

IN THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF MISSOURI
SOUTHERN DIVISION

IN RE:)
KIRKLAND HUTCHESON, LLC)
)
Debtor.) Case No. 09-62695-ABF-11

DISCLOSURE STATEMENT OF
KIRKLAND HUTCHESON, LLC
(Information for Purposes of Soliciting Acceptances of Plan of Reorganization)

ARTICLE I

Introduction

1.01. Proponent. This Disclosure Statement ("Disclosure Statement") has been prepared and is being distributed by KIRKLAND HUTCHESON, LLC, ("Debtor" and "Proponent"), with the Debtor's Plan of Reorganization (the "Plan") or any amended Plan filed by Debtor.

1.02. Purpose. The purpose of this Disclosure Statement is to enable Debtor as the proponent of a Plan which is being presented to the Court to comply with Chapter 11 U.S.C. Section 1125(a) which requires the proponent of the Plan to disclose adequate information for each holder of a claim or interest to make an informed judgment about the Plan in exercise of their right to vote for acceptance or rejection of Debtor's proposed Plan. This Disclosure Statement contains a discussion of the Debtor's business related financial information, properties, and a summary and analysis of the Plan.

1.03. Disclaimer/Reliance. This Disclosure Statement is intended to provide creditors with adequate information to make an informed decision in voting to accept or reject the Debtor's Plan of Reorganization. **Statements and representations made in this Disclosure Statement have been obtained from sources believed to be reliable but are not guaranteed as to their accuracy and completeness. The statements and representations are true and accurate to the best of the Debtor's knowledge, information, and belief. Certain information relating to projections and values is necessarily subjective and constitute opinions of the Debtor or authorized representatives. Creditors are encouraged to consult with their financial advisers, attorneys, or other creditors in order to obtain a more complete understanding of the financial and legal implications of the Disclosure Statement and Plan.**

1.04. Definitions, Interpretation, and Rules of Construction. Certain terms used in the Disclosure Statement may also be used in the Plan which contains a schedule of definitions or meanings. The definitions in the Plan are applicable to the Disclosure Statement. The provisions of the Plan shall control over the provisions of any other agreement or document and over any descriptions thereof contained in the Disclosure Statement, other than the confirmation order created in connection with the Plan as an adjunct or supplement thereto or required thereby. Any term that is not otherwise defined within the Plan, but that is used in the Bankruptcy Code or Bankruptcy Rules, will have the meaning given to that term in the Bankruptcy Code or Bankruptcy Rules, as applicable.

1.05. Procedure. Pursuant to Local Rule 3016-2B of the United States for the Western District of Missouri the Bankruptcy Court may conditionally approve the Disclosure Statement. If or when the Bankruptcy Court has conditionally approves any Disclosure Statement all parties in interest shall receive the Bankruptcy Court's Order (a) fixing a time for filing objections to the Disclosure Statement; (b) fixing a date for the hearing on final approval of the Disclosure Statement to be held if a timely objection is filed; (c) fixing a date for the hearing on confirmation; and (d) fixing a time in which the holders of claims in interest may accept or reject the Plan. The hearing on final approval of the Disclosure Statement may be concurrent with the hearing to confirm Debtor's Plan. The hearing will be held at the U.S. Courthouse, Bankruptcy Courtroom, 2nd Floor, 222 John Q. Hammons Parkway, Springfield, Missouri 65806. Objections to the adequacy of the disclosures stated and the confirmation of the Plan must be filed with the Court and served upon the attorney for the Debtor at the address and by the deadline set forth in the conditional Order and Notice or it will not be considered at the hearing.

1.06. Voting. If the Disclosure Statement has been conditionally approved the Disclosure Statement and proposed Plan will be accompanied by a Court Order conditionally approving the Disclosure Statement for circulation with the Plan to claim holders and parties in interest together with a separate ballot. In order to vote for or against the Plan, an eligible and qualified voter must complete, date, sign, and mail the accompanied ballot to the attorney for Debtor, at the address as follows: David E. Schroeder, Attorney for Debtor, 1524 E. Primrose, Suite A, Springfield, MO 65804, telephone (417) 890-1000, Fax (417) 886-8563. **The ballot must be received by the deadline set forth in the Court Order approving the circulation of the above-described materials.**

1.07. Confirmation of Plan. Debtor's Plan of Reorganization or any Amended Plan filed by Debtor must be confirmed by the Court before it is effective. The Court will schedule a confirmation hearing on the proposed Plan. **The holders of all claims or interests will receive notice of the hearing.** (Notice of hearing may be set forth in a Court order conditionally approving the Disclosure Statement as described in Section 1.05 above). At the confirmation hearing the Court will determine whether the requisite number of classes and creditors have accepted the Plan and determine whether all other requirements of confirmation have been satisfied.

1.08 Contact for More Information. If you want additional information about the Disclosure Statement or Plan, you should contact the attorney for Debtor, David E. Schroeder at 1524 E. Primrose, Suite A, Springfield, Missouri 65807, Telephone (417) 890-1000, Fax (417) 886-8563, or by e-mail at bk1@dschroederlaw.com

ARTICLE II

The Debtor and the Bankruptcy Estate

2.01. The Debtor. Debtor KIRKLAND HUTCHESON, LLC is a Missouri limited liability company formed and was initially organized in March of 2004 to own and operate the real estate and improvements known as the Atrium Inn which consisted of two (2) separate lodge buildings located at 3005 Green Mountain Drive, Branson, Taney County, Missouri. The current members of the Debtor are family members of either Kirkland or Hutcheson and their identity and interest is set forth below.

William and Noela Kirkland	35%
Alvin and Kathleen Hutcheson	25%
Jeffery Hutcheson	25%

Sandra Kirkland	5%
David Kirkland	5%
Robert Kirkland	5%

The original Atrium Inn was comprised of two (2) motel buildings with a total of one hundred (100) guest rooms, a day spa, a three bedroom manager's apartment, and a meeting room. In August of 2004 Debtor purchased an adjoining vacant 2.16 acre lot for future expansion. In 2009, the Debtor company added a new four (4) story "Castle Rock Resort" which included one hundred (100) additional guest rooms, a full service restaurant, media space, a 30,000 square foot indoor water park, and a 5,000 square foot outdoor water park. The indoor water park features several large slides including both corkscrew and raft ride attractions, an upper messenine level featuring a lazy river, and various multiple level sundecks. Construction financing was provided by BancorpSouth Bank.

2.02. Factors Contributing to the Filing of Chapter 11 Reorganization Proceeding. As of September 1, 2007 Debtor had undertaken the addition of the new four story "Castle Rock Resort" which included one hundred (100) additional guest rooms and the indoor and outdoor water parks, restaurant, and other amenities. In September of 2007 the project was sixty percent (60%) complete and Debtor had planned to open by September 1, 2007 pursuant to a development budget of approximately \$12,000,000.00. Construction financing was being provided by BancorpSouth. Subsequently the Debtor experienced construction delays and other problems and did not open Castle Rock and the water park until March of 2009. In addition the financial arrangement Debtor made with ARM Castle Rock, LLC for total and exclusive management of the property proved not to be cost effective or operationally efficient. As a result Debtor suffered from cash flow deficiencies and began to accrue substantial unpaid tax liabilities with both the Internal Revenue Service, Missouri Department of Revenue, and the City of Branson ("tourism tax"). In the fall of 2009 Debtor was expecting an assessment of substantial real estate taxes based upon the nature of improvements to be due and payable on or before December 31, 2009. With the culmination of unpaid debt Debtor elected to file for relief under Chapter 11 to reorganize and restructure its financial obligations and filed its petition on November 24, 2009.

2.03 Nature of Assets and Liabilities Within Debtor's Bankruptcy Proceeding. With the commencement of Debtor's case under Chapter 11 of the Bankruptcy Code, herein the "Petition Date", a bankruptcy estate was created by virtue of Section 541 of the Bankruptcy Code with the estate being comprised of all Debtor's legal or equitable interests in various property rights and assets. Debtor subsequently filed its bankruptcy schedules and statement of affairs for the purpose of attempting to identify the nature and extent of its assets and liabilities. A table summarizing Debtor's assets and liabilities as of the petition date and as adjusted based on orders entered or claims filed, together with a current liquidation analysis, is attached hereto and identified as Schedule 2.03.

ARTICLE III

Description of Chapter 11 Operations

3.01. Employment of Professionals. By Order entered on December 18, 2009, the Bankruptcy Court approved the Debtor's employment of attorney David E. Schroeder as Debtor's counsel for its reorganization proceeding.

3.02 Motion for Adequate Protection and to Prohibit Use of Cash Collateral. On December 24, 2009 and December 28, 2009, creditor BancorpSouth filed Motions for Relief from Stay and to Prohibit Use of Cash Collateral (doc. #17 and #21) respectively. Subsequently Debtor and BancorpSouth entered into a Stipulation for Adequate Protection and for Use of Cash Collateral (doc. #48) which was approved by the Court on March 9, 2010 (doc. #50). Debtor has been operating under the terms of the Stipulation to date.

3.03 Motion to Incur Unsecured Credit. On February 2, 2010, Debtor filed its Motion for Order Permitting Debtor to Incur Unsecured Credit (doc. #31) from individual Jeff Hutcheson in an amount not to exceed \$250,000.00 for use as additional operating capital during the tourist off season under terms of an advanced line of credit bearing interest of 5% with interest to be paid one (1) year from execution of the loan documents and all principal and accrued interest to be paid two (2) years from execution. Debtor's Motion was granted by the Court on February 16, 2010 (doc. #40).

3.04 Motion for Bar Date. On April 20, 2010, Debtor filed its Motion to Set Bar Date (doc. #63) and the Court entered an Order Fixing the Deadline for Filing Proofs of Claims (doc. #64) establishing a bar date for filing proofs of claim for May 29, 2010.

ARTICLE IV

Expected Distributions Under the Plan

4.01. General. Set forth in this Article is a general description of the basic treatment and the distribution with respect to claims including classes of claims and interest. This description is not intended, nor should it be relied upon, to substitute for a careful review of the actual terms of the Plan.

4.02. Summary of Expected Distributions to Claimants. The table below summarizes the claims or classes of claims and interest and their proposed treatment under the Plan. The table constitutes a summary only and must be qualified by reference to the Plan itself and the exhibits thereto and all documents described therein. Any specific claim in any specific class and the total amount to be paid may vary depending upon resolution of any objections to claims as may be filed with the Bankruptcy Court and served upon the holders of each claim to which objections are made.

Claims/Class	Impairment	Treatment
Priority Tax Claim Taney County Collector \$92,922.00	Unimpaired	To be paid with interest in full; monthly
Priority Tax Claim Taney County Collector \$31,813.00	Unimpaired	To be paid with interest in full; monthly
Priority Tax Claim City of Branson \$52,215.00	Unimpaired	To be paid with interest in full; monthly

Priority Tax Claim Missouri Department of Revenue \$1,205.00	Unimpaired	To be paid with interest in full
Priority Tax Claim Missouri Department of Revenue \$84,259.00	Unimpaired	To be paid with interest in full; monthly
Priority Tax Claim Internal Revenue Service \$25,655.00	Unimpaired	To be paid with interest in full; monthly
Jeffery Hutcheson \$250,000.00	Unimpaired	5.5% with interest paid one (1) year from note and any additional interest paid two (2) years from note
Class 1 – Missouri Department of Revenue \$25,521.00	Impaired	To be paid with interest in full; monthly
Class 2 – BancorpSouth Bank \$12,519,000.00	Impaired	Interest at 5.5% payable monthly, excluding months December, January and February for a three (3) year period from the effective date whereupon outstanding obligation amortized over twenty (20) years at same interest rate and same payment schedule
Class 3 – Great America Leasing Corporation	Unimpaired	To be paid in accordance with contract
Class 4 – Kirkland \$250,000.00	Impaired	Quarterly payments of interest at 5.5% per annum
Class 5 – Mechanic Lien Claimants	Impaired	Any claims determined to be unperfected in any state court action or adversary action will be treated as unsecured creditors in Class 6. Claims with valued secured claims will be paid prorata on a quarterly basis until claims are paid in full
Class 6 – General Unsecured Claims	Impaired	Prorata quarterly payment of \$0.10 for each dollar (10%) of each allowed claim over sixty (60) months

Class 7 – Equity Security Interest	Impaired	No distribution until and unless all obligations under the Plan have been performed
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ARTICLE V

Summary of Plan

5.01 Plan In General. Debtor's proposed Plan accompanies this Disclosure Statement. **The summaries of the Plan and other documents contained in this Disclosure Statement are qualified in their entirety by reference to the Plan itself, the exhibits thereto and all documents described therein. Creditors and other parties in interest are urged to review the Plan itself.** Generally, the Plan requires that, after final Court approval of the Plan has been obtained, the Debtor will begin making plan payments to those of their creditors whose claims have been allowed and in accordance with the priority of classes and the specific treatment specified within the Plan.

5.02. Classes of Claims And Interests and Treatment. The Plan divides claims and interests into separate categories, separate claims, or separate classes. The claims and or classes and treatment to be accorded to each claim and or class under the Plan are set forth in the Table at Article IV, Section 4.02 above.

5.03. Executory Contracts and Unexpired Leases. On the effective date, the Debtor shall be deemed to have assumed or rejected, as the case may be, each executory contract and unexpired lease as otherwise provided in Article V, Section 5.01 of the Plan. The following chart lists each executory contract and unexpired lease and the Debtor's intention (assumption or rejection) with respect thereto;

Description	Treatment
Management Agreement with American Resort Management, LLC and/or ARM Castle Rock, LLC	Previously terminated with mutual releases
Management Agreement with Hybrid Hospitality, LLC	Rejection

If the rejection of an executory contract or unexpired lease during the Chapter 11 case results in a claim, then such claim shall be forever barred and shall not be enforceable against the Debtor unless a Proof of Claim is filed with the Clerk of the Bankruptcy Court and served upon counsel to the Debtor within thirty (30) days after the effective date.

ARTICLE VI

Distributions on Claims and Interests and Implementation of Plan

6.01. Distributions by Reorganized Debtor. Pursuant to the Plan, at Article VI, Section 6.01, the reorganized Debtor shall assume the obligation and have the duty to make distributions in accordance with the Plan. No payment or distribution shall be made with respect to any claim to the extent it is a disputed claim unless and until all objections to such disputed claim are resolved and such disputed claim becomes an allowed claim.

6.02. Treating Disputed Claims. Pursuant to the Plan, at Article VII, Section 7.02, after the date of entry of the confirmation order, the reorganized Debtor shall have the authority to (1) file, litigate to final judgment, settle, or withdraw objections to disputed claims, (2) file proof of claims on behalf of creditors who do not file claims within the period set for doing so pursuant to Bankruptcy Rule 3004, and (3) litigate to final judgment, settle, or withdraw objections to claims filed pursuant to Bankruptcy Rule 3004. The Plan, at Article VII, Section 7.01, provides that all objections to claims must be filed or alternatively Debtor shall file all objections to claims and interests within 30 days after the effective date of the Plan. If an objection has not been filed to a proof of claim or a scheduled claim by such date, the claim to which the proof of claim or scheduled claim relates shall be treated as an allowed claim if such claim has not been previously allowed.

6.03. Undeliverable Distributions or Failure to Claim Distributions. Pursuant to the Plan at Article VI, Section 6.04, if any holder of a claim fails to accept, negotiate, or cash any distribution, no further distribution shall be made to such holder unless and until the reorganized Debtor is notified in writing of such holder's then current address or reason for failure to claim, accept, or cash the distribution.

6.04. Effective Date of Plan. The Plan provides that the effective date of the Plan shall be the first day exclusive of a Saturday, Sunday or Federal legal holiday following the 30th day after an order of the Bankruptcy Court confirming the Plan has become a final order, not subject to appeal, or if a notice of appeal has been filed with respect thereto, not stayed by any order of the Court having jurisdiction to stay such order confirming the Plan.

6.05. Means for Implementation of the Plan. The means for executing and implementing the Plan will be to allow the Debtor to keep and retain its property and continue the operation of its business in its ordinary course of business affairs subject to the encumbrances thereon as provided for in the Plan and allow the Debtor a period of time to satisfy its creditors as provided for in the Plan. The funds necessary for the satisfaction of the creditors' claims through payments under the Plan shall be generated from the continued operation of the business, however the Debtor may also seek to sell its assets to discharge its obligations set forth in the Plan.

6.06. Retention of Jurisdiction. The Plan at Article IX provides that the Bankruptcy Court shall retain jurisdiction of these proceedings until final consummation of the Plan, notwithstanding any earlier closing of the case, pursuant to and for the purposes of Code Sections 105(a) and 1127, and as otherwise set forth in the Plan.

6.07. Modification of the Plan. The Plan provides that the Debtor reserves the right to alter, amend, or modify the Plan, subject to the restrictions on Plan modifications as set forth in Bankruptcy Code Section 1127.

ARTICLE VII

Acceptance or Rejection of the Plan/Voting by Impaired Classes

7.01. Classes Entitled to Accept or Reject the Plan. Whether a holder of a claim or interest is entitled to accept or reject a Plan depends on (a) the class in which the claim or interest is classified; and (b) whether that class receives property and is “impaired” under that Plan within the meaning of Bankruptcy Code Section 1124. Generally, whether a class is impaired depends on whether the legal, equitable, or contractual rights of the holders of claims or interests in the class are altered. The Debtor believes that each holder of an allowed claim in certain classes are impaired and, therefore, are entitled to vote either to accept or reject the Plan. Only those votes cast by holders of allowed claims shall be counted in determining whether acceptances have been received sufficient in number and amount to confirm the Plan.

7.02 Acceptance by Impaired Classes. An impaired class of claims shall have accepted the Plan if: (i) the holders [other than those designated under Bankruptcy Code Section 1126(e)] of at least two-thirds in amount of the allowed claims actually voting in such class have voted to accept the Plan and (ii) the holders [other than those designated under Bankruptcy Code Section 1126(e)] of more than one-half in number of the allowed claims actually voting in such class have voted to accept the Plan.

7.03 Non-Consensual Confirmation. In the event that any impaired class of claims does not accept the Plan in accordance with Bankruptcy Code Section 1126, the Debtor reserves and hereby requests the Court confirm the Plan in accordance with Bankruptcy Code Section 1129(b).

7.04 Confirmation of the Plan Without Acceptance of All Impaired Classes. The Plan may be confirmed even if not accepted by all impaired classes if (i) at least one impaired class of claims has accepted the Plan, and (ii) the Plan does not “discriminate unfairly” and (iii) the Plan is “fair and equitable” as to the dissenting class(es).

ARTICLE VIII

Other Confirmation Standards

8.01 Best Interests of Creditors Test. Bankruptcy Code Section 1129(a)(7) requires in relevant part that, with respect to each impaired class of claims or interests under the Plan, any holder of a claim or interest in such class who does not accept the Plan must “receive or retain under the Plan on account of such claim or interest property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtor were liquidated under Chapter 7 of this title on such date”. This provision is known as the “best interests of creditors test” and is designed to ensure that a Chapter 11 plan provides at least as much to non-consenting creditors holding claims and interests in impaired classes as those parties would receive in a Chapter 7 liquidation.

The Debtor believes the requirement imposed by Section 1129(a)(7) is met by reference to Debtor’s liquidation analysis attached hereto and identified as Schedule 2.03. Debtor believes that if its assets were sold in the context of a forced sale (public auction or foreclosure), the liquidation value of the assets after costs of sale would be substantially less than the claims of the secured creditors and the less than the claims of the secured creditors, mechanic lien claimants, and tax lien claimants. It is Debtor’s opinion, absent confirmation of Debtor’s proposed Plan, a conversion or dismissal of these bankruptcy proceedings would result in general unsecured creditors receiving a dividend of substantially less than 100% of their claims and probably nothing. Debtor’s Plan proposes payment to general unsecured claims, as approved, in an amount equal to 10% of each allowed claim to be made through a prorata quarterly distribution over a 5 year period.

8.02 Feasibility. Bankruptcy Code Section 1129(a)(11) requires as a condition to confirmation a showing that “confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan unless such liquidation or reorganization is proposed in the Plan”. Debtor believes the requirements of Section 1129(a)(11) have been satisfied as based upon Debtor’s current and projected financial income and expense statements, assuming confirmation of the Plan, Debtor believes it will have sufficient cash and other assets to fund all payments to be made to holders of allowed claims and to establish appropriate reserves for any and all claims and timely payment thereof. Pursuant to Local Rule 3016-2A of the Bankruptcy Code, Debtor has prepared a profit and loss budget overview for consideration in connection with filing this Disclosure Statement and same is attached hereto and identified as Schedule 8.02.

8.03 Disclosure of Financial Transaction with Affiliates or Insiders. As of the date Debtor filed its voluntary bankruptcy petition its books and records reflect transactions with an “insider” of the Debtor, as that term is defined in Section 101(31) of the Bankruptcy Code as follows:

(i) *Employment relationship with Pam Hutcheson.* Pam Hutcheson, daughter of members Alvin and Kathleen Hutcheson, has been a contractual employee with the previous management company and has received compensation from the management company. The Debtor intends to reject its executory contract with the management company. It will continue with contractual employment of Pam Hutcheson at the same level she received from the management company.

(ii) *Kathleen Hutcheson.* Kathleen Hutcheson, wife of Alvin Hutcheson shares ownership of a 25% membership interest of the Debtor and has been a contractual hourly employee with the previous management company and has received compensation from the management company. The Debtor intends to reject its executory contract with the management company. It will continue with contractual employment of Kathleen Hutcheson at the same level she received from the management company.

8.04. Tax Consequences. Debtor is not aware of any adverse tax effects of the plan on the debtor, other than the applications of Code Section 346(j), which may effect certain favorable tax attributes held by debtor on the petition date.

THIS DISCLOSURE STATEMENT DOES NOT PURPORT TO GIVE TAX ADVICE OF ANY KIND RELATED TO THE PLAN, OR ITS IMPACT ON THE DEBTOR, CREDITORS, INTEREST HOLDERS OR OTHER INTERESTED PARTIES. SUCH PARTIES SHOULD SEEK INDEPENDENT TAX COUNSEL WITH REGARD TO THE PLAN'S IMPACT ON THEM.

ARTICLE IX

Recommendation and Conclusion

9.01. Debtor’s Recommendation. The intent of the Plan is to enable the Debtor to continue its operations thereby generating sufficient monies to pay all approved and allowed claims to the extent as set forth in the Plan. Accordingly, Debtor asserts it would be in the best interests of all classes of creditors and interest holders to vote in favor of the Plan.

Dated: May 10, 2010

DAVID SCHROEDER LAW OFFICES, P.C.

BY: /s/ David E. Schroeder

David E. Schroeder #32724
1524 East Primrose, Suite A
Springfield, Missouri, 65804
Telephone (417) 890-1000, Fax (417) 886-8563
E-Mail bk1@dschroederlaw.com
ATTORNEY FOR DEBTOR

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing document was served electronically to those parties who have entered an appearance in the Court's Electronic Court Filing (ECF) System and conventionally, via first-class mail, postage prepaid, to those parties who have requested notice but are not participating in the ECF System, pursuant to instructions appearing on the electronic filing receipt received from the U.S. Bankruptcy Court, on this 10th day of May, 2010.

/s/David E. Schroeder

David E. Schroeder