

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ALASKA**

In re:

LYNN H. LYTHGOE, JR.,

Debtor.

Case No. A07-00658-DMD

Chapter 11



MEMORANDUM ON DISMISSAL, CONVERSION AND RELIEF FROM STAY

First National Bank Alaska has filed a motion to dismiss or convert the debtor's case. The motion sought conversion or dismissal on a variety of grounds. The first ground was the debtor's failure to file a plan and disclosure statement. Since the filing of the motion to dismiss or convert, the debtor has filed a disclosure statement and plan. It will need to be substantially updated in light of the court's ruling on the debtor's motion for reconsideration. Also, in light of the large number of disputed claims, I will require the debtor to file objections to all disputed claims within thirty days. Also, where applicable, the debtor should move for temporary allowance of disputed claims for voting purposes. No further disclosure statement or plan should be prepared until the universe of valid, allowable claims is determined by the court. An amended disclosure statement and plan should be filed within thirty days of the court's final decision on objections to claims but no later than March 20, 2009.

The second ground for seeking dismissal or conversion was substantial and continuing loss or diminution of the estate and the absence of a reasonable likelihood of rehabilitation. First National noted that interest and taxes have been accruing on the

Strawberry Meadows project. I agree. Post-petition taxes will be paid with rents from the completed project, however. First National's equity position will be materially enhanced and the estate will benefit appreciably from completion of the project. With the successful completion of the Strawberry Meadows project, and the debtor's remaining assets, I think there is a reasonable possibility of reorganization at this stage of the proceedings. First National's motion to dismiss or convert will therefore be denied.

First National also seeks relief from stay on the Strawberry Meadows project. There is equity in the property and it is essential to the debtor's plan of reorganization. First National's motion for relief from stay will be denied.

DATED: October 22, 2008.

BY THE COURT

/s/ Donald MacDonald IV
DONALD MacDONALD IV
United States Bankruptcy Judge

Serve: J. Siemers, Esq.
J. Beard, Esq.
K. Hill, Esq.

10/22/08