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The Honorable Christopher M. Alston
Chapter 11
Hearing Date: November 18, 2016
Hearing Time: 9:30 am
Location: Seattle, WA

6 UNITED STATES BANKRUPTCY COURT FOR THE WESTERN DISTRICT OF
7 WASHINGTON FOR SEATTLE

8 In Re,

9 Jack Harry Grant,

Debtor.

CHAPTER 11 BANKRUPTCY

Case No.: 16-13921-CMA

DEBTOR'S DISCLOSURE
STATEMENT FOR CHAPTER 11
PLAN DATED OCTOBER 14, 2016

12
13 **DISCLOSURE STATEMENT IN SUPPORT OF DEBTOR'S CHAPTER 11 PLAN**

14 **I. Preliminary Statement**

15 The Debtor submits this Disclosure Statement to all of his creditors in order to comply
16 with the provisions of the Code requiring the submission of information necessary for
17 creditors to arrive at an informed decision in exercising their rights to vote for acceptance or
18 rejection of the Plan, presently on file with the United States Bankruptcy Court for the
19 Western District of Washington (the "Court"). A copy of the Plan accompanies this
20 Disclosure Statement.
21

22 **II. Summary of Plan and Code Provisions for Voting**

23 A. Repayment of Creditors

24 The Plan provides for payment of administrative expenses, priority Claims, and
25 secured creditors, either in cash or in deferred cash payments, and provides for payments to
26

DEBTOR'S DISCLOSURE STATEMENT FOR
CHAPTER 11 PLAN DATED OCTOBER 14,
2016- 1

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1 unsecured creditors in an amount greater than they would receive in the event of a Chapter 7
2 liquidation. Funds for implementation of the Plan will be derived from the Debtor's rental
3 income and low practices located in the US and Canada. This Disclosure Statement contains a
4 detailed discussion of the Plan and its implementation. This Disclosure Statement should be
5 read in conjunction with the Plan, which is a legal document and upon confirmation will
6 become binding on the Parties. Creditors should read the Plan and this Disclosure Statement
7 in their entirety, rather than relying on this summary. The Debtor urges creditors and other
8 parties in interest to consult with independent counsel in connection with their decision to
9 accept or reject the Plan. Approval of this Disclosure Statement by the Court is not a decision
10 on the merits of the Plan.
11

12 B. Voting Procedures and Confirmation Requirements

13 1. Ballots and Voting Deadline.

14 A Ballot to be used for voting to accept or reject the Plan will be distributed, along
15 with this Disclosure Statement and the Plan, upon approval of the Disclosure Statement by the
16 Bankruptcy Court. Creditors of the Debtor must (1) carefully review the Ballot and
17 instructions thereon; (2) execute the applicable Ballot; and (3) return the completed Ballot to
18 Iwama Law Firm, Attn: Masafumi Iwama, Esq., 333 5th Ave. S. Kent, WA 98032 so as to be
19 received by 5:00 p.m. on or before _____. Ballots received after the
20 deadline will not be considered.
21

22 2. Creditors Entitled to Vote.

23 Any Creditor of the Debtor whose Claim is impaired under the Plan is entitled to vote,
24 provided that (1) its Claim has been scheduled by the Debtor (and such Claim is not
25
26

1 scheduled as disputed, contingent or unliquidated), or (2) it has filed a Proof of Claim on or
2 before the last date set by the Court for such filing and no objection to such Proof of Claim is
3 pending at the time of the confirmation hearing. Any Class of Claims that is not impaired by
4 the Plan, and each holder of a Claim, are conclusively presumed to have accepted the Plan
5 and solicitation of acceptances with respect to such Class from the holders of Claims of such
6 Class is not required.
7

8 Any Claim as to which an objection has been filed (and such objection is still pending)
9 is not entitled to vote, unless the Court temporarily allows the Claim in an amount which it
10 deems proper for the purpose of accepting or rejecting the Plan upon motion by the Creditor
11 whose Claim is subject to objection. In addition, the vote of a Creditor may not be counted if
12 the Court determines that the Creditor's acceptance or rejection was not solicited or procured
13 in accordance with the provisions of the Bankruptcy Code.
14

15 Even though a Creditor may choose not to vote or may vote against the Plan, the
16 Creditor will be bound by the terms and treatment set forth in the Plan if the Plan is accepted
17 by the requisite majorities in each Class of Creditors and/or is confirmed by the Court.
18 Creditors who fail to vote will not be counted in determining acceptance or rejection of the
19 Plan. Allowance of a Claim for voting purposes does not necessarily mean that the Claim will
20 be allowed or disallowed for purposes of distribution under the terms of the Plan. Any Claim
21 to which an objection has been or will be made will be allowed for distribution only after
22 determination by the Court. Such determination may be made after the Plan is confirmed.
23

24 3. Definition of Impairment.
25
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1 Under § 1124 of the Bankruptcy Code, a Class of Claims is impaired under a plan of
2 reorganization unless, with respect to each Claim of such Class, the Plan (1) leaves unaltered
3 the legal, equitable, and contractual rights of the holder of such Claim, or (2) reinstates the
4 Claim pursuant to its original terms and cures any default.

5
6 4. Classes Impaired Under the Plan.

7 Creditors holding Claims in Classes B, C, D, E, F, G, and H are impaired under the
8 Plan and are eligible, subject to the limitations set forth above, to vote to accept or reject the
9 Plan. Creditors holding Claims in Class A are unimpaired under the Plan and are not entitled
10 to vote with respect to the acceptance or rejection of the Plan. Such Creditors will be paid in
11 full or otherwise be treated in accordance with the provisions of the Plan.

12
13 5. Vote Required for Class Acceptance.

14 The Bankruptcy Code defines acceptance of a Plan by a Class of Creditors as
15 acceptance by holders of two-thirds in dollar amount and a majority in number of the Allowed
16 Claims of that Class which actually cast ballots to accept or reject the Plan.

17
18 6. Requirements for Confirmation.

19 In order to be confirmed (i.e., approved) by the Bankruptcy Court, the Plan or its
20 proponent must (among other requirements set forth in § 1129 of the Bankruptcy Code):

21 a. Disclose all compensation paid or promised for professional services rendered or to
22 be rendered in connection with the case;

23 b. Disclose the identity and affiliations of all officers to serve after the Plan is
24 confirmed and the compensation of any insiders to be employed after Confirmation;

1 c. Propose to pay each member of a class of Claimants, who has not accepted the Plan,
2 property at least equal in value to what the Claimant would receive if the Debtor's assets were
3 liquidated on the date of the Confirmation Hearing, and distributed to Creditors according to
4 their rights and priorities under law;

5 d. Propose to pay all Administrative Claims in full;

6 e. Propose to pay all Priority Claims in full in deferred payments or cash; and

7 f. Propose to pay all Priority Tax Claims in full within five years after the order for
8 relief in this case, in a manner not less favorable than the non-priority unsecured Claims.
9

10 7. Confirmation Hearing.

11 The Bankruptcy Code requires that the Bankruptcy Court hold a Confirmation Hearing
12 with notice to all Creditors. The Confirmation Hearing is scheduled for _____ at
13 9:30 am, before the United States Bankruptcy Judge Christopher M. Alston, Courtroom 7206
14 of the U.S. Bankruptcy Court, U.S. Courthouse, 700 Stewart St. Seattle, WA 98101. The
15 Confirmation Hearing may be adjourned or continued by the Bankruptcy Court without
16 further notice except for an announcement made of the adjourned or continued date made at
17 the Confirmation Hearing.
18

19 At the Confirmation Hearing, the Bankruptcy Court shall determine whether the
20 requirements of the Bankruptcy Code have been satisfied, in which event the Bankruptcy
21 Court shall enter an order confirming the Plan. With respect to creditor acceptance of the
22 Plan, if the requisite members of an impaired Class do not vote to accept the Plan as provided
23 in Section II.B.5. above, the Debtor may seek confirmation pursuant to § 1129(b) of the
24 Bankruptcy Code, known as the "cramdown" procedure. Pursuant to this section, the
25
26

1 Bankruptcy Court may confirm the Plan notwithstanding the non-acceptance by an impaired
2 Class if at least one impaired Class votes to accept the Plan, the Plan does not discriminate
3 unfairly, and is “fair and equitable” to the non-accepting Class.

4 A Plan does not discriminate unfairly within the meaning of the Bankruptcy Code if
5 no Class receives more than it is legally entitled to receive for its Claims. The Bankruptcy
6 Code establishes different “fair and equitable” standards for Secured and Unsecured Claims.
7

8 With respect to a Secured Claim, a Plan may be “fair and equitable” if (1) the impaired
9 Secured Creditor retains its liens to the extent of its Allowed Claim and receives deferred cash
10 payments at least equal to the allowed amount of its Claim with a present value as of the
11 Effective Date at least equal to the value of such Creditor’s interest in the property securing
12 its liens, (2) property subject to the lien of the impaired Secured Creditor is sold free and clear
13 of that lien, with that lien attaching to the proceeds of sale, and such lien proceeds must be
14 treated in accordance with clauses (1) and (3) hereof, or (3) the impaired Secured Creditor
15 realizes the “indubitable equivalent” of its Claim under the Plan.
16

17 With respect to an Unsecured Claim, a Plan may be “fair and equitable” if (1) each
18 impaired Unsecured Creditor receives or retains property of a value equal to the amount of its
19 Allowed Claim, or (2) the holder of any Claim that is junior to the Claims of the dissenting
20 Class will not receive any property under the plan, except that, as to the Debtor, he may retain
21 his property (property of the estate).
22

23 Finally, it must be noted that even though a Creditor may vote to reject the Plan, such
24 rejection of a confirmed Plan does not mean that the Creditor will not be entitled to share in
25 any distributions to be made under the Plan.
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III. Requisite Disclosures

A. Representations Limited.

NO REPRESENTATIONS CONCERNING THE DEBTOR, PARTICULARLY REGARDING FUTURE BUSINESS OPERATIONS OR THE VALUE OF THE DEBTOR'S ASSETS, HAVE BEEN AUTHORIZED BY THE DEBTOR EXCEPTS AS SET FORTH IN THIS STATEMENT. YOU SHOULD NOT RELY ON ANY OTHER REPRESENTATIONS OR INDUCEMENTS PROFFERED TO YOU TO SECURE YOUR ACCEPTANCE OR REJECTION IN ARRIVING AT YOUR DECISION IN VOTING ON THE PLAN. ANY PERSON MAKING REPRESENTATIONS OR INDUCEMENTS CONCERNING ACCEPTANCE OR REJECTION OF THE PLAN SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR AT THE ADDRESS ABOVE, TO THE CLERK OF THE COURT AT 700 STEWART STREET SUITE 6301 SEATTLE, WA 98101 AND TO THE U.S. TRUSTEE AT 700 STEWART STREET SUITE 5103 SEATTLE, WA 98101. FOR VARIOUS REASONS, THE RECORDS OF THE DEBTOR PRIOR TO PREPARATION OF THIS PLAN MAY NOT HAVE BEEN COMPLETE AND THE ACCURACY OF THE INFORMATION SUBMITTED WITH THIS STATEMENT IS DEPENDENT ON INFORMATION AVAILABLE TO THE DEBTOR WITH THE ASSISTANCE OF COUNSEL. WHILE EVERY EFFORT HAS BEEN MADE TO PROVIDE THE MOST ACCURATE INFORMATION AVAILABLE, THE DEBTOR ARE UNABLE TO WARRANT OR REPRESENT THAT ALL INFORMATION IS WITHOUT INACCURACY. THERE ARE NO KNOWN INACCURACIES. WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THAT THE ASSUMPTIONS ARE VALID AND AS ACCURATE AS CAN BE MADE UNDER THE CIRCUMSTANCES, NEITHER THE DEBTOR NOR HIS ATTORNEYS UNDERTAKE TO CERTIFY OR WARRANT THE ABSOLUTE ACCURACY OF THE ASSUMPTIONS OR PROJECTIONS.

NO FORMAL APPRAISALS HAVE BEEN UNDERTAKEN OF THE DEBTOR'S PROPERTY EXCEPT WHERE STATED. THE VALUES PLACED THEREON AND SUMMARIZED BELOW ARE THE DEBTOR-IN-POSSESSION'S BEST ESTIMATE OF THE VALUE OF THE PROPERTY AS OF THE TIME OF THE FILING OF THE PLAN AND THIS DISCLOSURE STATEMENT. THESE VALUES MAY DIFFER FROM VALUES PLACED ON THE SAME PROPERTY AT THE TIME OF FILING OF THE PETITION FOR RELIEF AND THE SUBSEQUENT SCHEDULES.

B. Background, Income and Expenses.

1 The Debtor is a single individual, resident of Whatcom County. The Debtor has
 2 ownership interest in law practices located in Washington State as well as British Columbia,
 3 Canada. Debtor also operates a vacation rental business at 4630 Drayton Harbor Rd Blaine,
 4 WA 98230. The Debtor's current total net monthly income is estimated to be \$9,281.89 which
 5 represents a net income from the vacation rental and two law practices. The following is the
 6 detailed projected income during his Chapter 11 Plan period.
 7

9	Gross Income from Real Property per Month	
10	4630 Drayton Harbor Rd Blaine, WA 98230	\$5,732.27 ¹
11	Property Expenses	
	4630 Drayton Harbor Rd Blaine, WA 98230	
12	Proposed Mortgage Payment ²	<\$3,293.45>
	Estimated Tax and Insurance	<\$795.45>
13	Other Expenses ³	<\$1,202.77>
14	<u>Net Income 4630 Drayton Harbor Rd Blaine, WA 98230</u>	<u>\$440.60</u>
15	Gross Income from Jack H Grant, P.S. per Month	\$5,570.21
16	Business Expenses per Month	<\$4,511.94>
17	<u>Net Income Jack H Grant, P.S</u>	<u>\$1,058.27</u>
18	Gross Income from Jack H Grant Law Corporation	\$9,014.43
19	Business Expenses per Month	<\$1,231.42>
20	<u>Net Income Jack H Grant Law Corporation</u>	<u>\$7,783.00</u>
21	Net Gross income from All Sources	\$9,281.89

22 The Debtor's current total monthly expenses are estimated to be \$8,823.13. The
 23 following is the detailed projected expenses during his Chapter 11 Plan period.
 24

25 ¹ Projected average monthly gross income from 2017 to 2021.
 26 ² Class B proposed plan treatment of the Claim.
³ See Exhibit A for detail. Average monthly recurring expenses.

1	Home expenses for the residences.	\$3,030.00
	Renter's Insurance	\$60.00
2	Utilities	\$530.00
3	Food and housekeeping supplies	\$700.00
4	Clothing, laundry and dry cleaning	\$200.00
	Personal care products and services	\$100.00
5	Medical and dental expenses	\$200.00
	Transportation	\$100.00
6	Entertainment	\$100.00
7		
8	Insurance	
	Life Insurance	\$154.00
9	Health Insurance	\$131.00
10	Vehicle Insurance	\$112.52
11	Estimated Tax Liability	\$2,508.15 ⁴
	Vehicle Payment (Ford)	\$582.59
12	Vehicle Payment (Gesa)	\$320.90
13		
14	Total Monthly Income	\$9,281.89 ⁵
	Total Monthly Expenses	\$8,829.13
15	Monthly Net Income	\$452.76
16	<u>60 months disposable income:</u>	<u>\$27,165.60</u>

17 The income projection above contains the Debtor's best estimate of his future income.
18
19 The Debtor believes that he will maintain the current level of income from the operation of
20 business. In his projection of income, the Debtor intends to show his average income and
21 expenses for the 60 months period immediately after the confirmation of Plan.

22 The Debtor's gross monthly income and expenses for three businesses since 2013 are
23 as follows.

2013	Gross Income	Expense	Net Income
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24
25
26 ⁴ No US Tax liability, amount shown is the current estimated tax burden for Canada.
⁵ Average of estimated net income from 2017 to 2021.

Vacation Rental	N/A	N/A	N/A
US Law Firm	\$65,863.00	\$37,746.00	\$28,117.00
Canada Law Firm	\$109,209.82	\$22,930.75	\$86,279.07

2014	Gross Income	Expense	Net Income
Vacation Rental	N/A	N/A	N/A
US Law Firm	\$21,228.00	\$51,049.00	-\$29,821.00
Canada Law Firm	\$123,438.68	\$25,689.98	\$97,749.00

2015	Gross Income	Expense	Net Income
Vacation Rental	\$4,322.30	\$21,350.19	-\$15,443.19
US Law Firm	\$38,731.64	\$49,772.16	-\$11,040.52
Canada Law Firm	\$168,034.51	\$14,220.16	\$161,338.80

2016 YTD	Gross Income	Expense	Net Income
Vacation Rental 1/1/2016 to 9/30/2016	\$24,296.00	\$10,753.15	\$13,542.85
US Law Firm 1/1/2016 to 8/31/2016	\$41,795.00	\$34,000.26	\$7,974.74
Canada Law Firm 1/1/2016 to 8/31/2016	\$66,584.65	\$9,095.83	\$57,488.82

2016 Estimated Total	Gross Income	Expense	Net Income
Vacation Rental	\$32,395.00	\$14,338.00	\$18,057.00
US Law	\$62,693.00	\$51,000.00	\$11,693.00
Canada Law Firm	\$99,877.00	\$13,644.00	\$86,233.00

The Debtor's estimate of gross monthly income and expenses for the five years for the businesses are as follows.

2017 Estimate	Gross Income	Expense	Net Income
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Vacation Rental ⁶	\$63,500.00	\$63,500.00	\$0.00
US Law Firm ⁷	\$64,221.75	\$52,020.39	\$12,201.36
Canada Law Firm ⁸	\$101,874.51	\$13,916.64	\$87,957.87

2018 Estimate	Gross Income	Expense	Net Income
Vacation Rental	\$66,040.00	\$63,500.00	\$2,540.00
US Law Firm	\$65,506.19	\$53,060.80	\$12,445.39
Canada Law Firm	\$104,930.75	\$14,334.14	\$90,596.61

2019 Estimate	Gross Income	Expense	Net Income
Vacation Rental	\$68,681.60	\$63,500.00	\$5,181.60
US Law Firm	\$66,816.50	\$54,122.01	\$12,694.29
Canada Law Firm	\$108,078.67	\$14,764.16	\$93,314.50

2020 Estimate	Gross Income	Expense	Net Income
Vacation Rental	\$71,428.86	\$63,500.00	\$7,928.86
US Law Firm	\$68,152.63	\$55,204.45	\$12,947.18
Canada Law Firm	\$111,321.03	\$15,207.09	\$96,113.94

2021 Estimate	Gross Income	Expense	Net Income
Vacation Rental	\$74,286.02	\$63,500.00	\$10,786.02
US Law Firm	\$69,515.69	\$56,515.69	\$13,207.14
Canada Law Firm	\$114,660.66	\$15,663.30	\$98,997.36

2017 to 2021 Estimate	Gross Income	Expense	Net Income
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⁶ Estimated 4% per year increase in gross receipt. Expense includes proposed plan payment amount.

⁷ Estimated 3% per year increase in gross receipt and 3% per year increase in expenses.

⁸ Estimated 3% per year increase in gross receipt and 2% per year increase in expenses.

Vacation Rental	\$343,936.48	\$270,716.20	\$63,496.37
US Law Firm	\$334,212.57	\$193,397.09	\$68,751.97
Canada Law Firm	\$540,865.61	\$73,885.33	\$466,980.28

2017 to 2021 Estimate	Gross Income/mo.	Expense/mo.	Net Income/mo.
Vacation Rental	\$5,732.27	\$5,291.67	\$440.61
US Law Firm	\$5,570.21	\$4,511.94	\$1,058.27
Canada Law Firm	\$9,014.43	\$1,231.42	\$7,783.00
Total Net Income			\$9,281.88

C. Events Leading to Bankruptcy.

2005 – The Debtor hired a general contractor to construct a substantial renovation of his summer cottage. When the contractor walked off the job leaving the house in terrible condition, the Debtor filed suit in Whatcom County Superior Court (file number 05-2-02832-3). Defects and significant incomplete work amounted to over \$250,000 in rectification damages to the Debtor. (That lawsuit was settled in mediation 10 years later for substantially less. Not all of the remodel work has been done to date)

2006 - The partners at the Bellingham law firm where the Debtor worked decided to dissolve the firm and the Debtor stayed in Bellingham carrying on his law practice as a solo practitioner. Within a few days of that dissolution, The Debtor’s spouse filed for divorce.

2007 - The real estate market collapsed – no one in northern Whatcom County was selling at any price point that covered the underlying obligations and, despite the Debtor listing the property for many years, no offers to purchase were ever received. His WA real estate and cross border law practice was struck by the softening of the market and the Debtor’s practice suffered significantly when his major developer client filed for bankruptcy.

October 25, 2010 – The Debtor filed suit against the first position lender, the trustee and others to enjoin a non-judicial foreclosure proceeding initiated against him. The complaint also sought damages under various theories of liability, including the WA Consumer Protection Act. The suit asked that the lender identify itself (since, as a result of

1 securitizations and faulty transfer documents, made it impossible to know who to deal with)
2 and show a chain of title to prove a right to foreclose. The Debtor obtained an order canceling
3 the trustee sale and restraining further foreclosure proceedings.

4 For the next 6 years, rather than engage in discovery or answer interrogatories and
5 information requests so that the facts could be known and the matter could be resolved, the
6 defendants instead filed multiple motions to dismiss. During this 6 year period, the lender
7 purports to charge late fees and interest (5.675%), almost twice the market rate. According to
8 Proof of Claim # 4 filed in these proceedings, that lender now claims \$425,780.27 in interest
9 arrears and other charges.

10 Over the same 6 years, many other court cases worked their way through State and
11 Federal court systems, examining various aspects of the conduct of financial institutions. The
12 law in WA relating to non-judicial foreclosures was clarified and changed by the Supreme
13 Court cases such as *Bain v. Metro. Mortgage Grp., Inc.*, 175 Wn.2d 83, 285 P.3d 34 (2012);
14 *Klem v. Washington Mut. Bank*, 176 Wn.2d 771, 295 P.3d 1179 (2013); *Frias v. Asset*
15 *Foreclosure Servs., Inc.*, 181 Wn.2d 412, 334 P.3d 529 (2014); *Lyons v. U.S. Bank Nat. Ass'n*,
16 *181 Wn.2d 775, 336 P.3d 1142 (2014)*; and *Trujillo v. Northwest Trustee Services, Inc.*, 183
17 Wn.2d 820, 355 P.3d 1100 (2015). These cases are reviewed in detail at pages 16 to 19 of The
18 Debtor's 2016 Petition for Review discussed below.

19 February 4, 2011 – The Superior Court granted the defendants' motions to dissolve the
20 temporary restraining order.

21 February 22, 2011 - The Debtor filed a notice of appeal.

22 October 4, 2011 – following a difficult divorce, having to expend significant resources
23 to prosecute the contractor lawsuit and noting that the lender lawsuit was going to be
24 prolonged, the Debtor filed Chapter 7.

25 January 17, 2012 - The Debtor was granted a discharge in the Chapter 7 proceeding

26 May 29, 2012 - The (first) appeal was heard and the Court of Appeal concluded that:

(i) First Horizon (or some other as yet unknown entity) held the note; (ii) MERS, the
purported beneficiary, did not have any interest in or hold the note (or deed of trust) to
transfer even though it purported to transfer its interest to BNYM (see pages 30-31 of POC
#4); and (iii) a trial would be needed to determine what interest MERS and/or BNYM had in

1 the note. In their affidavits, evidence, and briefing, the lenders claimed that 3 separate
2 securitized trusts simultaneously were the sole and complete owner/holder of the note (see
3 pages 30-33 of POC #4 – FH05-01, FHASI 2005-1 and, in other lender briefing, they asserted
4 that Series 2005-1 was in possession of the note). The Appeals Court remanded the matter
5 back to the Superior Court. Again, if the judges had the benefit of the subsequent Supreme
6 Court cases, they would have also reversed the dismissal of the Debtor’s CPA damage claims
7 and sent those back to the trial court.

8 October, 2013 - the severely depressed real estate market continued in Whatcom
9 County. As a means of financial recovery, the Debtor sought additional employment in
10 Vancouver, British Columbia (where he previously practiced law), setting up Jack H. Grant
11 Law Corporation and he started to prepare the house as a vacation rental.

12 In late 2014, upon remand (Whatcom County Court file 10-2-02676-9), the Superior
13 Court judge found that the current law had significantly changed since the original motions to
14 dismiss in 2010. The Court found several disputed issues of material fact that would need to
15 be resolved before the propriety of the foreclosure could be determined but felt bound by the
16 Appeals Court earlier dismissal. On December 2, 2014, in her Decision and Order of
17 Dismissal, the trial judge set forth the issues of material fact, including:

18 a. the validity and legal effect of the declaration of Beneficiary. There was a
19 question whether MetLife had authority to make the declaration on behalf of BNYM,
20 whether the Declaration of Beneficiary met the requirements of the statute, who had
21 possession of the note. The judge reiterated the Court of Appeal’s views about the
22 lack of authority of MERS, and that the trial court would need to determine what
23 interest MERS held and what interest transferred to BNYM;

24 b. The effect of the Pooling and Service Agreement on agency relationships. Fact
25 issues existed as to when the stated entities became parties to the PSA and there were
26 questions about who held or assigned (or could assign) the note and/or deed of trust;

27 c. the chain of custody of the note - several entities have claimed ownership of
28 the note before BNYM claimed ownership. Fact issues exist as to what these transfers
29 were, when they occurred and their effect if any on the ownership of the note and that
30 put into question whether the appointment of the new trustee was ineffective.

1
2 December 18, 2014, the Debtor filed a second notice of appeal (Division 1 file
3 #72905-5).

4 May 31, 2016, the Court of Appeal dismissed the Debtor's second appeal.

5 July 22, 2016 - The Debtor filed a Petition for Review with the Washington Supreme
6 Court seeking clarification as to why the Court of Appeal could hold changes in case law
7 against him with retroactive effect (*Frias v. Asset Foreclosure Services, Inc*, 181 Wn.2d 412-
8 no pre-sale claim for wrongful foreclosure) while not similarly giving the Debtor the benefit
9 of other changed case law that would have revived the Debtor's claims (the Debtor met the
10 CPA elements as laid out in *Bain, Klem, Frias, Lyons and Trujillo*), reversing the Superior
11 Court's original decision to dismiss the Debtor's complaint and as well, reversing the analysis
12 by the Court of Appeal in the Debtor's first appeal.

13 July 28, 2016 – The Debtor filed the Chapter 11.

14 The lender lawsuit continues to be important to the Debtor for 3 reasons:

15 i) All of the problems identified by the trial judge are still evident in the
16 lender's Proof of Claim #4, and could give rise to new litigation. At pages 30-31, the
17 lender still purports to use the faulty transfer from MERS to BNYM which therefore
18 nullifies the second transfer at pages 32-33 the lender's Proof of Claim #4. In fact, the
19 POC does not say who the noteholder is. As well, because the lender failed to assert a
20 compulsory counterclaim in their motions to dismiss as required by Superior Court
21 rule 13(a), its claim to foreclose is forever barred (see *Atlas Supply, Inc. v. Realm Inc.*,
22 170 Wn. App. 234, 238, 287 P.3d 606 (Division one, 2012);

23 ii) During much of the six-years of litigation, the Debtor represented
24 himself - the Whatcom County Superior Court docket alone for case #10-2-02676-9
25 exceeds 150 documents. As resources had to be diverted to the litigation and 4
26 appeals, the Debtor estimates his lost legal fee income over the period to exceed
\$200,000.

iii) In addition to the Debtor's other CPA claims to be made against the
lender and trustee, in their briefing and communications, lender's lawyers routinely
defamed the Debtor resulting in injury to the Debtor's reputation in the community -

1 the cases are clear that damages are compensable under the Consumer Protection Act
2 (*Washington State Physicians Ins. Exch. & Ass'n v. Fisons Corp.* 122 Wn.2d 299,
3 356-57, 858 P.2d 1054, 1085 (1993)).

4 As a means of financial recovery, the Debtor has established the following businesses
5 that will ensure that he is able to meet his financial obligations:

6 a. the Debtor continues to have increases in revenue from his law practice in
7 Vancouver and expects financial stability in the near future;

8 b. the Debtor's house in Blaine, WA will continue to be rented as a vacation
9 rental. In addition to the current listing on VRBO, Airbnb is an option for additional
10 marketing and a renewed effort will be made to market to Canadian guests to help offset the
11 low Canadian dollar;

12 c. the Debtor will expand his WA law practice as the real estate market and
13 business climate in Whatcom county improves;

14 d. ongoing legal counsel will remain in place;

15 Other information

16 From 2011 through 2016 a period of 4.58 years, there have been 416 cases involving
17 the Washington Deed of Trust Act. That number includes: 1) 281 cases decided in federal
18 court, of which 16 were reported; 2) 135 state cases of which 50 were reported and 13 were
19 decided by the WA Sup Ct., while 37 were decided by Washington Appellate Courts. That
20 represents approximately 90.8 cases per year with with 14.4 cases per year being published.

21 In *Jordan v. Nationstar Mortgage, LLC*, __ Wn.2d__, __ P.3d__, Slip Op. No. 92081-
22 8 (2016),

23 In *Brown v. Washington State Dep't of Commerce*, 184 Wn.2d 509, 359 P.3d 771
24 (2015);

25 In *Trujillo v. Nw. Tr. Servs., Inc.*, 183 Wn.2d 820, 355 P.3d 1100 (2015);

26 *Lyons v. U.S. Bank Nat. Ass'n*, 181 Wn.2d 775, 336 P.3d 1142 (2014);

Frias v. Asset Foreclosure Servs., Inc., 181 Wn.2d 412, 334 P.3d 529 (2014);

Klem v. Washington Mut. Bank, 176 Wn.2d 771, 295 P.3d 1179 (2013);

Schroeder v. Excelsior Mgmt. Grp., LLC, 177 Wn.2d 94, 297 P.3d 677 (2013);

Bain v. Metro. Mortgage Grp., Inc., 175 Wn.2d 83, 285 P.3d 34 (2012);

1 Albice v. Premier Mortgage Servs. of Washington, Inc., 174 Wn.2d 560, 276 P.3d
2 1277 (2012);
3 Blair v. Nw. Tr. Servs., Inc., 193 Wn. App. 18, 372 P.3d 127 (2016), as amended on
4 denial of reconsideration (May 12, 2016);
5 Podbielancik v. LPP Mortgage Ltd., 191 Wn. App. 662, 362 P.3d 1287 (2015);
6 Mellon v. Reg'l Tr. Servs. Corp., 182 Wn. App. 476, 334 P.3d 1120 (2014);
7 Watson v. Nw. Tr. Servs. Inc., 180 Wn. App. 8, 321 P.3d 262 (2014), review denied,
8 181 Wn.2d 1007, 335 P.3d 941 (2014);
9 Bavand v. OneWest Bank, F.S.B., 176 Wn. App. 475, 309 P.3d 636 (2013);
10 Walker v. Quality Loan Serv. Corp., 176 Wn. App. 294, 308 P.3d 716 (2013), as
11 modified (Aug. 26, 2013);
12 Rucker v. Novastar Mortgage, Inc., 177 Wn. App. 1, 311 P.3d 31 (2013)

13 D. Procedural Posture of the Bankruptcy Case.

14 The Debtor commenced this case on July 28, 2016. The Court entered an Order
15 Establishing Claims Bar Date (Doc 8) on August 3, 2016.

16 The Debtor's motion to establish adequate protection payment was granted on August
17 30, 2016 (Doc 23).

18 E. Assets.

19 The Debtor's Assets and Exemptions are explained in the following section. In the
20 event of a Chapter 7 liquidation, it is estimated that there would not be a distribution to
21 unsecured creditors. The following is the Liquidation Analysis.

22
23 **A: Real
24 Property**

Description and Location of Property	Current Estimated Value of Property	Current Amount of Secured Claim	Cost of Repair	Cost of Liquidation 9%	Net Value
4630 Drayton Harbor Rd. Blaine, WA 98230	\$650,000.00	\$1,432,636.21 ⁹			\$0.00

Net Value of Real Estate: **\$0.00**

B: Personal Property
Vehicles

Description	Value	Exemption Code	Lien	Exemption Amount	Net Value
Mercedez Benz CLK 2004	\$8,000.00		\$11,600.00		\$0.00
Ford F250 1993	\$1,500.00	11 U.S.C. § 522(d)(2)		\$1,500.00	\$0.00
Northland Camper 1993	\$500.00				\$500.00
Ford F350	\$47000.00		\$46,895.01		\$104.99
Eagle Cap Camper 2016	\$30,000.00		\$30,963.12		0.00
Net Value					\$604.99

Household Goods

Clothes	\$1,000.00	11 U.S.C. § 522(d)(4)		\$1,000.00	\$0.00
Jewelry	\$200.00	11 U.S.C. § 522(d)(4)		\$200.00	\$0.00

Financial Accounts

Cash on Hand	\$500.00	11 U.S.C. § 522(d)(5)		500.00	\$0.00
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⁹ Total of Classes B to E

1	Peoples Bank xxxx-4128	\$1,182.63	11 U.S.C. § 522(d)(5)		\$1,182.63	\$0.00
2	RBC VIP xxxx- 4925	\$2,528.81	11 U.S.C. § 522(d)(5)		\$2,528.81	\$0.00
3	HSBC xxxx- 815	\$1,169.29				\$1,169.29
4	HSBC xxxx- 8306	\$175.47				\$175.47
5	Banner Bank xxxx-3711	\$4,911.54	11 U.S.C. § 522(d)(5)		3,725.00	\$1,186.54
6	Banner Bank xxxx-3019	\$1,607.09				\$1,607.09
7	PayPal Merchant Acct. xxxx-BJ94	\$0.00				\$0.00
8	TD Canada Trust XXXX 2778	\$227.23				\$227.23
9						
10						
11						
12	Net Value of Accounts					\$4,365.62

13
14 **Business Assets**

15	Nature of Claim	Value	Exemption Code	Exemption Amount	Net Value
16	Jack H Grant Law Corp. CIBC- Checking and Saving Account: \$7,464.21(CAD), \$5,616.41 USD AR \$81,436.45 (CAD). \$13,230 (CAD) determined to be not collectable. \$24,491.25 (CAD) 300 days or more over due, estimated to be 20% collectable. Total estimated value of AR after adjustments: \$48,613.46 (CAD), \$36,578.98 (USD). Subject to current liability of \$6,140.56 (CAD), \$4,620.43 (USD).	\$37,574.96	11 U.S.C. § 522(d)(5)	\$8,779.54	\$28,795.39
17	Jack H Grant PS . WA USA Peoples Bank- Jack H Grant PS xxx5,x-3040 \$5,035.82, Petty Cash \$200.00, Employee Loans	\$2,553.82			\$2,553.82

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DEBTOR'S DISCLOSURE STATEMENT FOR
CHAPTER 11 PLAN DATED OCTOBER 14,
2016- 19

Iwama Law Firm
333 5th Ave. S.
Kent, WA 98032
Telephone: 253-520-7671

1023265.05

1	\$318.00, Estimated value of			
2	fixed assets: \$2,000.00, minus			
3	\$5,000 current liabilities:			
	Net Value			\$31,349.21

	Value	Exemption Code	Exemption Amount	Net Value
5				
6	Nature of Claim			
7	Law Suit against First Horizon	Unknown	11 U.S.C. §	\$0.00
8	Quality Loan Servicing; Court of			
9	Appeals No. 72905-5 Division			
10	One.			
11	10-2-02676-9 Whatcom County			
12	Superior Court Case.			
13	Defendants: FIRST HORIZON			
14	HOME LOANS, aka First Horizon			
15	Corporation dba			
16	"First Horizon Home Loans"; and			
17	UNKNOWN John and Jane Does			
18	1-10;			
19	XYZ Corporation 1-10; ABC			
20	Limited Liability Companies 1-10;			
21	and 123			
22				Unknown

22 Total Net Value: \$36,319.82

23 Minus Section § 326 Fee: <\$4,381.98>

24 Minus Administrative Fee (Chapter 11 Attorney's fees): <\$20,000.00>

25 Minus Administrative US Trustee's Fees: <\$650.00>

26 Debtor estimates that under a hypothetical liquidation, \$11,287.84 is available to the unsecured creditors.

27 F. Creditors' Committee.

28 No creditors' committee has been formed in this case.

29 G. Professionals

1 The Debtor has retained the Iwama Law Firm and Masafumi Iwama as bankruptcy
2 counsel, which appointment has been approved by the Court. Iwama Law Firm was paid
3 \$7,900.39 for pre-petition work related to this case, and an advanced fee deposit of
4 \$15,000.00 was made at the time the Firm engaged. Iwama Law Firm expects to file a fee
5 application, which fees and costs are subject to the Court approval.
6

7 The Debtor intends to file an application to employ a CPA.

8 H. Officers/Directors and Compensation.

9 As individual debtor, the requirement to disclose the Debtor's officers and directors is
10 inapplicable.

11 I. Bar Date.

12 The bar date for the filing of pre-petition Claims against the Debtor was September 16,
13 2016 with government claims due by January 24, 2017. Under the Plan, Administrative
14 Claims must be filed by the first Business Day thirty (30) days after the Effective Date.
15

16
17 **IV. Classification and Treatment of Claims**

18 The Plan establishes **5 Classes** of Claims, plus two categories of unclassified Claims
19 (for administrative expenses and for priority taxes). The classes of Claims are identified and
20 treated as follows:
21

22 Unclassified Claims

23 A. Administrative Expenses: Administrative expense Claims approved and allowed by
24 the Court shall be paid in full, in cash, by the Debtor on the Effective Date of the Plan or as
25 soon thereafter as the amount thereof can be fixed, unless a different treatment is agreed to or
26

1 provided for in this Plan. Administrative Claims which, by their terms, are not due and
2 payable on or before the Effective Date shall be paid as and when due. The only
3 administrative expense Claims known by the Debtor are the fees and costs of the Debtor's
4 counsel and the U.S. Trustee.

5
6 The total unpaid professional fees as of the date of this Plan are estimated to be
7 approximately \$20,000.00 although additional fees will be incurred before the Effective Date.
8 The Debtor is unaware of any other unpaid administrative expense Claims. The Debtor's
9 counsel has \$6,054.14 in the Debtor's trust account.

10 Within this class are all pre-confirmation fees payable to the U.S. Trustee pursuant to
11 28 U.S.C. § 1930(a)(6), which shall be paid on the Effective Date of the Plan, if not paid
12 sooner. After confirmation, and until the case is closed, the Debtor shall be responsible for
13 timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a)(6). The Debtor estimates that
14 they will owe \$650.00 to the 3rd quarter, 2016 fees.
15

Type	Estimated Amount Owed	Proposed Treatment
Estimated Professional Fees, as approved by the Court	\$20,000.00	To be paid from the current approximate trust fund balance of \$15,767.28 plus payment in full upon approval fee applications.
Clerk's Office Fees	\$ 0	Paid in full on the Effective Date of the Plan
Other administrative expenses	\$ 0	Paid in full on the Effective Date of the Plan
Office of the U.S. Trustee Fees	\$ 650.00	Paid in full on the Effective Date of the Plan
TOTAL	\$20,650.00	

1 B. Priority Taxes: The Debtor is current on all pre-petition and post-petition tax
2 liabilities. Although the Debtor filed an extension for 2015 tax return, the preliminary review
3 of accounting indicates that the Debtor has no 2015 tax liability. The IRS has filed Proof of
4 Claim No. 3 which indicates that Debtor owes approximately \$50,571.52. Debtor believes
5 that once his 2015 tax return is filed, the IRS will file an amended Proof of Claim with no
6 amount owed for the tax year 2015.
7

8 Classified Claims and Interests

9 A. Class A (Priority (non-tax) Claims): Class A consists of Priority Claims under 11
10 U.S.C. § 507 other than Administrative Claims and Priority Tax Claims. The Debtor is
11 unaware of any such Claims, and no proof of claims in this class have been filed. In the
12 unlikely event that there are any allowed Claims in Class A, they shall be paid in full, in cash,
13 by the Debtor on the Effective Date of the Plan or as soon thereafter as the amount thereof can
14 be fixed, unless a different treatment is agreed to or provided for in this Plan. This class is not
15 impaired.
16

17 B. Class B (The Bank of New York Mellon’s secured Claim): Class B consists of the
18 secured prepetition Claim of The Bank of New York Mellon F/K/A The Bank of New York
19 As Trustee for First Horizon Mortgage Pass-Through Trust 2005-1. (“The Bank of New York
20 Mellon”), (Proof of Claim #4), in the amount of \$1,079,786.87 as of the filing date, secured
21 by a first deed of trust on the Debtor’s rental property located at 4630 Drayton Harbor Road,
22 Blaine, WA 98230. The secured Claim of The Bank of New York Mellon, which is secured
23 against 4630 Drayton Harbor Road, Blaine, WA 98230 shall be valued under 11 U.S.C. §
24
25
26

1 506(a) at \$650,000.00¹⁰ as of the Effective Date of the Plan. If The Bank of New York Mellon
2 disputes the value of the collateral stated above, it must timely file an objection to
3 confirmation, or the value stated by the Debtor will be determined to be the value of the
4 collateral. The balance of the Claim (the unsecured deficiency portion of \$429,786.87) shall
5 be treated for all purposes as an unsecured **Class H** Claim. The Bank of New York Mellon
6 will retain its lien on the property until the secured Claim is paid in full. The terms of the Note
7 and Deed of Trust will remain the same except 1) value of Claim, 2) annual interest rate and
8 3) maturity date. The secured portion of the Claim shall be paid in 360 monthly payments of
9 \$3,293.45 (\$650,000.00 amortized over 30 years at an interest rate of 4.50% per annum), plus
10 an escrow deposit for taxes and insurance as provided for in the existing loan documents.
11

12 **This Class is impaired.**

13
14
15 C. Class C (CIT Bank, N.A.’s secured Claim): Class C consists of the secured
16 prepetition Claim of CIT Bank, N.A., fka OneWest Bank, N.A., fka OneWest Bank, FSB
17 (“CIT Bank”), (Proof of Claim #2), in the amount of \$310,249.34 as of the filing date, secured
18 by a second deed of trust on the Debtor’s rental property located at 4630 Drayton Harbor
19 Road, Blaine, WA 98230. The secured Claim of CIT Bank, which is secured against 4630
20 Drayton Harbor Road, Blaine, WA 98230 shall be valued under 11 U.S.C. § 506(a) at \$0.00
21 as of the Effective Date of the Plan. The Claim of The Bank of New York Mellon (Class B)
22 for the first deed of trust is \$1,079,786.87, which is greater than the value of the collateral,
23 thus the Class C Claim of CIT Bank is wholly unsecured and shall be treated for all purposes
24

25
26 ^{10 10} The Appraisal report is available through Debtor’s counsel. See also Doc 15 filed on August 8, 2016.

1 as a Class H Claim. Upon the successful completion of the Chapter 11 Plan, the lien shall be
2 deemed null, void, avoided, and released, and Debtor may at that time file a notice that the
3 lien has been avoided at the appropriate land recorder's office upon completion of all Plan
4 payments to CIT Bank on its **Class H** unsecured Claim. If CIT disputes the value of the
5 collateral stated above, it must timely file an objection to confirmation, or the value stated by
6 Debtor will be determined to be the value of the collateral. **This Class is impaired.**

8 D. Class D (The James Co. Profit Sharing Plan's secured Claim): Class D consists of
9 the secured prepetition Claim of The James Co. Profit Sharing Plan ("The James Co."), (Proof
10 of Claim #6), in the amount of \$11,600 as of the filing date, secured by a third deed of trust on
11 a rental real estate at 4630 Drayton Harbor Road, Blaine, WA 98230 as well as Debtor's 2004
12 Mercedes CLK 55 which bears a VIN of WDBTK76G74T02954.

14 a) Secured Claim against 4630 Drayton Harbor Road, Blaine, WA 98230: The
15 secured Claim of the James Co, which is secured against 4630 Drayton Harbor Road, Blaine,
16 WA 98230 shall be valued under 11 U.S.C. § 506(a) at \$0.00 as of the Effective Date of the
17 Plan. The Claim of The Bank of New York Mellon (Class B) for the first deed of trust is
18 \$1,079,786.87, which is greater than the value of the collateral, thus the Class D Claim of The
19 James Co is wholly unsecured and shall be treated for all purposes as a Class H Claim. Upon
20 the successful completion of the Chapter 11 Plan, the lien shall be deemed null, void, avoided,
21 and released, and Debtor may at that time file a notice that the lien has been avoided at the
22 appropriate land recorder's office upon completion of all Plan payments to The James Co on
23 its **Class H** unsecured Claim. If The James Co disputes the value of the collateral stated
24
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1 above, it must timely file an objection to confirmation, or the value stated by Debtor will be
2 determined to be the value of the collateral.

3 b) Secured Claim against 2004 Mercedes CLK 55: The secured Claim of The James
4 Co, which is secured against Debtor's 2004 Mercedes CLK 55 shall be valued under 11
5 U.S.C. § 506(a) at \$8,000.00 as of the Effective Date of the Plan. If The James Co disputes
6 the value of the collateral stated above, it must timely file an objection to confirmation, or the
7 value stated by the Debtor will be determined to be the value of the collateral. The balance of
8 the Claim (the unsecured deficiency portion of \$3,600.00) shall be treated for all purposes as
9 an unsecured **Class H** Claim. the James Co will retain its lien on the vehicle until the secured
10 Claim is paid in full. The terms of the Note and Security Instrument will remain the same
11 except 1) value of Claim, 2) annual interest rate and 3) maturity date. The secured portion of
12 the Claim shall be paid in 120 monthly payments of \$82.91 (\$8,000.00 amortized over 10
13 years at an interest rate of 4.50% per annum) **This Class is impaired.**

14 E. Class E (Jack H. Grant Law Corporation's secured Claim): Class E consists of the
15 secured prepetition Claim of Jack H. Grant Law Corporation ("JHGLC"), (Proof of Claim
16 #5), in the amount of \$30,350.00 as of the filing date, secured by a UCC1 filing for Debtor's
17 personal property located at 4630 Drayton Harbor Road, Blaine, WA 98230. JHGLC is
18 Debtor owned a Canadian Corporation which constitutes as an insider under 11 U.S.C. § 101
19 (31)(A)(iv). The secured Claim of JHGLC, which is secured against personal property, other
20 rights to receive the payment of money and the proceeds, products and income related to 4630
21 Drayton Harbor Road, Blaine, WA 98230 shall be valued under 11 U.S.C. § 506(a) at \$0.00
22 as of the Effective Date of the Plan. The Claim of The Bank of New York Mellon (Class B)
23
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1 for the first deed of trust is \$1,079,786.87, which is greater than the value of the collateral,
2 thus the Class E Claim of JHGLC is wholly unsecured and shall be treated for all purposes as
3 a Class H Claim. **This Class is impaired.**

4 F. Class F (Ford Credit's secured Claim): Class F consists of the secured prepetition
5 Claim of Ford Credit ("Ford."), (Proof of Claim not filed), in the approximate amount of
6 \$46,895.01 as of the filing date, secured by a Ford F350 pickup truck. The secured Claim of
7 Ford, which is secured against Debtor's F350 pickup truck shall be valued under 11 U.S.C. §
8 506(a) at \$46,895.01, or the current contractual balance of loan whichever is lower, as of the
9 Effective Date of the Plan. Ford will retain its lien on the vehicle until the secured Claim is
10 paid in full. The terms of the Note will remain the same except 1) annual interest rate and 2)
11 maturity date. The secured portion of the Claim shall be paid in 96 monthly payments of
12 \$582.59 (\$46,895.01 amortized over 8 years at an interest rate of 4.50% per annum). **This**
13 **Class is impaired.**

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17 G. Class G (Gesa Credit Union's secured claim): Class G consists of the secured
18 prepetition Claim of Gesa Credit Union ("Gesa"), (Proof of Claim not filed), in the
19 approximate amount of \$30,963.12 as of the filing date, secured by a 2016 Eagle Cap 995
20 camper. The secured Claim of Gesa, which is secured against Debtor's 2016 Eagle Cap 995
21 camper shall be valued under 11 U.S.C. § 506(a) at \$30,963.12, or the current contractual
22 balance of loan whichever is lower, as of the Effective Date of the Plan. Gesa will retain its
23 lien on the vehicle until the secured Claim is paid in full. The terms of the Note will remain
24 the same except 1) annual interest rate and 2) maturity date. The secured portion of the Claim
25
26

1 shall be paid in 96 monthly payments of \$320.90 (\$30,963.12 amortized over 10 years at an
2 interest rate of 4.50% per annum). **This Class is impaired.**

3
4 H. Class H (General Unsecured Claims): Class H consists of all general unsecured
5 Claims against the Debtor, including Classes B to E. Holders of Class H Claims shall be paid,
6 pro rata, a total of **\$27,165.60** (the “Unsecured Dividend”) in 60 equal monthly installments
7 with the first installment of \$452.76 to be paid on the first of the month following the
8 Effective Date and subsequent installments of \$452.76 to be paid on the 10th day of each
9 month for the following 59 months until the Unsecured Dividend is paid in full. The
10 Unsecured Dividend represents approximately 3.4% distribution to unsecured creditors. The
11 confirmation of the Plan shall serve to release any holder of a Class H Claim as of the Petition
12 Date from any Claim or cause of action held by the Debtor against such holder (other than
13 defenses of recoupment). The pro rata share of the Claimed amount of any Claims which are
14 then subject to objections as to which a Final Order has not been entered, shall be deposited in
15 an interest bearing bank account until a Final Order is entered. When Final Orders are entered
16 disallowing or allowing and liquidating all Class H Claims, the remaining funds in the bank
17 account shall be distributed to the holders of all Class H Claims pro rata. Payments on Class
18 H Claims shall be mailed to the address of the creditor on the Proof of Claim (or, if allowed
19 pursuant to the schedules, to the address on the schedules), unless the creditor files a change
20 of address notice with the Court. Any check mailed to the proper address and returned by the
21 post office as undeliverable, or not deposited within 180 days, shall be void and the funds
22 may be retained by the Debtor. This class is impaired.
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1 Impaired Secured Claims

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POC	Collateral	Name	Claim Amount	Value of Collateral	Interest	Payment	Unsecured
4	4630 Drayton Harbor Rd Blaine, WA 98230	The Bank of New York Mellon Class B	\$1,079,786.87	\$650,000.00	4.50%	\$3,293.45	\$429,786.87
2	4630 Drayton Harbor Rd Blaine, WA 98230	CIT Bank, N.A. Class C	\$310,249.34	\$ 650,000.00	N/A	N/A	\$310,249.34
6	4630 Drayton Harbor Rd Blaine, WA 98230	The James Co. Profit Sharing Class D	\$ 11,600.00	\$ 650,000.00	N/A	N/A	\$ 11,600.00
5	4630 Drayton Harbor Rd Blaine, WA 98230	Jack H. Grant Law Corp Class E	\$ 31,000.00	\$ 650,000.00	N/A	N/A	\$ 31,000.00

15

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6	Mercedes	The James Co. Profit Sharing Class D	\$11,600.00	\$8,000.00	4.50%	\$82.91	\$3,600.00
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	2016 Ford F350	Ford Credit	\$46,895.01	\$46,895.01	4.50%	\$582.59	\$0.00
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21

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	2016 Eagle Cap 995	Gesa Credit Union	\$30,963.12	\$30,963.12	4.50%	\$320.90	\$0.00
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24 **Class H List of Impaired Unsecured Claims**

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POC#	Name	Insider	Claim Amount	Pro Rata %
------	------	---------	--------------	------------

DEBTOR'S DISCLOSURE STATEMENT FOR
CHAPTER 11 PLAN DATED OCTOBER 14,
2016- 29

Iwama Law Firm
333 5th Ave. S.
Kent, WA 98032
Telephone: 253-520-7671

1023265.05

		(Yes/No)			
1	JBT & Associates	No	\$16,319.61	2.06%	
2	CIT Bank, N.A.	No	\$310,249.34	39.22%	
3	4	The Bank of New York Mellon	No	\$429,786.87	54.34%
4	5	Jack H. Grant Law Corp	Yes	\$31,000.00	3.92%
5	6	The James Co. Profit Sharing	No	\$3,600.00	0.46%
6	7	Total Class H		\$790,955.82	100.00%

V. Implementation of Plan

A. By the Debtor's Ordinary Income: The Debtor shall fund this Plan with income from the operation of his rental property and law practices located in both in the US and Canada.

Summer bookings command peak pricing, and 2017 is expected to approach full occupancy. Off peak season income will be supplemented with special event and holiday bookings, and to attract more weekend Canadian shoppers, the Debtor is creating a special pricing program to accommodate a low Canadian dollar and a "friends and family" program.

With confirmation of this plan, the Debtor will recapture the time and resources that were otherwise diverted to the lender litigation and that time and energy will allow the Debtor to focus on marketing efforts, such as adding Airbnb as a second computer reservation system.

The Debtor shall retain the Assets of the estate, and shall pay ordinary living expenses, and pay the creditors the amounts set forth in the Plan. Consistent with the provisions of this Plan and subject to any releases provided for herein, the Debtor reserves the right to begin or continue any adversary proceeding permitted under the Code and Rules to collect any debts, or to pursue Claims in any court of competent jurisdiction. Except as expressly provided for

1 in this Plan, nothing in this Plan shall be deemed to constitute a waiver of any Claim that the
2 Debtor may assert against any other party, including the holder of any Claim provided for in
3 this Plan, and the allowance of any Claim against the Debtor or the estate shall not bar any
4 Claim by the Debtor against the holder of such Claim.

5
6 It is estimated that the amounts required for implementation of the Plan upon the
7 Effective Date are as follows:

8 Administrative expense Claims: \$6,054.14 is currently held in the Attorney Trust
9 Account, remaining balance to be paid in full upon approval of fee applications by the Court.

10 Class A: \$0.00

11 Class B: \$3,294.45 per month plus property tax and insurance (\$795.54¹¹).

12 Class C: Avoided.

13
14 Class D: Avoided as to the property located at 4630 Drayton Harbor Road, Blaine,
WA 98230. \$82.91 per month as to 2004 Mercedes.

15 Class E: Avoided

16 Class F: \$582.59 per month

17 Class G: \$320.90 per month

18 Class H: \$761.22 per month

19
20 The total monthly payment will be \$5,837.61. The Debtor's total average gross
21 monthly income is estimated to be \$20,316.91. The Debtor has the ability to pay the above
22 amounts from cash on hand, rental income and income from his law practices.

23
24
25
26 ¹¹ According to the mortgage statement dated May 18, 2016. The escrow amount subject to change.

1 B. By Sale of Assets: Notwithstanding the fact that the Debtor is able to pay the Plan
2 payments from his ordinary income, the Debtor is allowed to sell Assets of the estate to fund
3 the Plan, including Assets described in Classes B to E.

4 **VI. Analysis of Liquidation Value of the Estate**

5 In the event of liquidation of the Debtor's estate, the Debtor estimates that the
6 liquidation value of estate is \$11,287.84.

7 As such, after payment of secured Claims, Administrative Expenses and Priority
8 Claims, the Debtor proposes to distribute \$27,165.60 (60 months discretionary income) to the
9 unsecured Claims which represents approximately 3.4% distribution to unsecured creditors.
10

11 **VII. Repayment Projections**

12 The Debtor projects that mortgage (Classes B) will be repaid according the Plan terms
13 proposed.

14 All unsecured Claims (Class H) will be paid according to this Plan in 60 months
15 beginning on the first of the month following the Plan Effective Date.
16

17 **VIII. Tax Consequences**

18 The Debtor is not qualified to advise Creditors of the specific tax ramifications to
19 them in confirmation of the Plan, and therefore make no representations in this regard.
20 However, the Debtor is not aware of any potential material federal tax consequences to
21 Creditors that would result from confirmation of the Plan. Each Creditor is urged to consult
22 with a tax advisor as to such matters.
23

24 No material tax consequences to the Debtor are anticipated as a result of confirmation
25 of the Plan. Any forgiveness of indebtedness would be exempt from taxation under IRC §
26

1 108. The Debtor's basis in the secured property will have to be adjusted, but no tax will be
2 due as a result thereof until any such property is sold.

3 **IX. Income**

4 It is believed that the Debtor can make the payments required under the Plan.

5
6 As projected disposable income is positive, there is an income-based requirement for
7 funding of the Plan. He is committing his 60-months disposable income to the Class H
8 (Unsecured Claims).

9 **X. Modifications or Withdrawals of the Plan**

10 The Debtor may alter, amend, or modify the Plan under § 1127(a) of the Bankruptcy
11 Code at any time before the Confirmation Date, so long as the Plan, as modified, meets the
12 requirements of §§ 1122 and 1123. The Debtor may also alter, amend, or modify the Plan
13 under § 1127(b), following the Confirmation Date but before the Effective Date. The Debtor
14 may revoke or withdraw the Plan before the Confirmation Date. If the Plan is revoked or
15 withdrawn before the Confirmation Date, the Plan shall be of no force or effect, and shall be
16 deemed null and void. If the Plan is revoked or withdrawn before the Confirmation Date,
17 nothing contained herein shall in any way effect or prejudice the rights of the Debtor with
18 regard to Claims, Avoidance Actions, or any other rights or interests. After confirmation, the
19 Plan may be modified pursuant to § 1127(e). The payments on the Classes B, C, D and E
20 Claims shall not be deemed payments under the Plan for purposes of § 1127(e), such that the
21 Plan may not be modified under § 1127(e) after payment in full of the Unsecured Dividend
22 for the Class E Claims.
23
24

25 **XI. Objections to Claims, Counterclaims, Avoidance Actions and Settlements**

1 Any objections to Claims must be filed within thirty days following the Effective
2 Date. The Debtor believes that the Claims resolution process should not delay Confirmation
3 of the Plan. The Debtor reserves the right to file objections to any Claims, except as otherwise
4 provided in the Plan, either as currently filed or as may be amended. In order to expedite
5 payments to Creditors, the Debtor seeks Confirmation notwithstanding the fact that certain
6 Claims may be disputed. The fact that the Debtor may not have objected to a particular Claim
7 does not mean that the Debtor will not object to such Claim. Accordingly, the Debtor make no
8 representations either in the Plan or this Disclosure Statement as to the validity of any Claim
9 filed, and Creditors should not make any assumption based upon the fact that no objection has
10 yet been filed to any individual Claim.
11

12 Settlement of Disputed Claims: The Debtor will have the power and authority to settle
13 and compromise a disputed Claim with the Court approval and compliance with Rule 9019 of
14 the Federal Rules of Bankruptcy Procedure.
15

16 **XII. Miscellaneous Plan Provisions**

17 A. Executory Contracts and Unexpired Leases.

18 Any pre-petition Executory Contracts and Leases in effect as of the Effective Date
19 (other than any leases to tenants) and not specifically rejected will be deemed rejected as of
20 the Effective Date. Any Claims arising from the rejection of Contracts and Leases must be
21 filed on or before the Rejection Claim Bar Date. The Rejection Claim Bar Date is 30 days
22 after the Effective Date, or, if later, 30 days after entry of any Final Order rejecting the
23 Executory Contract or Lease. Absent the filing of a Proof of Claim on or before the Rejection
24 Claim Bar Date, all Rejection Claims shall be forever barred from assertion and shall not be
25
26

1 enforceable against the Debtor, its Estate, Assets, or properties. All Rejection Claims shall be
2 General Unsecured Claims.

3 B. Retention of Jurisdiction, Closing.

4 Pursuant to §§ 105(a) and 1142 of the Bankruptcy Code, the Plan provides for the
5 Bankruptcy Court to retain exclusive jurisdiction over all matters relating to the Plan,
6 including the allowance of Claims and the adjudication of any Avoidance Actions. Upon
7 substantial consummation of the Plan, the case shall be closed, but shall be subject to
8 reopening to enforce the terms of this Plan and to enter a discharge. This provision serves to
9 avoid the need to pay U.S. Trustee fees after substantial consummation, an expense the
10 Debtor can ill afford.
11

12 **XIII. Discharge**

13
14 A. The Debtor is not entitled to obtain discharge under this Chapter 11 case. A
15 discharge order (Doc 12) under Chapter 7 (11-21714-KAO) was entered on January 17, 2012.

16 B. Upon substantial consummation of the Plan, the case shall be closed, but shall be
17 subject to reopening to enforce the terms of this Plan.

18 **XIV. Risk of Plan**

19 The Debtor's plan is funded by income from the vacation rental, and from operation of
20 two law practices. For the vacation rental, the changes of currency value may play some role in
21 booking by Canadians. The general economy may affect the success of the vacation rental, as
22 downturn of economy may diminish consumer's discretionary income for vacations and
23 leisure.
24
25
26

1 The income from the law practices appears to be stabilized for the last few years.
2 Debtor expects to earn more because he will no longer have to prosecute the lawsuit against
3 the mortgage lender(s) and foreclosure trustee. The Debtor projects an average of 2% per
4 year increase in gross receipt for Canadian law practice. Likewise, the Debtor projects an
5 average of 2% per year increase in gross receipt for the US law practice.
6

7
8 **XV. Conclusion**

9 As stated previously, the Debtor is the proponent of the Plan and urges you to vote to
10 accept the Plan. The information and materials provided in this Disclosure Statement are
11 intended to assist you in voting on the Plan in an informed fashion. Since confirmation of the
12 Plan will be binding on your interests, the Debtor invites you to review these materials and
13 make such further inquiries as may be appropriate.
14

15 Dated this 14th day of October, 2016.

16
17 By /s/ Masafumi Iwama
Masafumi Iwama, WSBA 40821

By /s/ Jack Harry Grant
Jack Harry Grant, Debtor

Exhibit A

The Beachhouse Vacation Rental

1/1/2016 to 9/30/2016

Ordinary Income/Expense

Income

Cleaning Fees Collected	3,345.00
Vacation Rental Fees Collected	21,581.00
Total Income	24,926.00

Expenses

Advertising and Promotion	\$ 598.00
Business Meals & Entertainment	\$ 67.94
Decor Expense	\$ 296.78
Guest Supplies	\$ 576.55
Landscaping and Grounds keeping	\$ 2,280.25
Linen & Towels	\$ 284.67
Office Supplies	\$ 163.48
PayPal Fees Paid	\$ 197.05
Pest Control	\$ 46.66
Repairs and Maintenance	\$ 1,558.84
Telephone Expense	\$ 581.63
Utilities	\$ 4,101.30
Total Recurring Costs	\$ 10,753.15
Average Monthly Recurring Costs	\$ 1,194.79