <b><u>\$99,464.70</u></b></p>	<p>Impaired</p> <p><b>Cramdown:</b> Interest rate reduction to 5.5% for 222 months.</p>	<p>Monthly payment = <b>\$1,037.93</b> \$714.93 per existing mortgage + escrow of \$323.00 - subject to change in the future.</p> <p>Pmts Begin = <b>Oct 1, 2016</b></p> <p>Pmts End = <b>July 1, 2046</b></p> <p>Arrears = <b>none/paid</b></p> <p>Interest rate % = <b>6.875%</b></p> <p>Treatment of Lien = <b>Fully Secured</b></p>
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## 2. *Classes of Priority Unsecured Claims*

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

There are no claims under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Code.

## 3. *Class of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Class 3, which contain general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment
<b>3</b>	<p><b>[1122(b) Convenience Class]</b></p> <p><b>RBS Citizens CC</b>                    <b>\$2,441.22</b></p> <p><b>Ally Financial LLC</b>                    <b>paid off</b></p> <p><b>Gragil Assoc, Inc.</b>                    <b>\$1,442.00</b></p> <p><b>Wells Fargo Bank NA</b> Re: <b>48 Laurel St, Newport NH</b> Deficiency amount                    \$49,360.22</p> <p><b>JP Morgan Chase Bank NA</b> Re: <b>83 West Main St, Bradford NH</b> Deficiency amount                    \$17,210.70</p> <p>Total Deficiency claims:            <b>\$66,570.92</b></p>		<p>Convenience Class to be paid in full in cash on effective date of the Plan.</p> <p>Deficiency claims will be paid monthly over a five year period. Total disposable income over said 5 year period is \$34,200.00.</p> <p>Class 3 monthly payments will total be \$570.00, with \$147.36 paid to Wells Fargo and \$422.64 paid to JP Morgan Chase each month for five years.</p>

**D. Means of Implementing the Plan**1. *Source of Payments*

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

Rental receipts of investment realty owned by Debtor, and Debtor's income from employment. Both sources of income for Debtor are regular and steady. Debtor does not anticipate, at this time, that either source of income will be materially altered during the course of the plan.

2. *Post-confirmation Management*

The Post-Confirmation Managers of the Debtor, and their compensation, shall be as follows:

Name	Affiliations	Insider (yes or no)?	Position	Compensation
Barry Caravan Sally Caravan	Debtor-in-possession	yes	Debtor	Sufficient net income to pay living expenses.

**E. Risk Factors**

The proposed Plan has the following risks:

Debtor's plan has built in modest vacancy factor on the anticipated rental revenues. Should the economic conditions worsen, and tenants are faced with unemployment, underemployment and/or loss of related benefits, Debtor might face the prospect of uncollectable rents at a rate greater than proposed, in which case, the payments under the plan might be affected. Debtor anticipates that the non-rental income will remain stable enough to supplement any deficiencies in rent collections.

**F. Executory Contracts and Unexpired Leases**

The Plan, in Exhibit 5.1, lists all executory contracts and unexpired leases that the Debtor will assume 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. Exhibit 5.1 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 Exhibit 5.1 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.

**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.***

The following are the anticipated tax consequences of the Plan: Neither Debtor nor Counsel for the Estate can predict the tax consequences of the impact of the plan on any particular claim, whether it is allowed, altered, paid, unpaid or discharged. Each creditor is advised to consult their own sources of legal advice related to tax issues and bankruptcy.

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

##### A. Who May Vote or Object

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

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

In this case, the Plan Proponent believes that classes 1A, 1B, 1C, 2C & 3 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that no classes are unimpaired.

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

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

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

***The deadline for filing objections to claims is October 13, 2016.***

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

As noted above, the holder of an allowed claim 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 insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed later in Section B.2.

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

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

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

#### 2. *Treatment of Nonaccepting Classes*

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

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

### **C. Liquidation Analysis**

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

### **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 Plan*

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. A cash on hand report is attached. It is anticipated that the balance in the DIP account of approximately \$74,056.85 will be sufficient to pay the total arrears claims of \$48,507.83, the quarterly fees and tax and insurance escrow minimums needed at the start of the payment plan. The remaining balance is to be held in trust to cover the anticipated capital improvements that will be required to maintain the properties in safe and habitable condition. A schedule of anticipated capital expenditures is attached. Additionally, the cash reserve will be used to cover any deficiencies caused by vacancies.

#### 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 Proponent has provided projected financial information.

The Plan Proponent's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, of \$570.00 per month. The final Plan payment is expected to be paid on **secured claims at the end of the proposed mortgage terms**. The final Plan payment is expected to be paid on unsecured class 3 deficiency claims on October 1, 2021.

*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. Confirmation of the Plan does not discharge any debt provided for in the Plan until the court grants a discharge on completion of all payments under the Plan, or as otherwise provided in § 1141(d)(5) of the Code. Debtor will not be discharged from any debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

### B. Modification of Plan

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

The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

### C. Final Decree

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

## VI. OTHER PLAN PROVISIONS

No other provisions as of August 12, 2016.

s/ Barry J. Caravan  
Barry J. Caravan

/s/Sally A. Caravan  
Sally A. Caravan

/s/ Robert L. O'Brien  
Robert L. O'Brien 15358