

UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

IN RE: : CHAPTER 11
: :
REAM PROPERTIES LLC : CASE NO. 1-15-02980-MDF
: :
Debtor-in-Possession : :
: :
THOMAS and THERESA HAMILTON, : :
: :
Movants : :
: :
v. : :
: :
REAM PROPERTIES LLC : :
: :
Respondent :

**OBJECTION OF THOMAS AND THERESA HAMILTON
TO DEBTOR’S AMENDED DISCLOSURE STATEMENT**

Thomas and Theresa Hamilton, by and through their attorneys, Schiffman, Sheridan & Brown, P.C., hereby object to the Amended Disclosure Statement as filed by the Debtor, Ream Properties, LLC on December 14, 2016, and respectfully move this Court to enter an Order directing the Debtor to file a Second Amended Disclosure Statement, and in support thereof, state as follows:

1. Movants are Thomas and Theresa Hamilton (“Movant”).
2. Debtor/Respondent is Ream Properties, LLC (“Debtor”).
3. On July 15, 2015, the Debtor filed a petition for relief under Chapter 11 of the United States Bankruptcy Code in the Middle District of Pennsylvania and docketed to the above case number.
4. The Debtor is currently operating and conducting the affairs of the Debtor as Debtor-in-Possession.
5. On or about September 2, 2016, the Debtor filed its Disclosure Statement and Plan of Reorganization.

6. On or about September 19, 2016, Movants filed their Objection to Debtor's Disclosure Statement asserting that the Disclosure Statement did not contain adequate information which would permit a party typical of Movant's relevant class to make an informed judgment of the plan of reorganization.

7. Movants are a party in interest in this case. Debtor has Movants listed on its Schedules and Statements as a secured creditor. Movants believe, and therefore aver, that they are a partially secured creditor. Debtor's proposed plan purports to treat Movants as an unsecured creditor.

8. Title 11 of the United States Bankruptcy Code §1125(a) requires the Bankruptcy Court specifically to find that the disclosure statement contains "adequate information" as meaning "information of a kind, and in sufficient detail" that would enable a hypothetical reasonable investor, typical of holders of claims or interest in the relevant class, to make an informed judgment of the plan.

9. Debtor's Amended Disclosure Statement once again does not contain adequate information which would permit a party in interest typical of Movant's relevant class, to make an informed judgment of the plan of reorganization.

10. The Amended Disclosure Statement fails to include historical financial data such as cash flow statements, profit and loss statements and balance sheets to give creditors some perspective on the Debtor's current financial situation and prospects under the Plan. This information is also relevant to the valuation of the properties under an income approach when doing a liquidation analysis. The only information provided by Debtor in the Amended Disclosure Statement is conclusory monthly income and expenses totals across all rental properties from operating reports for the first ten months of this year, combined with a similarly conclusory commercial broker "market analysis" by Craig Dunkle of Marcus & Millichap,

unsupported by any comparables and, more concerning, showing significant errors in monthly expenses when compared to the October 2016 Monthly Operating Report (e.g. 2016 expenses for 1835 Forester are reported on the Market Analysis as \$3,276.72 when the October 2016 Monthly Operating Report shows expenses of \$6,166.31).

11. As to the liquidation analysis, the Amended Disclosure Statement simply provides that “[t]he Debtor believes that the liquidation value of the Debtor’s property would result in no repayment to Debtor’s unsecured creditors.” However, creditors cannot make an informed judgment regarding the Plan without information as to available alternatives and based solely on Debtor’s ‘belief.’

12. The Debtor should provide all available information relevant to the determination of the current value of the assets of the Debtor. The Amended Disclosure Statement should provide the most recent valuation made by a professional *appraisal* of the real estate owned by Debtor. It should identify the name and qualifications of the appraiser, indicate who selected the appraiser and when and why the appraisal was requested. Any readily available industry data relevant to the value should be provided. In Debtor’s previous filings values for the real estate were either based upon Debtor’s principal’s estimates or based upon unreliable tax assessments, as Debtor’s previous counsel noted Zillow market analyses was not available for the properties. Now, the values for real estate are based upon erroneous income and expense calculations, and seemingly made without using market comparables. Creditors cannot make informed judgments without having reliable appraisals of these properties after such conflicting valuations.

13. To the extent that Debtor has already provided an attached liquidation analysis with unsubstantiated real estate values, even if Movants were to accept Debtor’s values and their ‘estimated amount to be realized’, their analysis cannot be completed with the Amended

Disclosure Statement in its current state. Debtor proposes at Article IV of the Amended Disclosure Statement that the sole member of Debtor, Robert J. Pauletta, Jr., shall also contribute personal funds, if necessary, to reorganize Debtor. If Movants are to rely on this eventuality, they will require an analysis of Mr. Pauletta's assets and liabilities as well in order to make an informed judgment of the plan.

14. The Amended Disclosure Statement fails to give adequate information of the kind and in sufficient detail as is reasonably practical and needed as to the condition of the Debtor, in particular, as to the Debtor's obligation to discharge "the absolute priority rule." The Debtor's plan calls for revesting of the corporate interest into the Debtor's principal's hands, and yet the plan reflects a possible contribution "if necessary" which cannot be confirmed as substantial in relation to the underlying assets, due to the failure of the Debtor to provide appraisal values and proof of lien balances, to determine if it would qualify for the new value exception.

15. The Amended Disclosure Statement and Plan are not filed in good faith as Debtor has only one unsecured creditor, the Movants, and there is no pending litigation in state court against the Movants by Debtor for reimbursement that would offset their claim, as alleged in the Amended Disclosure Statement. The only ongoing litigation in which Movants are the Defendants is the adversary action in this Court under Case #1-16-00090.

16. Moreover, the Amended Disclosure Statement and Plan are not filed in good faith as the member of Debtor, Mr. Pauletta, cannot retain his interest in the Debtor without Movant's approval of the Plan or without 100% payment to them.

17. Further, Debtor has never filed a motion to set a claims bar deadline. As such, there is no substantiation for the balance due on the liens held by Members First Federal Credit Union, which also denies Movant and others from performing the liquidation analysis. Thus, creditors cannot make an informed judgment regarding the Plan without information as to

available alternatives.

WHEREFORE, for the reasons set forth above, Movants respectfully request that this Honorable Court find that the Amended Disclosure Statement does not contain “adequate information,” as required by 11 U.S.C. §1125(a), which would permit a party in interest to reach an informed judgment concerning the Plan of Reorganization and respectfully asks the Court to decline to approve it in its present form. In the event that the Court orders that the Amended Disclosure Statement be amended, Movants respectfully request the right to make such comments as appropriate concerning the amended statement.

Respectfully submitted,

SCHIFFMAN, SHERIDAN & BROWN, P.C.

By: /s/ Tracy L. Updike

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