

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re: § Case No: : 18-32268
PRIME PROPERTY INVESTMENTS, LLC §
Debtor. § Chapter 11

First Amended Disclosure Statement for Small Business Under Chapter 11

Prime Property Investments, LLC's Amended Disclosure Statement, Dated October 18, 2018.

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I. Introduction

This is the disclosure statement (the Disclosure Statement) in the small business chapter 11 case of Prime Property Investments, LLC (the Debtor). This Disclosure Statement provides information about the Debtor and the Plan filed on 09/23/2018 (the Plan) to help you decide how to vote.

A copy of the Plan is attached as Exhibit A. **Your rights may be affected.** You should read the Plan and this Disclosure Statement carefully. You may wish to consult an attorney about your rights and your treatment under the Plan.

The proposed distributions under the Plan are discussed at pages XXX to XXXX of this Disclosure Statement. General unsecured creditors are classified in Class 3, and will receive a distribution of 34% of their allowed claims, to be distributed in equal payments over 24 months.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the Court) will consider when deciding whether to confirm the Plan,
- Why Thomas B. Miller 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. A separate order has been entered setting the following information:

- Time and place of the hearing to [finally approve this disclosure statement and] confirm the plan,
- Deadline for voting to accept or reject the plan, and
- Deadline for objecting to the [adequacy of disclosure and] confirmation of the plan.

If you want additional information about the Plan or the voting procedure, you should contact Thomas B. Miller at teebmiller@gmail.com or by mail at 10100 Kleckley #15B, Houston, TX 77075 .

C. Disclaimer

The Court has not yet 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 if the Court has approves this Disclosure Statement it 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

Prime Property Investments LLC is a Texas limited liability company formed on February 4, 2016 and located at 510 Cardinal Trail Ct, Richmond, TX 77469. Debtor is engaged in the business of residential property renovation. In November of 2016, Debtor acquired the two residential properties in the Houston area described below:

5139 Howcher St
Houston, TX 77048
appraised value of \$64,877

5739 Flamingo Dr
Houston, TX 77033
appraised value of \$79,748

The market value appraisals are provided by the Harris County Appraisal District. Funding for the purchase and renovation of the properties was provided by Hunter-Kelsey II (and its predecessors and successors in interest) with a \$133,000 note at 15.99% interest with monthly payments of \$1,840.40 secured with a lien on both properties.

B. Insiders of the Debtor

Thomas B. Miller and Reka M. Robinson

Neither Mr. Miller nor Ms. Robinson have drawn a salary since the company was formed and the company lost money its first year and broke even in 2017.

C. Management of the Debtor During the Bankruptcy

Thomas Miller and Reka Robinson will jointly manage the company during the bankruptcy.

D. Events Leading to Chapter 11 Filing

Prime Property Investments owns and is rehabilitating two residential properties. Some overly optimistic scheduling and the disruption to the contractor industry caused by Hurricane Harvey has resulted in overruns and missed deadlines. Funds normally used for debt service were diverted to operations and the situation lasted too long for the mortgage company.

E. Significant Events During the Bankruptcy Case

The court has approved the hiring of Robert F. Gilbert to represent the company in this bankruptcy suit and has agreed to allow the use of rental income from the residences to make payments to the mortgage company. There are no adversary proceeding yet filed with this case.

Since April of 2018, Debtor has narrowed the company focus to the renovation and sale (or rental) of its two properties and supporting that effort by performing short term renovation projects on other properties. Both properties are currently suitable for rental but in need of some more renovation to get the sale value at the higher end for each neighborhood.

Debtor has improved the Flamingo property with a new roof, cabinets and flooring. It has been leased for \$1,150 per month. These payments are being made to Hunter Kelsey II as adequate protection payments. Debtor plans to install upgrades exterior lights, replace the siding with HardiePlank, paint the exterior and add a carport. Debtor expects the market value of the home could be \$130k after these improvements.

Debtor needs to do more renovation on Howcher. A renter as agreed to lease the property for \$800/mo starting in November 2018 with the understanding that Debtor will be doing interior renovations during daylight hours. Debtor plans to increase the master bedroom size by expanding the bedroom into the office area. The master bath will be increased in size also and will be renovated with upgraded flooring and tub/shower. Debtor plans to convert the garage into a living space and add a carport. The entire home will be repainted and damaged doors replaced. Debtor expects the market value of the home could be \$147k after these improvements and the rental value should increase to \$1,200/mo or more.

F. Projected Recovery of Avoidable Transfers

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. Disputed claims are treated in Article 5 of the Plan.

H. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets based on market valuations from the county appraisal district and local Realtors is approximately \$144,335. The Howcher property at 5139 Howcher Street in Houston, Texas is valued at \$64,887 and the Flamingo Property at 5739 Flamingo in Houston, Texas is valued at \$79,748.

The company has no audited financial statements but the Debtor's most recent post-petition operating

report filed since the commencement of the Debtor's bankruptcy case is set forth in Exhibit D.

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. Therefore, the Plan Proponent has not placed the following claims in any class:

1. Administrative expenses, involuntary gap claims, and quarterly and Court fees

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 503(b) of the Code. Administrative expenses 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, and compensation for services and reimbursement of expenses awarded by the court under § 330(a) of the Code. 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. Involuntary gap claims allowed under § 502(f) of the Code are entitled to the same treatment as administrative expense claims. The Code also requires that fees owed under section 1930 of title 28, including quarterly and court fees, have been paid or will be paid on the effective date of the Plan.

The following chart lists the Debtor's estimated administrative expenses, and quarterly and court fees, and their proposed treatment under the Plan:

Type Estimated	Amount Owed	Proposed Treatment
Administrative expenses	unknown	Paid in full on the effective date of the Plan, unless the holder of a particular claim has agreed to different treatment.
Statutory Court fees	unknown	Paid in full on the effective date of the Plan
Statutory quarterly fees	\$325	Paid in full on the effective date of the Plan

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 pursuant to 11 U.S.C. § 511, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

- 1) The Claim filed by Linebarger Goggan Blair and Sampson, LLP for Harris County, et al for 2017

and 2018 real property tax due on Howcher and Flamingo is the only Class 1 claim in this case. Debtor proposes to pay all taxes due under this plan within 24 months while maintaining an internal escrow account for 2019 taxes which will be due in January 2020.

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 set-off) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or set-offs 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 secured portion of the claim of Hunter Kelsey II will be paid as monthly payments equal to the greater of the interest owed for the month or the total rent collected from tenants in the properties secured by the Hunter-Kelsey note. Payoff in full of the remainder of the secured debt will be made on or before December 2021. Any portion of the Hunter-Kelsey II claim which is unsecured, it will be treated as Class 3 general unsecured claims.

2. Classes of priority claims

The Code requires that, with respect to a class of claims of a kind referred to in §§ 507(a)(1), (4), (5), (6), and (7), each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim, unless a particular claimant agrees to a different treatment or the class agrees to deferred cash payments. Past due Property Taxes will be paid in monthly payments in amounts which will pay the tax debts in full on or before December 31, 2020.

3. Classes 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.

All non-discharged unsecured debts will be paid in equal monthly installments until December 31, 2020.

D. Means of Implementing the Plan

1. Source of payments

The plan will be financed by rental income from the two properties and by profits from the short term renovation projects managed by Thomas Miller. Exhibit G includes the proposed budget for Debtor during the life of the Plan.

2. The Post-Confirmation Management of the Debtor (including officers, directors, managing members, and other persons in control), and their compensation, shall be as follows:

Name	Position	Compensation
Thomas B. Miller	Member	none
Reka M. Robertson	Member	none

E. Risk Factors

The proposed Plan has the following risks:

Weather delays, health of principals, general market conditions.

F. Executory Contracts and Unexpired Leases

The Plan in Article 6 lists all executory contracts and unexpired leases that the Debtor will assume, and if applicable assign, 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. Article 6 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, and if applicable the assignment, of your unexpired lease or executory contract under the Plan, the proposed cure of any defaults, 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 Article 6 or have not previously been assumed, and if applicable assigned, or are not the subject of a pending motion to assume, and if applicable assign, 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 30 days after confirmation of the plan.

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

Creditors and equity interest holders concerned with how the plan may affect their tax liability should consult with their own accountants, attorneys, and/or advisors.

The following are the anticipated tax consequences of the Plan:

- (1) Tax consequences to the Debtor of the Plan;
- (2) General tax consequences on creditors of any discharge, and the general tax consequences of receipt of plan consideration after confirmation.

IV. Confirmation Requirements and Procedures

To be confirmable, the Plan must meet the requirements listed in §1129 of the Code. These include the requirements that:

- the Plan must be proposed in good faith;
- if a class of claims is impaired under the Plan, 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. Except as stated in Part IV.A.3 below, 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 all classes are potentially impaired and that holders of claims in each of these classes are therefore entitled 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 proof of claim in this case was 8/27/18 (For a governmental unit: 10/29/18).

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;
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- 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) all impaired classes have voted to accept the Plan; or
- (2) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and the Plan is eligible to be confirmed by “cram down” of the 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 $\frac{1}{2}$ of the allowed claims in the class, who vote, cast their votes to accept the Plan, and
- (2) the holders of at least $\frac{2}{3}$ 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 $\frac{2}{3}$ in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. Treatment of non-accepting classes of secured claims, general unsecured claims, and interests

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan upon the request of the Plan proponent if the non-accepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a cram down plan. The Code allows the Plan to bind non-accepting 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 cram down 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 as Exhibit E.

D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

1. Ability to initially fund plan

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. The spreadsheet showing the amount of cash on hand on the effective date of the Plan, and the sources of that cash are approximately are attached Exhibit F – cash on hand.

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 and operate the debtor's business.

The Plan Proponent has provided projected financial information. Those projections are listed in Exhibit G.

The Plan Proponent's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, of \$24,000.

The final Plan payment is expected to be paid on December 31, 2021.

You should consult with your accountant or other financial adviser if you have any questions pertaining to these projections.

V. Effect of Confirmation of Plan

A. Discharge of Debtor

Discharge if the Debtor is a partnership and § 1141(d)(3) of the Code is not applicable. 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. However, the Debtor shall not be discharged from any debt imposed by the Plan. After the effective date of the Plan your claims against the Debtor will be limited to the debts imposed by the Plan.

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 re-voting on the Plan.

The Plan Proponent may also seek to modify the Plan at any time after confirmation only if

- (1) the Plan has not been substantially consummated and
- (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

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

Respectfully submitted,

/s/ Thomas B. Miller

Thomas B. Miller, Member/Manager of Prime Property Investments, LLC

/s/ Robert F. Gilbert

Attorney for Prime Property Investments, LLC