

UNITED STATES BANKRUPTCY COURT FOR THE  
MIDDLE DISTRICT OF PENNSYLVANIA

IN RE: :  
: :  
DIAZ PROPERTY HOLDINGS, LLC : CHAPTER 11  
: :  
Debtor : CASE NO. 5:17-bk-02134-JJT

**DISCLOSURE STATEMENT PURSUANT TO SECTION 1125  
OF THE BANKRUPTCY CODE DESCRIBING THE PLAN  
PROPOSED BY DIAZ PROPERTY HOLDINGS, LLC, THE DEBTOR**

**PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY. THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTEREST OF THE CREDITORS AND THAT THE PLAN IS FAIR AND EQUITABLE. THE DEBTOR URGES THAT THE VOTER ACCEPT THE PLAN.**

Dated: September 15, 2017

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## I. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the chapter 11 case of Diaz Property Holdings, LLC (the “Debtor”), pursuant to section 1125 of Title 11 of the United States Code (the “Bankruptcy Code”). This Disclosure Statement contains information about the Debtor and describes the plan of reorganization (the “Plan”) filed by Diaz Property Holdings, LLC of September \_\_\_, 2017. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. The capitalized terms used in this Disclosure Statement, if not defined herein, shall have the same meaning as indicated in the Plan. ***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.***

On May 23, 2017 (the “Filing Date”), the Debtor and Debtor-in-Possession (the “Debtor”) commenced a bankruptcy case by filing a voluntary petition under chapter 11 of title 11 of the United States Code, as amended (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Middle District of Pennsylvania (the “Bankruptcy Court”) under Case No. 5:17-bk-02134-JJT (the “Bankruptcy Case” or “Chapter 11 Case”). Since the Filing Date, the Debtor has continued in the operation of its business as a Debtor-in-Possession pursuant to §§1107(a) and 1108 of the Bankruptcy Code.

The proposed distributions under the Plan are discussed at Section II of this Disclosure Statement.

### 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.

Bankruptcy Code §1125 requires a disclosure statement to contain “adequate information” concerning the Plan. The term “adequate protection” is defined in Bankruptcy Code section 1125(a) as “information of a kind, and in sufficient detail, “about a debtor and its operations “that would

enable a hypothetical reasonable investor typical of holders of claims or interests” of the debtor to make an informed judgment about accepting or rejecting the plan. The Bankruptcy Court has determined that the information contained in this Disclosure Statement is adequate, and it has approved this document in accordance with Bankruptcy Code section 1124.

**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 Confirm the Plan*

The hearing at which the Court will determine whether to confirm the Plan will take place on \_\_\_\_\_, at \_\_\_\_\_, in Courtroom 2, at the United States Courthouse, 197 South Main Street, Wilkes-Barre, PA 18701.

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 John R. K. Solt, Esquire, 2045 Westgate Drive, Suite 404B, Bethlehem, PA 18017. 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 Confirmation of the Plan*

Objections to the confirmation of the Plan must be filed with the Court and served upon (a) John R. K. Solt, Esquire, 2045 Westgate Drive, Suite 404B, Bethlehem, PA 18017 and (b) the Office of the United States Trustee, 228 Walnut Street, Suite 1190, Harrisburg, PA 17101 by \_\_\_\_\_.

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

If you want additional information about the Plan, you should contact John R. K. Solt, Esquire, Attorney for the Debtor, 2045 Westgate Drive, Suite 404B, Bethlehem, PA 18017, Phone: 610-865-2465, Fax: 610-691-2018, Email: jsolt.soltlaw@rcn.com.

**C. Disclaimer**

***The Court has 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.***

## II. BACKGROUND

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

The Debtor is a Pennsylvania single-member limited liability company in the business of leasing its real estate. The member is Anthony Diaz. The Debtor owns two properties, one located at 1019 W. Hamilton Street, Allentown, Lehigh County, Pennsylvania ("Hamilton Street Property"), and one located at 107 Lloyd Circle, Monroe County, Pennsylvania ("Lloyd Circle Property"). Collectively the two properties are referred to herein as the "Real Property". The Hamilton Street Property is a three story building with retail space on the first floor and two residential units on the upper floors. In 2015, the Debtor contracted with a contractor to renovate the Hamilton Street Property. The contractor demolished the interior of the building but did not return to complete the renovations. The Hamilton Street Property is vacant.

The Hamilton Street Property is encumbered by two mortgages in favor of the Dime Bank. The first mortgage has an approximate balance of \$923,716.41. The second mortgage has an approximate balance of \$112,539.57. In its present condition, the Debtor believes the Hamilton Street Property has a market value of between \$150,000 and \$170,000.

The Lloyd Circle Property is a four acre parcel which contains two homes and six mobile homes. Six of the units are presently rented and generate gross rentals of \$4,300 per month. The Lloyd Circle Property is encumbered by delinquent real estate taxes of approximately \$19,000, and a mortgage in favor of Gravity Segregation, LLC ("Gravity") with a claimed balance of \$292,430.35. As explained in more detail in section III C. (Claim 3) of the Disclosure Statement, the Debtor believes it has a setoff against Gravity's claim in excess of \$129,000.00. The Debtor believes the Lloyd Circle Property has a market value of between \$300,000 and \$350,000.

In 2015, the Debtor's member lost his employment and began using income from the Debtor to pay his living expenses. As a result, the Debtor became delinquent in the payment of the real estate taxes. The Monroe County Tax Claim Bureau scheduled the Lloyd Circle Property for a judicial tax sale on May 24, 2017. In addition, Gravity confessed judgement against the Debtor in March, 2017, and the Dime Bank commenced a mortgage foreclosure action with respect to the Hamilton Street Property. The Debtor filed its Chapter 11 petition for relief on May 23, 2017.

### B. Insiders of the Debtor

The sole member and manager of the Debtor both before and during the Chapter 11 Case is Anthony Diaz. The Debtor utilizes Jon Paoletti to obtain tenants, collect rents, and oversee the day to day operation of the Lloyd Circle Property. Mr. Diaz has not received any compensation from the Debtor during the Chapter 11 Case and will not receive any compensation during the term of the Plan.

### **C. The Chapter 11 Case**

Chapter 11 is the principal business reorganization section of the Bankruptcy Code. Pursuant to chapter 11, a debtor is permitted to reorganize its business affairs for its own benefit and that of its creditors and other interest holders.

The objective of a chapter 11 case is the formulation of a plan addressing the Debtor's obligations and creditors as well as its ongoing operations and affairs. Creditors are given an opportunity to vote on any proposed plan, and the plan must be confirmed by the Bankruptcy Court to be valid and binding on all parties. Once the Plan is confirmed, all Claims against the Debtor arising before the chapter 11 proceeding was initiated are extinguished, unless specifically preserved in the Plan.

The law firm of John R. K. Solt, P.C. has been approved by the Court to represent the Debtor in the Bankruptcy Case. The meeting of creditors was held on August 11, 2017, and concluded.

Gravity Segregation, LLC, which holds a mortgage on the Lloyd Circle Property, has filed a motion under section 362 of the Bankruptcy Code seeking adequate protection of its interest in the Lloyd Circle Property. The Debtor has filed a response to the motion in which it asserts Gravity's interest is adequately protected. The hearing on the motion has been continued pending the filing of this Disclosure Statement.

### **D. The Debtor's Financial Condition**

The Lloyd Circle Property is presently generating gross monthly rents of \$4,300. The rents are sufficient to pay the current operating expenses of the Lloyd Circle Property and fund the Plan payments as proposed herein. See Section IV D. 2 of the Disclosure Statement.

The septic system which serves the Lloyd Circle Property is failing and needs to be replaced. The Debtor is in the process of obtaining estimates. Depending on the cost of the replacement, the commencement of the Plan payments may be delayed for three to four months.

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

There are no preference, fraudulent conveyance, or other avoidance actions for the Debtor to pursue.

### **F. 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.

### 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	0	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	0	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.	7,000.00	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



**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 1 through 4 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 1 – Monroe County Tax Claim Bureau**

<u>Class #</u>	<u>Description</u>	<u>Insider? (Yes or No)</u>	<u>Impairment</u>	<u>Treatment</u>
1	<p><i>Secured claim of:</i>                      Monroe County Tax Claim Bureau                      Collateral description =                      Lloyd Circle Property</p> <p>Allowed Secured Amount =                      \$17,813.07</p> <p>Priority of lien = first</p> <p>Principal owed =                      \$14,756.46</p> <p>Pre-pet. arrearage =                      \$14,756.46</p> <p>Total claim =                      \$17,813.07</p>	No	Unimpaired	<p>[Monthly] Pmt = \$349.27</p> <p>Pmts Begin = 12/1/17</p> <p>Pmts End = 2/1/22</p> <p>[Balloon pmt] =</p> <p>Interest rate % = 9%</p> <p>Treatment of Lien = Lien remains until claim paid in full</p> <p>[Additional payment required to cure defaults] =</p>

## **Class 2 – Gravity Segregation, LLC**

The secured claim of Gravity Segregation, LLC (“Gravity”) is disputed.

On or about August 26, 2016, Debtor executed a note (“Note”) in favor of Gravity in the amount of \$260,000.00. The Note was secured by two parcels owned by the Debtor, namely 1019 W. Hamilton Street, Allentown, Lehigh County, Pennsylvania and 107 Lloyd Circle, Pocono, Monroe County, Pennsylvania. The Note was also secured by a third property at 123 Spring Hill Farm, East Stroudsburg, Monroe County, Pennsylvania, which is owned by Anthony Diaz and is his principal residence.

By virtue of the fact that Gravity secured the Note with a mortgage on the residence of co-mortgagor Anthony Diaz, the Note was subject to the usury restrictions imposed by the Pennsylvania Loan Interest and Protection Law (“Act 6”). The so-called “principal” of \$260,000 was not “bona fide” within the meaning of Act 6 in that it included impermissible finance charges that were loaded into the principal, including a \$26,000 “origination charge” to Gravity; \$13,000 in broker fees; and a “lender’s attorney fee” of \$4,000. Said charges are in excess of what Act 6 permitted, and, may therefore constitute usury under Pennsylvania law. The Debtor believes that Gravity is liable to the Debtor and Mr. Diaz for three times the said charges and fees, or \$129,000, plus attorney’s fees, pursuant to 41 P.S. § 502. The Debtor has filed an application with the Bankruptcy Court to retain attorney Irv Ackelsberg, a nationally recognized consumer law attorney who is an expert on mortgages and usury law, to file an adversary action against Gravity. Whatever allowed secured claim Gravity possesses following conclusion of the adversary proceeding will be paid over a term of 15 years at 5.5% interest. The claim is impaired.

## **Class 3 – The Dime Bank**

The Dime Bank holds a first mortgage on the Debtor’s real property at 1019 W. Hamilton Street, Allentown, Lehigh County, Pennsylvania (the “Hamilton Street Property”) in the approximate sum of \$923,716.41. The obligation is also secured by mortgages on other properties which are not owned by the Debtor. The Debtor’s member, Anthony Diaz, is making the monthly payments on the obligation from his personal funds outside of the Bankruptcy, and will continue to do so during the term of the Plan. The Class 4 claim shall continue to accrue interest at the contract rate and shall retain its lien upon the Hamilton Street property until paid in full. The Debtor will maintain real estate taxes and insurance on the Hamilton Street Property throughout the term of the Plan. The claim is not impaired.

## **Class 4 – The Dime Bank**

The Dime Bank also holds a second mortgage on the Hamilton Street Property in the approximate sum of \$112,539.57. The Hamilton Street Property is estimated to have a fair market value of \$170,000. Thus, there is no equity in the Property to secure the second mortgage. The Class 4 claim will be treated as an unsecured claim and will be paid without interest, over a term of fifteen

years in equal monthly installments of approximately \$626.00, commencing thirty days after the effective date of the Plan. The claim is impaired.

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. The Debtor has no priority unsecured claims.

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 Debtor has no general unsecured claims other than the Class 4 claim of the Dime Bank.

4. *Class of Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (*i.e.*, equity interest) in the Debtor. In a limited liability company (“LLC”), the equity interest holders are the members. The Debtor’s sole member is Anthony Diaz. It is proposed that Mr. Diaz retain his interest in the Debtor, and that no payments shall be made to him with regard to his interest until all allowed claims are paid in full. Thus, no payment is proposed to the equity interest holder during the term of the Plan.

**D. Means of Implementing the Plan**

1. *Source of Payments*

Payments and distributions under the Plan will be funded by the rents from the Lloyd Circle Property.

**E. Risk Factors**

The major risk factor that might affect the Debtor’s ability to make payments is the temporary loss of tenants from time to time at the Lloyd Circle Property and the incidence of major repairs.

**F. Executory Contracts and Unexpired Leases**

Executory contracts and unexpired leases are those in which the parties have not fully performed their obligations thereunder. 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. The Debtor has no executory contracts. The Debtor has six

leases with individuals for portions of the Lloyd Circle Property which the Debtor intends to assume. None of the lease is in default.

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.

#### **G. Tax Consequences of Plan**

The Debtor does not believe that it will incur any federal, state or local tax consequences as a result of confirmation of the 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.*

### **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 2, 4 and 5 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 and 3 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.

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 objections to claims is \_\_\_\_\_.**

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

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

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

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

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

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

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

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

#### **B. Votes Necessary to Confirm the Plan**

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by a cram down on non-accepting classes, as discussed later in section B.2. below.

##### 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. The Debtor believes the Plan does “discriminate unfairly” with respect to any class of claims or interests.

***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 B.

## 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*

Upon the Effective Date of the Plan, the Debtor will have administrative expenses consisting of its counsel fees which are estimated to be \$7,000 after credit for the Debtor's prepetition retainer. The counsel fees are subject to review and approval by the Bankruptcy Court. To the extent the counsel fees are approved, they are entitled to be paid on the Effective Date. The Debtor believes it will have enough cash on hand on the Effective Date to pay the counsel fees.

### 2. *Ability to Make Future Plan Payments And Operate Without Further Reorganization*

The Debtor must also show it will have enough cash to cover the term of the Plan to make the required Plan payments. The Debtor's current gross monthly rental income is \$4,300. The Debtor projects the following average monthly operating expenses:

Management and administrative fees:	\$625
Real estate taxes and insurance:	\$650
Repairs and maintenance:	\$300
Miscellaneous:	\$150
Total:	\$1725.00

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

specified in § 1141(d)(6)(B). After the effective date of the Plan your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

**B. Modification of Plan**

The Debtor 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 Debtor 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 Debtor, 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.

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Anthony Diaz, Member  
Diaz Property Holdings, LLC

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John R. K. Solt  
Attorney for the Debtor

**Exhibit A - Copy of Proposed Plan of Reorganization**

## Exhibit B - Liquidation Analysis

The Debtor has prepared the following Liquidation Analysis based on certain assumptions that it believes are reasonable under the circumstances. The primary assumption is based upon a reduced value of the Debtor's Real Property in its current condition. In a liquidation sale, the Debtor estimates a value of 25% below market. The Debtor makes no representations regarding a chapter 7 trustee's ability to achieve the forecasted results. In the event the chapter 11 case is converted to chapter 7 proceedings, actual results may vary materially from the estimates and projections set forth in the Liquidation Analysis. Therefore, the Liquidation Analysis is speculative in nature. In evaluating the Plan, Creditors, Interest Holders and other parties in interest are urged to examine carefully all of the assumptions underlying the Liquidation Analysis.

### Assets:

<u>Real Property</u>	<u>Estimated Gross Sales Proceeds</u>
1019 W. Hamilton St.	127,500 (75% of 170,000)
107 Lloyd Circle	247,500 (75% of 330,000)

### Allocation of Proceeds from

<u>1019 W. Hamilton St.</u>	127,500
Costs of sale (7%)	8,925
Secured Claims	118,575
The Dime Bank 1 <sup>st</sup> Mortgage	
\$923,716.41	
The Dime Bank 2 <sup>nd</sup> Mortgage	
\$112,529.57	
Net proceeds available for	0
Priority and Unsecured Creditors	

### Allocation of Proceeds from 107 Lloyd Circle

Costs of sale (7%)	17,325
Secured Claims	
Monroe County TCB	18,000
Current real estate taxes	1,000
Gravity Segregation, LLC	
mortgage (disputed)	211,175
Net proceeds available for	
Priority and Unsecured creditors	0

