

**IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF VIRGINIA Norfolk
Division**

In re: Peter O. Ozoh,
Ngozi F. Ozoh

Case No. 15-72398
Chapter 11

Debtors in Possession

DISCLOSURE STATEMENT

September 22, 2016

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I. INTRODUCTION

Peter O. Ozoh and Ngozi F. Ozoh, the debtors in possession in this Chapter 11 Bankruptcy case, have prepared this Disclosure Statement to provide to all known creditors and parties in interest adequate information about the Debtors and their Plan of Reorganization, dated _____ (the "Plan"), a copy of which accompanies this Disclosure Statement.

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. **Unless otherwise defined herein, terms used in this Disclosure Statement have meanings defined in 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.

The Debtors provide this Disclosure Statement to all creditors and parties in interest in order to disclose the information deemed by the Debtors to be necessary for creditors to arrive at a reasonably informed decision in exercising their right to vote for acceptance or rejection of the Plan accompanying this Disclosure Statement. The information is based on the records maintained by the Debtors, and no representation or warranty is made as to its complete accuracy.

NO REPRESENTATIONS CONCERNING THE DEBTORS PARTICULARLY AS TO THEIR FUTURE INCOME, THE VALUE OF THEIR PROPERTY OR THE AMOUNT TO BE DISTRIBUTED UNDER THE PLAN, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT, ARE AUTHORIZED BY THE DEBTORS. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH IS OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND ANY SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTORS OR THE UNITED STATES TRUSTEE.

THE INFORMATION IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO AUDIT. IT IS BASED ON RECORDS KEPT BY THE DEBTORS PRIOR TO FILING FOR BANKRUPTCY AND DURING THE PERIOD OF ADMINISTRATION. EVERY REASONABLE EFFORT HAS BEEN MADE TO PRESENT ACCURATE FIGURES. HOWEVER, A CERTIFIED AUDIT OF THE DEBTORS FINANCIAL RECORDS HAS NOT BEEN PERFORMED AND ALL CREDITORS PROCEED AT THEIR OWN RISK.

For the Plan to be confirmed, creditors having voting rights who hold at least two-thirds in amount and more than one-half in number of the claims in each class must vote in favor of the Plan. If a creditor does not vote, i.e. does not return a fully completed ballot within the specified time to the correct addressee, neither the creditor nor the amount of its claim is counted to determine acceptance or rejection of the Plan. If you are entitled to vote and do not, the ballots will be tallied as though you do not exist. The Court can confirm the Plan even if the requisite acceptances are not

obtained, so long as the Plan complies with the Code and accords fair and equitable treatment to any non-accepting class.

Creditors entitled to vote are furnished a ballot on which to record their respective acceptances or rejections of the Plan. Those completed ballots must be returned to counsel for the Debtors, who will tally the votes and report the results to the Court at the hearing on Confirmation of the Plan.

The Debtors do not warrant that the financial data in this Disclosure Statement is error-free, but they have been careful to see that all financial information is fairly and accurately presented. To the best of their knowledge and belief, the Debtors believe the financial information in the Disclosure Statement is accurate.

If the Court does not confirm the Plan, the Debtors may amend the Plan or file a different plan. Additionally, on motion of a party in interest, and after notice and a hearing, the Court may convert the case to a Chapter 7 proceeding. The Debtors have the right, under most circumstances to convert the case to one under Chapter 7 pursuant to Bankruptcy Code §1112(a).

II. SUMMARY OF THE PLAN

Below is a brief summary of the Plan and should not be relied on for purposes of voting on the Plan. You are urged to read the entire Plan and to consult with counsel in order to fully understand your rights under the Plan. To the extent there is a conflict between the Disclosure Statement and the Plan, the Plan controls. If confirmed, the Plan represents a legally binding agreement between the Debtors and each of the creditors, regardless of whether a creditor votes in favor of the Plan.

The Plan provides for twelve (12) classes of Secured Claims and one (1) class of Unsecured Claims. The secured claims against the Debtor's properties located at 104 Tee Box Lane, 361 Georgetown Loop and 2023 Queens Point Road will be repaid pursuant to the terms of mortgage modification agreements entered into by the Debtors on such properties, with any arrearages reamortized over the remaining term of the Note. All other claims secured by real estate owned by the Debtors that exceed the value of its collateral (after accounting for any senior liens), shall be stripped down to the value of the collateral, with the remainder treated as a general unsecured Class 13 claims unless otherwise stated.

Creditors who have not agreed to modifications holding Allowed Claims that are Secured by Rental Property's will receive monthly cash payments based on the value of each Secured Creditor's interest in the Rental Property. On the effective date such Creditors liens will be restructured as new 40 year amortization loans with principal set at the current market value and interest at 3%. The holder of any Allowed Secured Claim shall release its lien upon satisfaction of the Claim in accordance with the Plan and the Bankruptcy Code.

Substantially all of the Rental Properties are subject to liens of first priority deeds of trust which exceed the current value of the properties. Several of the properties are also subject to second priority deeds of trust. Holders of Allowed Claims that are nominally secured by the Rental Properties, but are in fact fully or partially unsecured will either be avoided entirely and paid according to Class 13, i.e. as an unsecured claim or if partially secured then bifurcated with the secured portion paid over the same period and at the same terms as the first priority Deed of Trust.

Based on the value of the Real Properties, all second deed of trust claims, are Unsecured and shall be treated as Class 13 Claims under the Plan. The Confirmation Order shall contain a legal description of the Rental Properties, language releasing the liens of the holders of second deed of trust claims, and a proposed modified Deed of Trust which shall be recorded upon confirmation among the land records of the appropriate jurisdiction for each of the Rental Properties.

The Debtor also proposes to surrender three (3) properties, known commonly as 65 Dumont Ct., Emporia, Virginia, 682 Goose Creek, Virginia Beach, Virginia, and 1112 Meadow Sage, Virginia Beach, Virginia. Unless creditors agree to deeds in lieu of foreclosure, the Debtors anticipate deficiency claims which will be treated in Class 13 also.

Allowed second deed of trust claims, Judgment lien claims if any, Deficiency Claims if any, as well as general unsecured claims arising from credit cards, open accounts and the like, are treated as Unsecured Claims under the Plan. Allowed Unsecured Claims will receive quarterly pro rata Distributions from the Ozohs net earnings which will be distributed to holders of Allowed Unsecured Claims on a pro-rata basis. The Plan requires that a minimum of \$ 15,000 be distributed to Unsecured creditors over the course of the Plan. The Plan also provides for the payment of Administrative and Priority Claims which have not been paid in full by the Effective Date.

All Creditors should refer closely to Articles III through _____ of the Plan for information regarding the precise treatment of their claims. Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one. (If you do not have an attorney, you may wish to consult one.) The foregoing was a brief summary of the Plan and should not be relied on for purposes of voting on the Plan. You are urged to read the entire Plan and to consult with counsel in order to fully understand your rights under the Plan. To the extent there is a conflict between this Disclosure Statement and the Plan, the Plan controls. If confirmed, the Plan represents a legally binding agreement between the Debtors and each of their creditors, regardless of whether every creditor votes in favor of the Plan.

III. BACKGROUND

Peter and Ngozi Ozoh live in Suffolk with their three children. The Ozohs have lived in Suffolk for 18 years.

The Ozoh's receive income from several sources. Mr. Ozoh has worked a Chemical Engineer but is currently unemployed. Mrs. Ozoh has worked as an appeals examiner for the Virginia Employment Commission for the past ten years. Additionally, the Ozohs receives income from the rental properties they currently maintain.

The Debtors have been caught in the extended collapse of the real estate market which began in 2006. The Ozohs bought many of these properties near the height of the real estate market. With a downturn in the economy, they have been unable to rent the real properties at a sufficient rate to cover the mortgages. With limited options and a need to reorganize his finances, Mr. Ozoh filed for bankruptcy under chapter 7 on March 15, 2011, and subsequently converted his case to chapter 11 on May 9, 2011. (Case No.11-71156-SCS)

His attempt to reorganize failed when he lost his position as a chemical engineer. The Plan of Reorganization then proposed was premised upon substantial earned income. Mr. Ozoh is a __ year old. Although highly skilled, it has been difficult to obtain employment in his field in this area. Consequently, the Mr. Ozoh chose to acknowledge that the plan then proposed was not feasible and he consented to dismissal of the case upon the US Trustee's Motion to Dismiss or Convert.

After dismissal of Case 11-71156-SCS, Mr. Ozoh attempted to obtain voluntary modification of his mortgage obligations and satisfaction of certain HELOC mortgages by payment of reduced payoffs from his otherwise exempt retirement funds.

Loans which were modified consensually are so identified in the attached **Exhibit A** and those HELOC loans which were satisfied by reduced payment are also so identified.

Consistent with the treatment typically afforded through voluntary modification, the Debtors are proposing to amortize the adjusted principle obligations of the remaining mortgages over 40 years at 3% interest. Mortgage holders who have not previously agreed to modify their mortgages will also have their secured liens reduced to the value of the property.

Upon confirmation only the modified re-amortized balance will remain secured by the subject collateral and the Debtors will have the benefit of any equity in the event of sale.

IV. FINANCIAL INFORMATION AND LIQUIDATION ANALYSIS

A. Assets.

The Principal Residence: The Debtors' principal residence is known commonly as 104 Tee Box Lane. The Debtors have entered into a mortgage modification agreement and the terms of said agreement are laid out in the Plan.

The Rental Properties: The Rental Properties are more fully disclosed on the spread sheets attached as **Exhibits A and B**. The spread sheet reflects the appraised value, the amount of the current lien or liens, current and projected mortgage payments and rents.

B. Executory Contracts.

The Debtors were parties to the following Executory Contracts on the Filing Date:

C. Claims:

1. Secured Claims:

The nominally secured claims on the petition date totaled approximately _____. Based on the appraisals obtained by the Debtors, secured claims recognized under the plan will be reduced to _____. Secured claimants have been identified on the spread sheets attached, both in the names scheduled by the Debtors and the names reflected on any filed Proof of Claim. The Debtors performed limited title searches on each property prepetition, nevertheless it is impossible to know with certainty what entity owns the underlying obligation. The Debtors will be sending notices of its Disclosure Statement and Plan to creditors and will ultimately request the Court find that notice and opportunity for hearing is adequate under the circumstance to confirm the plan and where appropriate modify the liens of the subject deeds of trust.

2. Administrative Claims.

Professional Fees:

- a. Legal Fees: Depending on the extent of creditors' objections to the Plan and other litigation, the Debtors estimate that they will owe professional fees in excess of \$ 15,000 by the time of the hearing on confirmation to the law firm of The McCreedy Law Group, PLLC ("MLG"). MLG will be required to file an application for allowance of compensation during the timeframes allowed by the Bankruptcy Rules. MLG received a \$4,000 Pre-Petition retainer, some of which was expended to satisfy Pre-Petition fees and costs including the Chapter 11 filing fee.
- b. Other Professional Fees. The Debtors may incur additional costs to update appraisals if necessary.
- c. Real Estate Taxes. Real estate taxes will accrue on the Real Properties during the course of the case and will be paid in the ordinary course. In the event that such taxes have not been paid by or through secured creditors, such claims will be paid on the effective date.

- d. U.S. Trustee's Fees. The Debtor's estimate that they will pay quarterly fees of \$600 for the next 5 years.
- e. Post-Petition operating expenses. The Debtors are paying all post-petition costs and expenses for the operation of their household and for maintenance and preservation of the Rental Properties in the ordinary course. Projections for those costs, and the feasibility of continuing to pay those expenses are reflected in the Debtors' **Exhibit C**.

3. Priority Claims.

The Debtors are not aware of unpaid priority claims of any kind except real estate taxes as they accrue. As such taxes are paid ahead of all other liens, the Debtors believe such claims can be paid in the ordinary course of business and that such claims are adequately protected by the real estate with which they are associated.

4. Unsecured Claims.

The Debtor listed certain claims on its Schedules as Unsecured. These include the following:

- a. Deficiency Claims: Based on the values set out in the plan and illustrated in the spread sheet attached as Exhibit _____, a total of approximately \$_____ in nominally secured claims will be treated as unsecured pursuant to Class 13.
- b. Miscellaneous. The Debtors scheduled a total of \$ 155,015 in unsecured claims not associated with mortgage obligations.
- c. Hypothetical Liquidation Analysis. Section 1129(a)(7)(A)(ii) of the Bankruptcy Code requires that holders of claims that are Impaired under the Plan who do not vote for the Plan must receive property under the Plan worth, as of the effective date of the Plan, at least as much as they would receive were the Debtor liquidated in a Chapter 7 bankruptcy. The Plan, in this case, provides more than the creditors would receive if the case were liquidated under Chapter 7.

If this case were converted to a case under Chapter 7, a Chapter 7 trustee would be appointed to administer the case. Given the lack of equity in the Real Property, The Chapter 7 trustee would most likely abandon any rights of the Estate to all the Real Property and permit the lenders to foreclose under their deeds of trust.

On their schedules, the Debtors estimated their personal property to be worth approximately \$494,211.05 of which approximately \$395,707.53 is represented by

exempt retirement accounts and \$65,326 in unpaid, and likely uncollectable rent, leaving less than \$ 33,177 which could be available for payment of the expenses of administration, including the trustee's commission, and for distribution to priority and unsecured creditors. A spread sheet reflecting the Debtors liquidation analysis is incorporated in Exhibit _____.

Under the Plan, the Debtor proposes to pay in full all administrative expenses and priority claims, if any, plus make Distributions over the course of several years to holders of Unsecured Claims that total almost \$ 15,000. Accordingly, the Debtors believe that the Plan provides a return to creditors far greater than they would receive if the Estate were liquidated under Chapter 7 of the Bankruptcy Code.

V. TAX CONSEQUENCES OF PLAN

ALL CREDITORS AND PARTIES IN INTEREST ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS TO ASCERTAIN THE PLAN'S CONSEQUENCES UNDER APPLICABLE FEDERAL, STATE, AND LOCAL LAWS.

VI. CONFIRMATION PROCEDURES

1. Confirmation Hearing. The Bankruptcy Code requires the court, after notice, to hold a hearing to determine whether a plan of reorganization should be confirmed. A hearing on Confirmation of the Plan will be scheduled and notice will be circulated in accordance with the Bankruptcy Code and Rules. The hearing may be adjourned from time to time by the Court without further notice except for an announcement made at the hearing.

2. Objections to Confirmation. All objections to confirmation of the Amended Plan will be heard at the Confirmation Hearing. Any objection to confirmation of the Plan must be made in writing, filed with the Court and served upon, the following parties within 7 days before the hearing on confirmation:

W. Greer McCreedy, II
The McCreedy Law Group, PLLC
413 West York Street
Norfolk, VA 23510
Counsel to the Debtor

Office of the United States Trustee
Federal Building, Room 625
200 Granby St.
Norfolk, VA 23510

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY FILED AND SERVED, IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

3. Requirements for Confirmation of Plan.

- (a) Statutory Requirements. At the Confirmation Hearing, the Court must determine whether the Plan meets the requirements for Confirmation set forth in §1129(a) of the Bankruptcy Code.
- (b) Acceptance of the Plan. The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by holders of at least two thirds in dollar amount and a majority in number of claims in that class which actually cast ballots for acceptance or rejection of the plan. Only the classes of claims which are Impaired under a plan are entitled to accept or reject the plan. Acceptance by a class of equity interest holders is defined as acceptance by holders of interests with at least two-thirds in dollar amount, counting only those holders of interests whose holders cast ballots.
- (c) Non-Acceptance and "Cram Down". Even if a class of Impaired claims or interests does not accept the Plan, Mr. Ozoh has a right to request that the Plan be confirmed pursuant to §1129(b) of the Bankruptcy Code, the "Cram Down" provision. As long as one Impaired class votes in favor of the Plan, the Court may confirm the Plan if the Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each rejecting class. A plan "does not discriminate unfairly" within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims and interests. "Fair and equitable" has different meanings with respect to the treatment of Secured and Unsecured claims as well as the treatment of Equity. In general, §1129(b) establishes that the treatment of classes of claims and interests is fair and equitable as long as all junior classes are treated in accordance with the "absolute priority" rule which requires that each dissenting class be paid in full before a junior class receive anything under the Plan.

VII. VOTING PROCEDURES

1. Confirmation Through Voting. As stated above, the Court will confirm the Plan only if the requirements of §1129 are satisfied. One of the requirements is that either:

- (d) each class of Impaired claims has voted to accept the Plan; or
- (e) if at least one class of Impaired claims has voted to accept the Plan, the Plan does not discriminate unfairly and is fair and equitable to the non-accepting classes.

2. Ballots. Creditors entitled to vote will receive Ballots on which to record his acceptances or rejections of the Plan. You must complete your Ballot and return it to counsel for Mr. Ozoh, who will tally the votes and report the results to the Court at the Confirmation Hearing of the Plan. Please complete the Ballot sent to you with this Disclosure Statement, sign the original, and return it to counsel for Mr. Ozoh.

3. Effect of Failure to Vote. If a creditor or holder of an interest does not return a fully completed Ballot within the specified time to Mr. Ozoh's attorneys, neither the creditor nor the amount of its claim or the amount of the interest holder is counted to determine acceptance or rejection of the Plan. If you are entitled to vote and do not, the Ballots will be tallied as though your claim does not exist. If no creditors in a class vote, the class will be deemed to accept the Plan.

VIII. CONCLUSION

Mr. Ozoh believes that the Plan is in the best interest of all creditors and urges holders of Impaired claims to vote to accept the Plan and to return his Ballots with all due speed.

Respectfully submitted,

September 22, 2016

PETER O. OZOH
NGOZI F. OZOH

BY: /s/W. Greer McCreedy, II

W. Greer McCreedy, II

/s/Peter O. Ozoh

/s/ Ngozi F. Ozoh

CERTIFICATE OF SERVICE

I certify that on September 22, 2016, a true and accurate copy of the foregoing Disclosure Statement shall be served via electronically upon all parties who are registered to receive docket entries in this case from the Court via ECF.

/s/W. Greer McCreedy, II
W. Greer McCreedy, II