

**FILED** HARRISBURG  
 FA  
 OCT 23 2016  
 Clerk, U.S. Bankruptcy Court

**UNITED STATES BANKRUPTCY COURT  
 MIDDLE DISTRICT OF PENNSYLVANIA**

In re: ALSON ALSTON  
 Debtor

Chapter 11  
 Case No. 1:14-bk-03454-MDF

*Tjm*

**ALSON ALSTON'S SEVENTH AMENDED DISCLOSURE STATEMENT  
 AND SEVENTH AMENDED PLAN OF REORGANIZATION  
DATED NOVEMBER 21, 2016**

**Table of Contents**

| <b>Section</b>  | <b>Page</b> |
|---|-------------|
| I. Introduction   | 2           |
| II. Background  | 3           |
| III. Summary of the Plan of Reorganization and Treatment of Claims and Equity Interests | 7           |
| IV. Confirmation Requirements and Procedures  | 13          |
| V. Effect of Confirmation of Plan   | 16          |
| VI. Other Plan Provisions   | 17          |
| Exhibit A: Seventh Amended Plan   |             |
| Exhibit B: Asset Valuations   |             |
| Exhibit C: Summary of Estate Income and Expenses  |             |
| Exhibit D: Plan Implementation Summary and Details                                      |             |
| Exhibit E: Liquidation Analysis   |             |
| Exhibit F: Unsecured Debt and Income Tax Liabilities                                    |             |
| Exhibit G: Pre-petition Financial Statements  |             |
| Exhibit H: Recent Monthly Operating Reports   |             |
| Exhibit I: Relevant Affidavits  |             |

# **SEVENTH AMENDED DISCLOSURE STATEMENT**

## **I. INTRODUCTION**

This is the seventh amended disclosure statement (the “Disclosure Statement”) in the Chapter 11 case of Alson Alston (the “Debtor”). This Disclosure Statement contains information about the Debtor and describes Alson Alston’s Seventh Amended Plan of Reorganization (the “Plan”), dated November 21, 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 7-13 of this Disclosure Statement. General unsecured creditors are classified in Class 14, and will receive a distribution of approximately 5% of their allowed claims, with a worst case of 3%, should disputed claims be upheld.

### **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 Debtor Alston 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 Hearing to Finally Approve This Disclosure Statement and Confirm the Plan***

The hearing at which the Court will determine whether to confirm the Plan will take place on \_\_\_\_\_, at \_\_\_\_\_, at the 3rd & Walnut Sts, Bankruptcy Courtroom (3rd Fl), Ronald Reagan Federal Building, Harrisburg, PA 17101.

#### ***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 in the enclosed envelope to:

Alson Alston  
2836 W. Girard Avenue  
Philadelphia, PA 19130

See section IV.A below for a discussion of voting eligibility requirements.

Your ballot must be received by \_\_\_\_\_ 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 all parties of interest.

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

If you want additional information about the Plan, you should contact:

Alson Alston  
2836 W. Girard Avenue  
Philadelphia, PA 19130

**C. Disclaimer**

***The Court has [conditionally] 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 \_\_\_\_\_.]***

You will be notified of the hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan.

**II. BACKGROUND**

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

Alson Alston is an individual who purchased various parcels of commercial or mixed-use (commercial and residential) real estate (each, a "Property" and collectively, the "Properties") as a profit-making venture. In addition, Alston operated several businesses at several of those Properties.

**B. Insiders of the Debtor**

There are no insiders in Debtor's business, other than Debtor.

**C. Management of the Debtor's Business before and during the Bankruptcy**

Alston has employed dozens of individuals in his various businesses, hired lawyers, accounts and property managers, and contracted with scores of tradesmen to renovate and maintain his

properties. Alston now manages all of the Properties, except for 431 W. 146<sup>th</sup> Street. By the twelfth month of the Plan, Alston will deed to the mortgagee or sell 3033 Baltz Street, to reduce the expense burden on the estate. All other properties are essential to the estate, but Alston may sell one or more of them if such sales would payoff the Plan substantially faster than the five years incorporated into the Plan. A description of each property and its relevant issues are captured in footnote form, for convenience.<sup>1</sup>

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

A combination of factors outlined herein, including a declining real estate market, the poor initial condition of several of the Properties that limited their revenue-producing potential, high contract interest rates arising from predatory lending practices of his creditors, and business decisions by the Debtor with unanticipated consequences, resulted in the Debtor's inability to remain current in mortgage payments on the Properties and payments to suppliers of goods and services.

#### E. Significant Events during the Bankruptcy Case

As set forth in detail both above and in the Plan, as of the Petition Date, the Debtor is indebted to the secured creditors in the amount of approximately \$2 million; to unsecured creditors who are not

---

<sup>1</sup> A brief description and history of each Property follows.

1. 2827 and 2834 W. Girard Avenue are fully rented and in fair condition. Each contains a storefront and two apartments.
2. 2836-38 W. Girard Avenue has been the Debtor's primary business location and office for 15 years and will become his law office once Alston passes the bar in 2016 or 2017. The building is obsolete as a retail location, but will be satisfactory for a law office after Alston makes improvements. Because the highest and best use of the building is Alston's law office, it will contribute significantly to the stability of the estate. There is currently litigation in state court regarding the claims of AS Peleus LLC ("AS Peleus"). Alston challenged an appraisal by AS Peleus as materially deficient in an affidavit (Doc. 343), leaving the valuation herein as the only credible one. (Ex. I.) ***Alston is also pursuing a possible lease for the building at \$3,000/mo, as alternative support for the estate.***
3. 431 W. 146<sup>th</sup> Street is a four-unit building, one of which has been the residence of Alston's family members since the day he purchased it, approximately 20 years ago. The building's other units are fully rented. Until her death on May 26, 2016 from pancreatic cancer, Alston's sister Stephanie had always managed the property, with almost daily consultation with Alston; she was assisted by her husband Michael, a master carpenter, who performed most of the maintenance. Michael now pays rent for their unit and receives a fee for property management. Alston and his family have never had to evict any tenants they selected to reside there.
4. 4904 Monument Road has been the residence of Alston's elderly and disabled relatives for 17 years; the building is in fair condition. His relatives pay for all utility and maintenance. Due to renovations last year, creating two separate wheelchair-friendly spaces, Alston is in a position to lease one of the spaces. He expects to do so by 2018. No part of this Statement or Plan is dependent upon such a rental, however.
5. 3117-27 Master Street has been a private cultural center and event space. Alston sold three profitable mixed-use buildings to purchase it and has invested hundreds of thousands of dollars into it. Alston leased the building to a daycare center in 2015, but the extensive permitting process led him to select a new tenant beginning July 2016.
6. Alston renovated 3033 Baltz Street in or about 2007, but after prolonged evictions of tenants who nearly destroyed the building, it is now in very poor condition. It will be sold or deeded to mortgagor in first year of Plan.
7. Alston has rented 1.5 floors of 2825 W. Girard Avenue post-petition to a restaurant and rented the recently renovated one BR unit in July 2016. A three BR unit is being renovated per the budget in Phases II and III of Plan.
8. 3029-31 W. Glenwood Avenue is an industrial lot in the name of an LLC which Alston controls. The City imposed an approximately \$51,000 lien to clean, partially, debris resulting from a car which demolished its fence, even though Alston had cleared the majority of the lot. Alston is negotiating to lease the lot for \$500-\$1,000/mo to a new school adjacent to the lot or for storage. He will sell the lot in the first year of the Plan if no lease can be finalized.

taxing authorities, in the amount of approximately \$331,179 (with an additional \$293,625 or as much as \$679,464 of unsecured debt from secured mortgages, pursuant to Section 506(a)(1) of the Code); to taxing authorities in the unsecured amount of \$30,472; to taxing authorities in the secured amount of approximately \$115,651; and to taxing authorities in the priority amount of approximately \$41,839. The Debtor has not made substantial payments since the Petition Date, but the Plan demonstrates how revenue of the estate can satisfy the Debtor's obligations to all creditors, per the Code.

Debtor's income for the duration of the Plan will come from two existing and reliable sources. First, Debtor is currently working part-time and doing contract/consultant engagements, averaging **\$3,033/month** since July 2015. Beginning in Phase II, Alston will not be burdened by the intricacies of these proceedings, so will work longer hours to earn **\$3,900/mo.** Second, as indicated herein, Alston has stable rental income in excess of \$18,000/mo. (See Section III.D.) This is supported by signed leases, with many individuals who have been Alston's tenants for at least five years, and a maintenance/renovation budget of \$41,994 through Phase III. (See Section III.D.) Alston does have advanced degrees in engineering and law, so can be expected to earn considerably more from those disciplines, but no such anticipated income is included in this DS or the Plan.

The Debtor is optimistic about his long-term economic prospects because there is sufficient, stable, proven, reliable, current and near-term income and income-generation capacity in the estate to service allowed secured debt, administrative claims, priority claims, other allowed debt, and a portion of general unsecured debt. The Plan ensures the stability of the estate, is feasible, and is fair and equitable to unsecured creditors.

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

The Debtor has not yet completed its investigation with regard to pre-petition transactions. If you received a payment or other transfer within 90 days of the bankruptcy, or other transfer avoidable under the Code, the Debtor may seek to avoid such transfer.

#### **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, based on appraisals, competitive market analyses ("CMAs"), commercial databases, settlements, and real estate trends. In some cases, Alston relies upon his extensive knowledge of real estate – he has been a real estate professional, per IRS definitions (not a licensed agent or broker), for approximately twenty years.

The Debtor's most recent financial statement, in the form of schedules reflecting pre-petition debt, each of which was filed with the Court, is set forth in Exhibit G.

The most recent post-petition monthly operating report ("MOR") filed since the commencement of the Debtor's bankruptcy case is set forth in Exhibit H. A summary of the Debtor's periodic operating reports filed since the commencement of the Debtor's bankruptcy case is set forth below, through October 2016, except where noted otherwise.

**Table H-1. Estate Overview thru October 2016: Cash Flow Analysis**

**Alson Alston**

**Table H-1. Estate Overview thru September 2016: Cash Flow Analysis**

|  | <u>26 mo. Total</u>     |
|--|-------------------------|
| <u>Amount of cash on hand as of 7/28/2014:</u>   | <u>\$649</u>            |
| <u>Total estate postpetition income (including student loans):</u>                           |                         |
| Rental income  | \$346,301               |
| Grants and loans for education tuition, fees, books  | \$44,738                |
| Loan for disability access renovation at 4904  | \$15,492                |
| Employment, ed loans for living exps, other personal income                                  | <u>\$144,173</u>        |
| <b>Total Income</b>  | <b><u>\$509,167</u></b> |
| <u>Total estate postpetition expenditures:</u>   |                         |
| Mortgage expenditures  | \$124,076               |
| Non-mortgage property exps. (urgent repairs, utilities, insurance, etc.)                     | \$151,566               |
| Total education expenditures   | \$86,274                |
| Other expenditures (legal/UST fees, repay family loans, business transportation, maint fund) | <u>\$138,326</u>        |
| <b>Total Expenditures</b>  | <b><u>\$500,243</u></b> |
| <u>Cash Flow:</u>  | <u>\$8,924</u>          |
| <u>Amount of cash on hand as of September 30, 2016:</u>                                      | \$4,673                 |

Note: The amount of cash on hand is the bank balance. Debtor-in-Possession discovered days ago that there is a cumulative error at some point in MORs, resulting in difference between cash flow and amount on hand.

Debtor's financial picture was clearly dominated by his educational loans and expenditures, as well as the costs of renovations to make 4904 Monument Road suitable for his disabled relatives and urgent repairs in other properties (including several incidents of frozen pipes). Moving forward, there may be no educational income or expenditures, but Alston reserves the right to obtain an LLM or a Ph.D., in which case, there would be a similar increase in his income from financial aid.

### 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.

**In the Plan and this Disclosure Statement, the amounts indicated as being paid to the creditors in each phase are not projections, they are commitments under the Plan. The amounts indicated will be increased only by Court order. The amounts indicated for a specific creditor will be decreased only by agreement with that creditor or by Court order; if payments to creditors with unclassified claims or creditors in Classes 1-13 are so reduced, the amount of the reduction will be distributed to the Class 14 creditors in a pro rata manner. With the last payment of the Plan, any undistributed funds available for creditors will be distributed to Class 14 creditors and to student loan processors.**

#### 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.

Debtor's administrative expenses are utilities, real estate taxes, city fees and one month of JPM Chase mortgage, which will total approximately \$8,000 on the Plan commencement date, anticipated to be approximately January 1, 2017 (disputed utilities - \$5,000, real estate taxes - \$2,000, disputed city fees - \$1,000). Alston's Administrative Expense Fund of \$13,071 in Phase I, as well as his monthly income in Phase I in excess of \$17,000, ensure that he will be able to pay administrative expenses at the commencement of the Plan, should creditors not create a payment plan for a prolonged payment. After the above administrative expenses are paid, the Administrative Expense Fund will contain approximately \$5,000. Added to the \$4,200 in undistributed funds from Phase I, there will be a total of approximately \$9,200 available for secured creditors at the end of Phase I. Though not administrative expenses, arrears to JPM Chase of approximately \$4,300 and to LSF9 Master Participation Trust of less not more than \$4,500 will be paid by the end of Phase I from this \$9,200.

##### 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.

Priority Claims by Taxing Entities

|    | <b>Creditor</b>       | <b>Claim Amount</b> |
|----|-----------------------|---------------------|
| 2. | PA Dept. of Revenue   | \$13,625            |
| 3. | City of Philadelphia* | \$28,214            |
|    | <b>TOTALS</b>         | <b>\$41,839</b>     |

**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.

| <b>Class</b>  | <b>Impairment</b> | <b>Treatment</b>  |
|---|-------------------|---|
| Class 2 – Secured Claim of JPMC                                       | Unimpaired        | Secured Claim Unimpaired, JPMC Specialty Mortgage LLC re: 431 W. 146th Street, New York, NY. Approximate amount allowed: \$738,308. Total Plan payments: \$260,220.   |
| Class 3 – Secured Claim of Residential Funding Mortgage Securities II | Unimpaired        | Secured Claim Unimpaired, Residential Funding Mortgage Securities II re: 431 W. 146th Street, New York, NY. Approximate amount allowed: \$161,063, with \$95,204 in arrear, paying \$1,962/mo in Phases I-III and \$2,866/mo in Phases IV-V to cure the arrear and make regular contractual monthly payments. Total Plan payments: \$171,960.   |
| Class 4 – Secured Claim of LSF9 Master Participation Trust            | Unimpaired        | Secured Claims Not Impaired, LSF9 Master Participation Trust re: 2825 W. Girard Ave., Philadelphia, PA. Approximate amount allowed: \$146,000. Total Plan payments: \$38,160 plus the as yet undetermined arrearage of not more than \$4,500.   |
| Class 5 – Secured Claim of Bayview LS                                 | Impaired          | Secured Claim Impaired, pursuant to Order of June 23, 2016 setting value of property at \$195,000, regarding claim of Bayview Loan Servicing re: 2827 W. Girard Avenue, Philadelphia, PA. Amount allowed: \$195,000 principal balance. Unsecured claim under § 506 of the Code is \$50,000. Debtor will seek cramdown with 5% interest, amortized over 30 years, pay first 5 years in Plan, remaining 25 years after discharge or refinance <b>with a different lender</b> , monthly payments of \$1,047 throughout 30-year term. Total Plan mortgage payments: \$68,820. |
| Class 6 – Secured Claim of Bayview LS                                 | Impaired          | Secured Claim Impaired, pursuant to Order of June 23, 2016 setting value of property at \$195,000, regarding claim of Bayview Loan Servicing re: 2834 W. Girard Avenue, Philadelphia, PA. Amount allowed: \$195,000 principal balance. Unsecured claim under § 506 of the Code is \$50,000. Debtor will seek cramdown with 5% interest, amortized over 30 years, pay first 5 years in Plan, remaining 25 years after discharge or refinance   |



|  |            |   |
|--|------------|---|
|  |            | <b>with a different lender</b> , monthly payments of \$1,047 throughout 30-year term. Total Plan mortgage payments: \$68,820.   |
| Class 7 – Secured Claim of Deutsche Bank                                 | Impaired   | Secured Claim Impaired as to Principal and Interest, Deutsche Bank re: 4904 Monument Road, Philadelphia, PA. Debtor will seek cramdown. Approximate amount allowed: \$160,000, amortized over 30 years at 5%, pay first 5 years in Plan or refinance <b>with a different lender</b> , remaining 25 years after discharge or refinance, monthly payments of \$859 throughout 30-year term. Total Plan payments: \$51,540.  |
| Class 8 – Secured Claim of Bayview LS                                    | Impaired   | Secured Claim Impaired, pursuant to Order of June 23, 2016 setting value of property at \$200,000, regarding claim of Bayview Loan Servicing re: 3117-27 Master Street, Philadelphia, PA. Amount allowed: \$200,000 principal balance. Unsecured claim under § 506 of the Code is \$50,000. Debtor will seek cramdown with 5% interest, amortized over 30 years, pay first 5 years in Plan, remaining 25 years after discharge or refinance <b>with a different lender</b> , monthly payments of \$1,074 throughout 30-year term. Total Plan mortgage payments: \$64,440. |
| Class 9 – Secured Claim of Homeward Residential                          | Impaired   | Secured Claim Impaired, as to Principal and Interest, Homeward Residential, Inc., et. al. re: 3033 Baltz Street, Philadelphia, PA. Debtor will seek cramdown with 5% interest, amortized over 30 years, pay portion of first year in Plan, until Debtor has fulfilled lender requirements to sell or deed back to mortgagee. Monthly payment of \$222. Total Plan mortgage payments: \$2,664.   |
| Class 10 – Secured Claim of Disputed Note Holder for 2836 W. Girard Ave. | Impaired   | Secured Claim Impaired, as to Principal and Interest, allegedly Fay Servicing/SN Servicing Corporation for Citibank/AS Peleus LLC or held in trust by mutually agreeable agent until state court action is final, re: 2836 W. Girard Avenue, Philadelphia, PA. Debtor will seek cramdown. Approximate amount allowed: \$151,250, amortized over 30 years at 5%, pay first 5 years in Plan or refinance <b>with a different lender</b> , remaining 25 years after discharge or refinance. Monthly payment of \$812. Total Plan payments: \$48,720.                         |
| Class 11 – Secured Claim of IRS  | Unimpaired | Secured Claim Unimpaired, IRS. Approximate amount allowed: \$47,601.82. Total Plan payments: \$47,601.82.   |
| Class 12 – Secured Claim of City of Phila.                               | Impaired   | Secured Claim Impaired, City of Phila. Amount allowed: \$68,048.75, including statutory interest. Total Plan payments: \$68,048.75.   |
| Class 13 – Secured Claim of Other Taxing Ents                            | Unimpaired | Secured Claim Unimpaired, Other Taxing Entity/Entities. Approximate amount allowed: TBD. Total Plan payments: TBD.  |

**Secured Claims by Taxing Entities**

| <b>CLS</b> | <b>Creditor</b>                           | <b>Claim Amount</b> |
|------------|---|---------------------|
| 11.        | IRS                                       | \$47,602            |
| 12.        | City of Philadelphia (water)              | \$21,309            |
| 12.        | City of Philadelphia (real estate, other) | \$46,740            |
|            | <b>TOTALS</b>                             | <b>\$115,651</b>    |

As demonstrated in Exhibit D, Tables D-1 thru D-3, payments to secured creditors who are note holders begins in month #1, Phase I of the Plan; payments to secured creditors who are taxing authorities begin in Phase III of the Plan, month #10.

**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 such classes in the Plan.

| Class                     | Impairment | Treatment  |
|---------------------------|------------|--|
| Class 1 - Priority Claims | Unimpaired | Class 1 is unimpaired by this Plan, and each holder of a Class 1 Priority Claim will be paid in full, scheduled throughout the duration of the plan, beginning with the later of the effective date of this Plan as defined in Article VII, or the date on which such claim is allowed by a final nonappealable order, with the balance of payments owed after discharge to be paid according to mutually agreed upon schedules. Approximate amount allowed: Still being determined, none by present analysis. |

**3. Class[es] of Unsecured Claims**

Unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. These debts total approximately \$655,276 (\$331,179 to non-taxing authorities plus \$30,472 in unsecured tax claims plus \$293,625 from undersecured mortgages) and are incorporated into Class 14. This class also includes a worst case of an additional \$385,839 from undersecured mortgages, making the total worst case unsecured debt \$1,041,115, pending the resolution of litigation. As demonstrated in Exhibit D, Tables D-1 thru D-3, payments to unsecured creditors begin in Phase IV of the Plan, Month #22. Student loans are listed in Table F-1 (Exhibit F) and are defined as \$148,634 pre-petition (included in Class 14) and \$86,274 post-petition (not included in Class 14 or any other class).

| Class                                  | Impairment | Treatment   |
|--|------------|---|
| Class 14 – General Unsecured Creditors | Impaired   | General unsecured claims allowed under § 502 of the Code. Approximate amount allowed: =\$655,276 (= \$331,179 to general unsecured creditors+\$30,472 to taxing authorities+\$293,625 from undersecured mortgages), might be disputed by Debtor. Total Plan payments: \$28,821 (5 cents on the dollar). Worst case is an additional \$385,839 from undersecured mortgages, pending adjudication, making the total unsecured debt \$1,041,115 (total payments 3 cents on dollar) |

**Unsecured Non-Priority Claims by Taxing Entities**

|    | Creditor             | Claim Amount |
|----|----------------------|--------------|
| 1. | IRS                  | \$5,617      |
| 2. | PA Dept. of Revenue  | \$7,962      |
| 3. | City of Philadelphia | \$16,893     |

|               |               |
|---------------|---------------|
| <b>TOTALS</b> | <b>30,472</b> |
|---------------|---------------|

**D. Means of Implementing the Plan**

*1. Source of Payments*

Payments and distributions under the Plan will be funded through Alston’s continued operation of his rental properties and his employment. Exhibit D contains the all income and expenses throughout Plan.

*Phase I – First Three Months of Plan*

During the first three months of the Plan, Debtor will contribute his current part-time and contract employment income to the estate, pay principal and interest to secured mortgage holders, pay administrative fees, but no other debts. He will place a portion of his income into an administrative fee fund. He will make \$35,988 in Plan payments.

*Phase II – Months 4 thru 9 of Plan*

During the 4<sup>th</sup> thru 9<sup>th</sup> months of the Plan, Debtor will contribute his current part-time and contract employment income to the estate. He will place a portion of his income into a General Expense Fund to pay a portion of expenses in Phases IV and V, as well as unanticipated expenses. He will make \$71,976 in Plan payments.

*Phase III – Months 10 thru 21 of Plan*

During the 10<sup>th</sup> thru 21<sup>st</sup> months of the Plan, Debtor will contribute his current part-time and contract employment income to the estate. Debtor will make principal and interest payments on all mortgages. He will make \$168,936 in Plan payments. During this phase, Alston expects to close the instant case and reopen just prior to discharge, saving UST fees. Alston will sell 3033 Baltz St. or deed back to mortgagee. Additionally, during this Phase, he will market for possible sale 3117-27 Master Street and 3029 W. Glenwood Avenue, though sales of these properties will reduce the amount of undistributed funds that can be returned to unsecured creditors at the end of the Plan and harm future prospects for the estate and Alston’s family. See Exhibit J for scenarios.

*Phase IV – Months 22 thru 48 of Plan*

During the 22<sup>nd</sup> thru 48<sup>th</sup> months of the Plan, Debtor will continue his current part-time and contract employment. Debtor will make principal and interest payments on all mortgages. He will make \$462,557 in Plan payments.

*Phase V – Months 49 thru 60 of Plan*

During the 49<sup>th</sup> thru 60<sup>th</sup> months of the Plan, Debtor will continue his current part-time and contract employment. Debtor will make principal and interest payments on all mortgages. He will make \$205,581 in Plan payments.

*2. Post-confirmation Management*

The Post-Confirmation Managers of the Debtor, and their compensation, shall be Alston at 12% of the rents received per month. This is already incorporated into the Plan calculations. Alston is entitled to this amount because he acts as property manager, which will require significant portions of

his time and for which he must be properly compensated. He will hire appropriate individuals to assist with property management, after he begins working full-time in the software industry in early 2016.

After confirmation and within thirty days after the end of each calendar quarter that this case is open, the reorganized Debtor shall file with the court and serve on the UST a quarterly financial report for each calendar quarter (or portion thereof) during which the case remains open, in a format prescribed by the UST and provided to the Debtor by the UST.

#### **E. Risk Factors**

The proposed Plan has the following risks:

- The real estate rental market could collapse.
  - This appears unlikely, based on current upward trends locally and nationally.
  - If the market does collapse, Alston will not rely upon sales to payoff the Plan early.

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

The Plan, in Exhibit A, 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 A 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 A 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 \_\_\_\_\_.***

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**

The following are the anticipated tax consequences of the Plan:

- Debtor: Any debt discharged will be done to the extent that Debtor is insolvent, so Debtor will not experience additional taxes as a result.
- Creditors: Creditors are encouraged to consult tax professionals to determine the tax consequences of the Plan. Debtor is not qualified to make statements on that matter.

## **IV. CONFIRMATION REQUIREMENTS AND PROCEDURES**

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code, subject to the reinstatement provisions of §1124(2), if applicable. 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 5, 6, 7, 8, 9, 10, 12 and 14 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 classes 1, 2, 3, 4, 11 and 13 are unimpaired and that holders of claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plan. The Plan Proponent believes that class 10 is impaired, based on a state court ruling reversing an earlier ruling as to the claim of AS Peleus being unenforceable, but additional litigation or settlement negotiations will be necessary to determine if the claim should be considered unimpaired. For class 10, Plan Proponent will place all payments into a trust or escrow account, controlled by a party mutually agreeable to AS Peleus and Debtor-in-Possession, for distribution to the proper note holder, if any, after the state court action is final.

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

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest 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 or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless

the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest 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 is \_\_\_\_\_.*** (Debtor has not yet filed a motion to set the Claims Bar Date.)

### ***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 six 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;
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- holders of 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 “cramdown” 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 to this Disclosure Statement as Exhibit E. As is evident from the analysis, unsecured creditors, including priority tax creditors, would get significantly less under a Chapter 7 proceeding, while secured creditors would receive only a portion of their claim. Hence, the creditors are far better served by adopting the Plan, rather than seeking to liquidate the estate.

## **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, on or about January 1, 2017, to pay all the claims and expenses that are entitled to be paid on that date. The amount of cash on hand on the effective date of the Plan is expected to be one full month of rent (\$16,997 – see Section III.D.1) plus the previous month’s cash carryover (at least \$4,000 – see Section III.H.2), personal income of \$3,033/mo and an administrative expense fund that will grow to \$13,071, while the anticipated administrative and other claims due on that date will be approximately \$8,200.

### *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 detailed financial information in Section III above and in Exhibits A through G.

The Plan Proponent’s financial projections show that the Debtor will be able to pay \$945,038 into the Plan, including priority and secured taxes, as well as \$28,821 in unsecured general debts; there will be approximately \$44,438 in unallocated funds that will go to unsecured creditors if not used for

administrative and priority expenses. (See Section III.D.) The final Plan payment is expected to be paid on or about December 1, 2021.

Income from rents per signed leases is \$16,997/mo at Plan commencement. (See Section III.D.) This, in addition to Alston's existing employment/contract income, will be sufficient to pay anticipated principal + interest mortgage expenses as well as service priority debt, secured income tax debt, general unsecured debt, and post-petition debts. (See Section III.D.) Alston also may obtain additional income from employment in his former field of software development, and, per his recent J.D., in the legal field, **though neither will be necessary to fund the Plan.**

***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.

Upon request of the Debtor, the United States trustee, or the holder of an allowed unsecured claim, the Plan may be modified at any time after confirmation of the Plan but before the completion of payments under the Plan, to (1) increase or reduce the amount of payments under the Plan on claims of a particular class, (2) extend or reduce the time period for such payments, or (3) alter the amount of distribution to a creditor whose claim is provided for by the Plan to the extent necessary to take account of any payment of the claim made other than under the Plan.

### **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

Each Property is essential to the estate, both in its contribution of monthly income to be used to service the secured and unsecured debt as well as its utility to Alston and his family. His elderly relatives live in several of the Properties and would have no other home should he be forced to liquidate.

For additional information, please see attached, as necessary.



\_\_\_\_\_  
Debtor, Alston Alston

Dated: November 21, 2016