

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF VIRGINIA
Charlottesville Division**

In re:)	
)	
CASCADIA PARTNERS, LLC)	Chapter 11
)	Case No. 10-63442
)	
Debtor)	

DISCLOSURE STATEMENT

This Disclosure Statement dated February 26, 2011 is provided by Cascadia Partners LLC (“the Debtor”) to its known creditors in order to disseminate information necessary for those creditors to arrive at a reasonably informed decision in exercising their right to vote for the acceptance of the Debtor’s Plan of Reorganization (the Plan) which will be filed, together with this Disclosure Statement, in the United States Bankruptcy Court for the Western District of Virginia, Charlottesville Division. A copy of the combined Disclosure Statement and Plan shall be mailed to the Debtor’s creditors. Approval by the Bankruptcy Court of this Disclosure Statement is not a decision by the Court on the merits of the Plan.

Creditors who have filed claims or who have been deemed to file claims under Bankruptcy Code section 501 may vote on the Plan by filling out and mailing the acceptance form, which will accompany the Plan, to the Debtor’s attorney. Votes must be received no later than ten (10) calendar days before the hearing in this Court on acceptance of the Plan. Creditors will receive separate notice of the time and place of such hearing. As a creditor, your acceptance is important. In order for the Plan to be deemed accepted, creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims in each impaired class of creditor must vote for acceptance. In addition, two thirds in amount of the allowed interests constituting the class, if any, of equity security holders must accept the Plan. If a class of claims rejects the Plan, the Debtor will nevertheless seek approval of the Plan, and the Plan may be confirmed by the Bankruptcy Court notwithstanding the rejection by that class, provided that at least one impaired class of creditors has accepted the Plan. In addition, the Court must determine that, with respect to each impaired class that has not accepted the Plan, the holders of claims in that class will receive or retain property of a value not less than the amount such holders would receive if the debtor were liquidated under Chapter 7. The Court must also find that the Plan does not discriminate unfairly, and is fair and equitable, with respect to each impaired class that does not accept the Plan. With regard to a class of allowed unsecured claims,

this means, in addition, that if the creditors in such class do not receive property with a value equal to the allowed amount of their claim, then no junior class can receive any distribution under the Plan. With regard to a class of allowed secured claims, this means that the creditors in such class must retain their liens upon the Debtor's property, and that such creditors receive in deferred payments an amount at least equal to the present value of the creditor's secured claim.

No representations concerning the Debtor (particularly as to the future business operations or the value of the property) are authorized by the Debtor other than as set forth in this statement. Any representations or inducements made to secure your acceptance which are other than as contained in this statement or in the Plan should not be relied upon by you in making your decision. Any additional representations and inducements should be reported to counsel for the Debtor and to the Office of the United States Trustee, 210 First Street, S.W., Suite 505, Roanoke, VA 24011.

With the Plan and Disclosure Statement, each creditor will receive a ballot. The ballot, when completed should be mailed to the Debtor's counsel, whose address is shown at the end of this document, and not to the United States Trustee's Office or to the Bankruptcy Court.

BACKGROUND

The Debtor was organized in 2007 for the purposes of developing and selling the neighborhood known as Cascadia located on Route 20 N in Albemarle County, Virginia. At that time, Wachovia provided acquisition and development financing to the Debtor. Wachovia continued to fund development costs through the summer of 2008. By that time the neighborhood was zoned Neighborhood Model and engineering drawings for the project were nearly complete. In the fall of 2008, a draw request was made to Wachovia and that draw was rejected and the Debtor was informed that Wachovia would no longer be funding the development loan including the interest that previously had been funded. Shortly thereafter the loan was declared in default. Over the next two years there were various workout attempts with Wachovia on the project but none were ever accepted or finalized. In the summer of 2010 Wachovia advertised a foreclosure sale but pulled back as they required further environmental studies on the property. Wachovia resumed foreclosure proceedings at the end of 2010 and the Debtor placed the company into Chapter 11 bankruptcy in order to protect the other creditors and equity partners.

LIQUIDATION ANALYSIS

The Debtor's assets consist of the real estate described in Bankruptcy Schedule A, identified as four parcels containing a total of approximately 60.772 acres, commonly known as "Cascadia", and located on Route 20 North in Albemarle County, Virginia ("the Real Property"). The Real Property has been assessed by Albemarle County, Virginia as having a value as of January 1, 2010 in the sum of \$12,074,100.00. The Debtor has obtained an appraisal conducted

by Appraisal Group, Inc. dated February 10, 2011 which reflects a current fair market value of the Real Property in its present condition of \$8,850,000.00. The Debtor has no other assets.

There are liens against the Real Property held by Wachovia Bank/Wells Fargo ("Wachovia"), WW Associates, Inc. ("WW"), and Albemarle County, Virginia ("Albemarle"). The lien of Wachovia is reflected in the form of a deed of trust on the Real Property in the amount of \$3.8MM. WW holds a mechanic's lien in the amount of \$158,000.00. Albemarle holds a lien for real property taxes for pre-petition periods in the amount of \$265,000.00.

Albemarle County may hold an administrative priority claim for accrued post-petition real property taxes, but at this time the amount is undetermined, and are not due and payable until June 1, 2011.

There are not believed to be any non-administrative priority claims.

There is only one non-insider general unsecured claim held by Cline Design Associates, P.A. in the amount of \$700.00. There are two insider general unsecured claims held by Stonehaus Construction, LLC. in the amount of \$142.77 and by Stonehaus, LLC. in the amount of \$32,000.00.

Determining the liquidation value of the Debtor's assets in a Chapter 7 proceeding is, of course, a speculative venture, but based upon the current appraisal obtained for the benefit of the Debtor, it appears that a sale of the Real Property under other than distress conditions would pay the claims of all creditors in full, but may not produce any equity for the investors in the Debtor. A development of the Real Property in accordance with the Lot Purchase Agreement attached as Exhibit A would not only permit the creditors to be paid in full, but would also produce value for the equity investors in the Debtor.

PLAN SUMMARY

THIS IS A SUMMARY OF THE DEBTOR'S PLAN; THE PLAN ITSELF, IF APPROVED BY THE COURT, IS A LEGALLY BINDING ARRANGEMENT WHICH SHOULD BE READ IN ITS ENTIRETY. CREDITORS SHOULD NOT RELY ON THIS SUMMARY BUT SHOULD READ THE ENTIRE PLAN BEFORE SUBMITTING A VOTE.

The Debtor's Plan of Reorganization contemplates the sale by the Debtor of its Real Property. Part of the Real Property will be sold pursuant to the terms of a Letter of Intent dated December 15, 2010 between NVR and the Debtor, and a draft Lot Purchase Agreement attached hereto as Exhibit A and Exhibit B respectively. The remaining real estate consisting of the Real Property which is not covered by the Lot Purchase Agreement, will be developed or sold upon terms and to parties not yet determined. It is contemplated that all creditors will be paid 100% of

their allowed claims with interest within a term of five (5) years from the date of the closing of the first lot sale under the Lot Purchase Agreement.

Attached as Exhibit C is a cash flow analysis prepared by the Debtor reflecting the cash flow and debt curtailment from the lot sales. The Debtor will obtain a loan from Union First Market Bank ("Union") in the amount of \$4.0MM bearing 6% interest as a construction/revolving loan which will be granted a first lien priority position ahead of all Claims of the Debtor, as permitted pursuant to 11 U.S.C. 364(d). This funding will be used to develop the Real Property so that it may be sold pursuant to the terms of the Lot Purchase Agreement described herein. Each lot will be conveyed free of all liens at the closing of each lot sale. Wachovia shall be paid in full with interest accruing at the rate of 4.5% per annum from the Plan Effective Date over a period of five (5) years beginning with the closing of the first lot sale under the Lot Purchase Agreement. Wachovia Bank will begin receiving distributions from the lot sales after Union's loan is paid in full which should be in late 2012 or early 2013. At that time, Wachovia will receive 70% of the net sales proceeds from each lot sale, and the Debtor will receive the remaining 30% which is needed to fund the payment of income tax liability of the members of the Debtor.

The Claims of Counsel for the Debtor and any other Administrative Expense Claims and the Claims of the Non-Insider General Unsecured Creditors will be paid in full upon approval by the Bankruptcy Court.

The Claims of Albemarle County, Virginia and WW Associates, Inc. will be paid in full with interest accruing at the rate of 4.5% per annum from the Plan Effective Date by the end of 2012. The Debtor will apply 10% of all Lot sales proceeds (net of closing costs) to the payment of the Claims of Class 2, 3, 5 and 7, **divided equally among each Class**, and upon such payment the lot sold shall be released from the lien of this Claimant.

The Claims of the Insider General Unsecured Creditors will be paid in full with interest accruing at the rate of 4.5% per annum from the Plan Effective Date only after the claims of all other creditors are paid in full with interest.

Distribution of payments under the Plan will be made no frequently than monthly, and will be made only when proceeds from the sale of the Lots are available from closing proceeds, or when proceeds from the sale of any portion of the remaining Real Property are available from closing proceeds.

The Plan divides its creditors into the following classes:

Secured Claims

2.01 CLASS 1 -The allowed secured claim of **Wachovia Bank/Wells Fargo** which is

secured by a first lien deed of trust in the Debtor's Real Property to the extent that such claim is an allowed, non-voidable, and unavoidable secured claim under the Code.

2.02 CLASS 2 -The allowed secured claim of **WW Associates, Inc.** which is secured by a mechanic's lien on the Debtor's Real Property to the extent that such claim is an allowed, non-voidable, and unavoidable secured claim under the Code.

2.03 CLASS 3 - The allowed secured claim of **Albemarle County, Virginia** which is a statutory lien on the Debtor's Real Property and superior to the liens of the Secured Claims in Classes 1 and 2, to the extent that such claim is an allowed, non-voidable, and unavoidable secured claim under the Code.

Administrative Claims

2.04 CLASS 4 - All allowed Administrative Expense Claims of **Debtor's counsel, Scott Kroner, PLC., and any other professionals employed by the Debtor**, which have been approved by the Bankruptcy Court, whose claims are entitled to priority under §507(a)(1) of the Code.

2.05 CLASS 5- All allowed Administrative Expense Claims of Albemarle County, Virginia for real property taxes.

2.06 CLASS 6 - All allowed Administrative Expense Claims of **any other party in interest which is not listed in Class 5**, including the fees of the Office of the United States Trustee, and the Clerk's Office of the Bankruptcy Court to the extent that said claim is entitled to priority under §507(a)(1) of the Code.

Non-Administrative Priority Claims

2.07 CLASS 7 - All allowed unsecured Priority Claims, if any, which are entitled to priority under Section 507(a)(8) of the Code.

Non-Priority Non-Insider Unsecured Claims

2.08 CLASS 8 - All allowed non-insider **unsecured claims which are not Priority Claims** under the Code.

Non-Priority Insider Unsecured Claims

2.09 CLASS 9 – All allowed insider unsecured claims.

Equity Security Interest

2.10 CLASS 10 - All allowed equity security interests in the Debtor.

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MISCELLANEOUS

Insider and affiliate claims and transactions. There are claims in this proceeding by entities which would be described as "insiders" or "affiliates" as those terms are described in Bankruptcy Code §§101(2) and 101(31).

Legal proceedings. With the exception of this Chapter 11 proceeding, the Debtor is not a party to any other legal proceedings.

Disputed claims. The Debtor reserves the right to dispute the claims of any creditor.

Tax consequences. The Debtor makes no representations as to the tax consequences of this Plan upon creditors. Creditors should consult their own tax advisors regarding such consequences. The Debtor will have no tax consequences since it is a pass-through entity.

U. S. Trustee's Fees. All fees will continue to be paid until this case is converted, dismissed, or closed.

Administrative expenses. The only administrative expenses in this proceeding are the Debtor's attorney's fees, and fees payable to the Office of the United States Trustee. The Debtor's attorney received a retainer prior to filing in the amount of \$35,000.00. Total attorney's fees and expenses are expected to be approximately \$30,000.00 - \$35,000.00. The Plan provides that any fees in excess of any retainer will be paid from the future earnings of the Debtor during the term of the Plan.

Dated: February 28, 2011

Respectfully submitted
CASCADIA PARTNERS, LLC, Debtor

/s/ W. Stephen Scott, Esq.
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