

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

**IN RE:**

**CONNIE M. HOWAT,**

**Debtor.**

**Bankruptcy No. 16-20295-CMB**

**Chapter 11**

**Document No.**

**DISCLOSURE STATEMENT**

Connie M. Howat (“the Debtor”) commenced a voluntary Chapter 11 Case on January 29, 2016. This Disclosure Statement involves the financial affairs of the Debtor. The Debtor is seeking to reorganize her financial affairs. The purpose of this Disclosure Statement is to enable holders of claims against the Debtor to make an informed judgment concerning acceptance or rejection of the Plan of Reorganization (Plan) filed concurrently herewith. A true and correct copy of the Plan is attached hereto and marked as **EXHIBIT A**.

Pursuant to 11 U.S.C. Section 1126(a), the holder of a claim or interest allowed under Section 502 Title 11 may accept or reject a Plan. Under 11 U.S.C. Section 1126(c), a class of claims has accepted a Plan if such Plan has been accepted by creditors that hold at least two-thirds (2/3) of an amount, and more than one-half (1/2) in number, of the allowed claims of such class. Pursuant to 11 U.S.C. Section 1126(f), a class that is not impaired under a Plan, and each holder of a claim or interest of such class, are conclusively presumed to have accepted the Plan, and solicitation of acceptances with respect of such class from the holders of claims or interests of such class is not required. Pursuant to 11 U.S.C. Section 1126(g), a class is deemed not to have accepted a Plan if such Plan provides that the claims or interests of such class do

not entitle the holders of such claims or interests to receive or retain any property under the Plan on account of such claims or interests.

Title 11 U.S.C. Section 1125(b) prohibits solicitation of votes on the Plan until a Disclosure Statement is approved by the Court as having adequate information.

The Debtor has attempted to set forth, in reasonable detail, all relevant information concerning the Debtor's assets and liabilities.

**NO INFORMATION CONCERNING THE DEBTOR IS AUTHORIZED OTHER THAN THE INFORMATION SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION.**

#### **Background**

The Debtor is a married individual who operates a small retail store. The retail store is operated as a sole proprietorship and goes by the trade name of Crocks and Creations. The Debtor does have inventory as part of the retail store operations as identified in her Amended Schedule A/B filed with the United States Bankruptcy Court. However, the Debtor believes that the inventory only has value if it is sold as part of ongoing operations and that the inventory is of little value if it were to be otherwise liquidated. The Debtor will continue her business operations and will utilize the inventory in conducting her business. The business operations will generate revenue which will be used to fund the Debtor's obligations under her Plan of Reorganization. The Debtor leases the property at which the retail store is located. The Debtor owns a

residence in which there exists no equity, and as of the date of the filing of the instant case, was scheduled to be sheriff sold.

## **II. ASSETS IN THIS ESTATE AND THEIR EVALUATION**

### **A. REAL ESTATE**

The Debtor owns real estate at 4301 Middle Road, Allison Park, Pennsylvania, jointly with her spouse. The Debtor avers that there is no equity in the property. The Debtor believes that the value of the residence is \$200,000.00.

### **B. PERSONALTY**

The Debtor owns the following items of personal property:

1. The Debtor possesses a bank account in the approximate amount of \$2,000.00;
2. The Debtor possesses a joint interest in home furnishings, jewelry and other items as identified in her schedules with an approximate value of \$6,300.00 ;
3. The Debtor possesses inventory for use in her business. The inventory has value to the business but would be of a nominal value if it were liquidated outside the ordinary course of business. The inventory consists of scarves, purses, shirts and home decorations used in the operation of her business.

## **III. FINANCIAL INFORMATION AND PROJECTION**

The Debtor has filed operating reports through May, 2016. The Debtor is preparing and will file the operating reports until such time as the instant Plan of Reorganization is confirmed. The operating reports detail Debtor's financial activities which reports are available for review on the Court's docket for this Chapter 11 Case. Funding for the Plan will be funded out of cash on hand and out of ongoing operations.

Furthermore, the Debtor's spouse will provide any additional monies necessary to fund the Debtor's obligations under the Plan of Reorganization. The income of the Debtor's spouse is set forth in Schedule I of the Debtor's schedules.

#### **IV. CLAIMS IN THIS ESTATE**

##### **Secured Claims**

**Secured Class 1:** This class includes the claim of Wilmington Savings Fund Society, FSB, d/b/a Christiana Trust, as trustee for Normandy Mortgage Loan Trust, Series 2015-1, which claim is serviced by Selene Finance, LP, in amount of \$532,106.65. This claimant is owed prepetition arrears of \$112,209.28. Said claim is secured by a mortgage on the Debtor's Real Estate.

**Secured Class 2:** This class includes the secured claim of the Pennsylvania Department of Revenue in the amount of \$2,975.26.

##### **Administrative Claims**

**Administrative Class 3:** The claim of Counsel and Accountants for the Debtor.

**Administrative Class 4:** The claim of the Office of U.S. Trustee.

##### **Priority Claims**

**Priority Class 5:** This class includes the claims of the Internal Revenue Service in the amount of \$9,790.14 and Pennsylvania Department of Revenue in the amount of \$3,281.13. The total amount of claims in this class is \$13,071.27.

##### **Unsecured Claims**

**Unsecured Class 6:** This class includes the claims of the general unsecured creditors. This class is comprised of the claim of Duquesne Light Company in the amount of \$277.07, the Internal Revenue Service in the amount of \$16,911.07, Capital

One Bank's claims in the amount of \$650.28 and \$487.49, the claim of the Pennsylvania Department of Revenue in the amount of \$3,126.79. The total amount of claims in this class is \$21,452.70.

**Unsecured Class 7:** This class includes the claim of Cotton Rose in the amount of \$8,500.00, the landlord of the property at which the Debtor conducts her business.

**Unsecured Class 8:** This class includes the claim of Kairos Group in the amount of \$40,000.00.

## **V. LITIGATION IN THIS ESTATE**

The Debtor does not anticipate that there will be any litigation regarding this estate.

## **VI. LIQUIDATION ANALYSIS**

As set forth more specifically herein, the Debtor possesses no equity in real property and owns personalty which has a value insufficient to pay the claims in this Estate. The Debtor does have inventory which she utilizes in the course of her business. The proceeds generated from the use of that inventory will be used to pay creditor's under this Plan of Reorganization. The Debtor believes that creditors will receive more under the Debtor's Plan than they would in a Chapter 7 liquidation. Factors to consider in a Chapter 7 liquidation are as follows:

### **A. TRUSTEE'S EXPENSES**

If this Case were to be converted to a Chapter 7 Case, a Trustee would be appointed by the Bankruptcy Court to administer the liquidation, if any, of the Estate. If the Trustee did treat this Case as an asset Case, the Trustee would, in all likelihood, engage legal counsel that would be paid as a Chapter 7 administrative claim. Pursuant

to 11 U.S.C. Section 326, the Trustee's fees are based on a sliding scale calculated upon all monies collected, including amounts collected by the Trustee. Accordingly, the Trustee's compensation would be calculated against the gross assets of the Debtor. Compensation of the Trustee's legal counsel would also be established by the Court upon application of the Trustee's counsel and then, upon such approval, said fees would also be deducted from the gross assets of the Debtor.

### **B. OTHER EXPENSES**

Other expenses must also be considered in a Chapter 7 liquidation. To the extent a Trustee would have to sell the property of the Estate in order to realize the funds discussed earlier so that the various creditors in this Estate could be paid, the Trustee typically would hire an auctioneer and the auctioneer's fee would be paid as an administrative expense before any distribution to unsecured creditors. There would also be advertising and other expenses of the sale. It is conservatively estimated that at least ten (10%) of the value of the property would be lost just to pay the administration of a sale. In addition, there are other variables to consider in estimating funds which would be available for distribution to unsecured creditors upon liquidation. It is likely that the fair market value assigned to individual assets by the Debtor may prove high in light of the "liquidation" type sale which is typical in a Chapter 7 case. The Debtor's Plan contemplates payment of all allowed claims herein in an amount no less than payments which would result from a liquidation without the need for a liquidation. Creditors could do no better in a Chapter 7 liquidation and, in light of the factors noted above, could well receive less in a Chapter 7 liquidation. All of these factors should be considered when voting for or against the Debtor's Plan of Reorganization.

**C. DISTRIBUTION ANALYSIS**

In a forced liquidation, and as a result of it, it is anticipated that creditors would receive less than they will pursuant to the Debtor's Plan and certainly would not receive more than they will under Debtor's Plan. In fact, in a forced liquidation, it is anticipated that unsecured creditors would receive a limited distribution.

Respectfully Submitted,

Date: July 13, 2016

/s/ Robert O Lampl  
ROBERT O LAMPL  
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PA I.D. #62297  
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**CERTIFICATE OF SERVICE**

Robert O Lampl, John P. Lacher and David L. Fuchs, hereby certify, that on the 13<sup>th</sup> day of July, 2016, a true and correct copy of the foregoing **DISCLOSURE STATEMENT** was served upon the following (*via electronic service and/or first class mail*):

Larry E. Wahlquist  
Office of the U.S. Trustee  
Liberty Center, Suite 970  
1001 Liberty Avenue  
Pittsburgh, PA 15222  
Larry.e.wahlquist@usdoj.gov

Date: July 13, 2016

/s/Robert O Lampl  
ROBERT O LAMPL  
PA I.D. #19809  
JOHN P. LACHER  
PA I.D. #62297  
DAVID L. FUCHS  
PA I.D. #205694  
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