

United States Bankruptcy Court
Western District of Washington at Tacoma

In re LLRIG TWO LLC

Debtor(s)

Case No. 14-45610

Chapter 11

LLRIG TWO LLC'S DISCLOSURE STATEMENT

DATED ~~FEBRUARY~~ AS AMENDED APRIL 15, 2015

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I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of LLRIG TWO, LLC (the "Debtor in Possession"). This Disclosure Statement contains information about the Debtor and describes the DIP's Plan of Reorganization (the "Plan") filed by LLRIG TWO, LLC on February 20, 2015. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. *Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.*

The proposed distributions under the Plan are discussed at pages 4 – 8 of this Disclosure Statement.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case;
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed);
- Who can vote on or object to the Plan;
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan;
- Why the Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation; and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. *Time and Place of the Hearing to Approve This Disclosure Statement:*

The hearing at which the Court will determine whether to approve this Disclosure Statement will take place on ~~March 25~~, **April 22**, 2015, at the United States Bankruptcy Court in Tacoma, Union Station, 1717 Pacific Avenue, Tacoma WA 98402 at 9:00 a.m. in Courtroom I.

2. *Deadline for Objecting to the Adequacy of Disclosure Statement*

Objections to this Disclosure Statement must be filed with the Court and served upon William L. Beecher, counsel for the DIP, 1703-C Dock Street, Tacoma Washington 98402 by March 18, 2015.

3. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact William L. Beecher, counsel for the DIP at the address above or, by phone 253-627-0132, or by email: billbeecher@beecherandconniff.com.

C. Disclaimer

The Court has approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court may approve this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted.

II. BACKGROUND

A. Description and History of the Debtor's Business

The Debtor is a limited liability corporation ("LLC") organized under the laws of the State of Washington in May 2012. Since that date the Debtor has been in the business of managing, renting, and selling recreational lots on real estate which it owns known as Lost Lake Resort. The common address of the Debtor's property and operations is 1546 Reservation Road, Olympia Washington 98513. The resort property consists of in excess of 250 recreational lots on 85 acres of property and an adjoining, partially developed, 56 acre parcel, in addition to roads and infrastructure improvements to the common areas of the property.

B. Insiders of the Debtor

Brent McCausland and Block Investments, LLC are the sole members of the LLC and are insiders as defined in section 101(31) of the United States Bankruptcy Code (the "Code"). Neither member of the LLC has received compensation from the Debtor since inception or at any time during the pendency of this case.

C. Management of the Debtor Before and During the Bankruptcy

During the two years prior to the date on which the bankruptcy petition was filed, the officers, directors, managers or other persons in control of the Debtor (collectively the "Managers") were Brent McCausland and David Block. They continue to manage all of the Debtor's business affairs and will do so following the confirmation of the Debtor's Plan of Reorganization.

D. Events Leading to Chapter 11 Filing

The owners of the Debtor acquired their interests in the Debtor's property in two ways:

1. On July 6, 2012, the owners of the Debtor acquired the membership interests in Lost Lake Resort, LLC (the owner of the 85 acres) and Lost Lake Development, LLC (the owner of the 56 acres) from the consolidated bankruptcy estates of Jeffrey Graham and Lost Lake Development, LLC, case #10-49543 and #10-49544, respectively, both cases in the U.S. Bankruptcy Court for the Western District of Washington at Tacoma.

2. In April 2012, the Debtors predecessor and members bought the underlying note and deeds of trust encumbering all the estate property from Sterling Savings Bank. The notes and Deed of trust were subsequently assigned to the Debtor. In August 2012 the Debtor acquired the property owned by Lost Lake Development, LLC and Lost Lake Resort, LLC by non-merger deed in lieu of foreclosure.

Shortly after the acquisitions the interests in the Sterling Note and Deed of trust were improperly assigned to Lee and Lori Wilson and Lost Lake Resort Investment Group, LLC. That transfer is the subject of litigation currently pending in Thurston County Superior Court and is described in greater detail later in this Disclosure Statement.

E. Significant Events During the Bankruptcy Case

Since filing, estate professionals have been appointed, including general counsel for the DIP, special counsel to handle the state court litigation, real estate professionals to market the estate property, and a CPA to file annual returns. Several of the lots owned by the Debtor have been sold pursuant to court orders and the proceeds will be held by counsel for the DIP pending further orders and confirmation procedures. Relief from stay will or has been granted to permit state court litigation to continue which will determine the DIP's rights to the Sterling Notes and Deed of Trust and, possibly, result in a money judgment. Claims bar dates have been established and the claims allowance/disallowance procedures are pending or near completion. The DIP continues to engage in the business of renting and selling its recreational lots in the ordinary course.

F. Projected Recovery of Avoidable Transfers

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The DIP has filed motions to allow/disallow claims and to establish who is or is not entitled to vote and receive distributions. These procedures will have been completed prior to the confirmation date of the Plan.

H. Current and Historical Financial Conditions

The identity and fair market value of the estate's real estate assets are listed in Exhibit A. This valuation was prepared by the DIP's real estate professionals. The value of all lots, when sold, in the aggregate, would exceed \$7M. **The back 56 acres of partially developed property are zoned 5 acre "rural". Before anything can be done to the property it will have to go through a re-zoning process including a boundary line adjustment along a road that abuts the back portion of the property. This will enable the Debtor to sell the most popular view lots of the resort. This property also provides an easement that accommodates 14 separate drainfields and septic systems which serve that portion of the property which is fully developed. Retention of this property is essential to the overall success of the resort.**

The DIP has had very little income activity since filing except the sales of a number of lots, which are ~~expected to close in February or March 2015~~ **have closed or are in the process of closing**. A summary of those closings will be attached as Exhibit B to this statement when completed. The monthly financial reports reveal nominal activity to date and can be reviewed in the official records of this case on file with the clerk's office.

The Debtor also has unliquidated claims for negligence against attorney John Mills that are pending in Thurston County Superior Court. The Debtor also has unliquidated counter claims against LLRIG, LLC and Lee and Lori Wilson pending in Thurston County Superior Court.

On March 31, 2015 the DIP was a party to a settlement agreement arising out of state court litigation. That settlement agreement is the subject of a Motion to Approve Compromise which is anticipated to be approved April 22, 2015. The significant effect of this settlement is to put control and ownership of mortgage debt related to the 56 acres undeveloped property into the control of the DIP's members so that property can be developed and sold without the pressure of the secured debt against the property.

The Debtor has very little personal property, including nominal amounts maintained in the general business account of less than \$2,500.

The Debtor is receiving payments on a contract receivables with a balance of \$42,000 **\$_____**.

The Debtor expects to receive sale proceeds from pending sales which will be less than \$150,000 most likely and be held in the DIP special trust account with Debtor's counsel **pending confirmation and implementation of the Debtor's Plan of Reorganization..**

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has not placed the following claims in any class:

1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under section 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment. The Costs of administration will be surcharged from the interests of secured claimants pursuant to section 506(c)

The following chart lists the Debtor's estimated administrative expenses, and its proposed treatment under the Plan:

Type	Estimated Amount Owed	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	none known	Paid in full on the effective date of the Plan, or according to terms of obligation if later
Possible cost claim related to Wilson Removal Motion	\$4,000 \$2,000, approved by court order	Paid in full on the effective date of the Plan, or according to terms of obligation if later
Professional Fees, when approved by the Court.	Estimated \$15,000	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan
Clerk's Office Fees	\$350.00	Paid in full on the effective date of the Plan
Other administrative expenses		Paid in full on the effective date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees		Paid in full on the effective date of the Plan
TOTAL	17,350.00	

2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by section 507(a)(8) of the Code. Unless the holder of such a section 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding five years from the order of relief.

The following chart lists the Debtor's estimated section 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
No known tax claims	0		Pmt interval = [Monthly] payment =

			Begin date	=
			End Date	=
			Interest Rate %	=
			Total Payout	= \$
			Amount	

C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under section 506 of the Code. The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

Class #	Description	Insider? (Yes or No)	Impairment	Treatment
1.1	<p><i>Secure claim of:</i> Thurston County Treasurer/Assessor</p> <p>Collateral Description = All Real Estate</p> <p>Allowed Secured Amount = \$ 242,150.53</p> <p>Priority of lien = first position</p> <p>Principal owed = \$242,150.53</p> <p>Pre-pet. arrearage = \$242,150.53</p> <p>Total claim = \$242,150.53, plus accruing interest @ 12%</p>		impaired	<p>Paid from sale =</p> <p>proceeds as lots sell,</p> <p>applied to oldest tax =</p> <p>first</p> <p>=</p> <p>=</p> <p>=</p> <p>=</p> <p>=</p>

Class #	Description	Insider? (Yes or No)	Impairment	Treatment
1.2	<p><i>Secure claim of:</i> Name = Lost Lake Resort COA</p> <p>Collateral Description = All Real Estate</p> <p>Allowed Secured Amount = \$ 337,560.00</p> <p>Priority of lien = Second, behind real estate taxes</p> <p>Principal owed = \$ 337,560.00</p> <p>Pre-pet. arrearage = \$337,560.00</p> <p>Total claim = \$337,560.00</p>		impaired	<p>Paid from sale = proceeds as lots sell</p> <p>=</p> <p>=</p> <p>=</p> <p>=</p> <p>=</p> <p>=</p> <p>=</p>

2. *Classes of Priority Unsecured Claims*

Certain priority claims that are referred to in sections 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

The following chart lists all classes containing claims under sections 507(a)(1), (4), (5), (6), and (a)(7) of the Code and their proposed treatment under the Plan:

Class #	Description	Impairment	Treatment
2	No claims in this class	N/A	N/A
	\$		

3. *Class of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under section 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Classes n/a through ____, which contain general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment
3	No claims in this class		

4. *Class of Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company, the equity interest holders are the members. ~~Finally, with respect to an individual who is a debtor, the debtor is the equity interest holder.~~

The following chart sets forth the Plan's proposed treatment of the class of equity interest holders:

Class #	Description	Impairment	Treatment
4.1	Brent McCausland, Block Investments, LLC members		will retain equity interests after all claims paid, subordinated to claims

5. *Pass-Through Claims Against DIP's Real Estate*

There are several "claims" or encumbrances which appear on title reports affecting the DIP's real estate, although such claims appear to have originated of record prior to the DIP accepting the property back in lieu of foreclosure in non-merger conveyances. These claims are subordinate to the Sterling Bank Notes and Deed of Trust, which the DIP believes it holds and owns. Under section 1141(c), in order for such a claim to be voided by a reorganization plan, the plan must be confirmed, the property subject to the lien must be dealt with in the plan, the holder of the lien must not participate in the reorganization, and the plan must not preserve the lien. None of the listed "claims" participated in the reorganization case. Accordingly, their lien technically survives the plan. However, assuming the DIP rights in the Sterling Bank Notes and Deed of Trust are preserved for it, the DIP will conduct a non-judicial foreclosure of its Sterling Bank position and extinguish these liens in accordance with state law, post confirmation. The ability of the DIP to conduct such non-judicial foreclosure will survive the confirmation. The reorganized Debtor shall retain the rights to conduct such a proceeding. The claims and interests are:

- a. Assignment of judgment from Thomas and Stephanie Plakos in favor of 3rd Quarter, LLC, Thurston County Superior Court. #09-2-02766-5, \$17,116, plus accruing interest. Original Defendant Lost Lake Resort, LLC.
- b. Federal Tax lien filed February 9, 2010, against Lost Lake Resort Condominium Association, \$41,236.44.
- c. Federal Tax lien filed June 21, 2013, against Lost Lake Resort, LLC and Lost Lake RV Resort, \$24,821.27.
- d. Note and Deed of Trust originally in favor of Lee and Lori Wilson affecting the 56 acre undeveloped property. This note and Deed of Trust is now held by LLRIG, LLC which is controlled by members of the DIP following the approval of a settlement by the court.

D. **Means of Implementing the Plan**

1. *Source of Payments*

Payments and distributions under the Plan will be funded by the sale of the DIP's recreational lots. In the event state court litigation results in a money recovery, all net sums, after professional fees and costs, will be used to pay debt.

2. *Post-confirmation Management*

The Post-Confirmation Managers of the Debtor, and their compensation, shall be as follows:

Name	Affiliations	Insider (yes or no)?	Position	Compensation
Brent McCausland	member of LLC	yes	member	0
David Block	member of LLC	yes	member	0

E. **Risk Factors**

The proposed Plan has the following risks:

The DIP always has the risk that the sale of its real estate assets is not successful or progresses at a pace where the proceeds do not keep up with accruing tax and COA debt. Additionally, the DIP is involved in litigation regarding ownership of the Sterling Bank Notes and Deed of Trust for which the outcome is uncertain and risky. For example, if it does not prevail in its effort to establish ownership of the Sterling Notes and Deed of Trust, which encumber all of the real estate assets, the eventual owner could foreclose its interest in the security and the DIP would lose all of its real estate assets and not be able to reorganize. **The Debtor anticipates that it will prevail in its efforts to establish ownership of the Sterling Bank Note.**

F. **Executory Contracts and Unexpired Leases**

The DIP is not a party to any executory contracts or leases.

G. **Tax Consequences of Plan**

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/or Advisors.

The following are the anticipated tax consequences of the Plan: None - the DIP is an LLC corporation and all of its income and losses pass through the LLC to be taxed or otherwise dealt with by its members.

IV. **CONFIRMATION REQUIREMENTS AND PROCEDURES**

To be confirmable, the Plan must meet the requirements listed in sections 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in section 1129, and they are not the only requirements for confirmation.

A. **Who May Vote or Object**

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes; and (2) impaired. It appears at this stage of the proceeding that only two creditors are entitled to vote and receive distributions from the Plan and they are the creditors identified in Class 1.1 and 1.2 above.

In this case, the Debtor believes that classes 1.1 and 1.2 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Debtor believes that there are no other classes of claims entitled to vote or receive distributions under the Plan.

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated; or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure. **The Court has entered an order allowing and disallowing claims on March 31, 2015, docket # 121.**

The deadline for filing a proof of claim in this case was December 19, 2014.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in section 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is Not Entitled to Vote*

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- Holders of claims and equity interests that have been disallowed by an order of the Court;
- Holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes;
- Holders of claims or equity interests in unimpaired classes;
- Holders of claims entitled to priority pursuant to sections 507(a)(2), (a)(3), and (a)(8) of the Code;
- Holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- Administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan [and to the Adequacy of the Disclosure Statement].

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. *Votes Necessary to Confirm the Plan*

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class; and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cramdown" on non-accepting classes, as discussed later in section B.2.

1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan; and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Non-accepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by section 1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of section 1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a "cramdown" confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. **Liquidation Analysis**

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is as follows:

- Estimated FMV of Real Estate: in excess of \$7M
- Less known allowed secured claims **held by LLRIG,LLC now in control of the Plan proponents: \$579,710- \$650,000 + estimated. Claim of Sterling Bank Note and Deed of Trust allegedly help by the DIP in excess of \$3M.**
- Less anticipated costs of administration claims: \$19,350
- Total "Equity:" \$6,400,940.00

D. **Feasibility**

The Court must find 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, unless such liquidation or reorganization is proposed in the Plan. Despite the fact that the Debtor is liquidating its assets as part of this Plan it is doing so in the ordinary course of its business as seller of recreational lots. Accordingly, the effect of section 1141(d)(3) is not implicated.

1. *Ability to Initially Fund Plan*

The Debtor believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. The balance of cash on hand on the confirmation date is expected to be ~~\$TBD~~. **In excess of \$75,000.00**

2. *Ability to Make Future Plan Payments and Operate Without Further Reorganization*

The average offering price of the Debtor's recreational lots is between \$40 - \$50k. The Debtor will only have to sell 20-25 lots to pay the allowed claims off in full. Sales activity has already occurred during the case and on site realtors are currently marketing the property.

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debtor.

On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to the extent specified in section 1141(d)(1)(A) of the Code, except that the Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in section 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in section 1141(d)(6)(B). After the effective date of the Plan your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

B. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or re-voting on the Plan.

Upon request of the Debtor, the United States Trustee, or the holder of an allowed unsecured claim, the Plan may be modified at any time after confirmation of the Plan but before the completion of payments under the Plan, to (1) increase or reduce the amount of payments under the Plan on claims of a particular class; (2) extend or reduce the time period for such payments; or (3) alter the amount of distribution to a creditor whose claim is provided for by the Plan to the extent necessary to take account of any payment of the claim made other than under the Plan.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

VI. OTHER PLAN PROVISIONS

A. Vesting of Property

All property of the Debtor, including its real estate interests are vested in the Reorganized Debtor pursuant to section 1141(b) of the Code. The property is vested free and clear of all interests except those identified in Class 1.1 and 1.2 of this Disclosure Statement. Notwithstanding, the interests of any claimant who may have an interest of record as of the petition date and whose claims "ride through" the plan in accordance with section 1141(c) shall attached to the proceeds of liquidation and sale for later determination and payment, or extinguishment by non-judicial foreclosure. For purposes on implementing Plan the Reorganized Debtor may sell all of its real estate assets in the ordinary course pursuant to the Plan free and clear of such interests.

B. Excise Tax Exemption

All sales or transfers of the property proposed to be sold pursuant to the Plan will not be subject to any real estate excise or conveyance tax in accordance with section 1146(a).

LLRIG TWO LLC

by Brent McCausland, Member

/s/ William L. Beecher

William L. Beecher WSBA 3673

Signature of the Attorney for the Debtor

EXHIBIT A