

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF LOUISIANA
LAKE CHARLES DIVISION**

**IN RE:
PWK TIMBERLAND, LLC
Debtor**

**CHAPTER 11

Case No. 13-20242**

DEBTOR'S ORIGINAL DISCLOSURE STATEMENT

(A)

INTRODUCTION

PWK TIMBERLAND, LLC ("Debtor"), Debtor-in-Possession, presents the following Debtor's Original Disclosure Statement. Debtor's proposed Plan is attached hereto and made a part hereof as Exhibit "A". **Under the Debtor's Plan all allowed claims will be satisfied in full.**

The Bankruptcy Case primarily involves the payment of the debt owed to former members of the company who exercised their rights under "Section 2 - Put Option" of the Articles of Organization of PWK Timberland, LLC on January 31, 2011.

(B)

**DEBTOR INTENDS TO EXERCISE ALL RIGHTS
AVAILABLE TO DEBTOR UNDER CHAPTER 11**

The Debtor intends to seek and utilize all rights available to the Debtor in the filing and implementation of this Disclosure Statement and Plan.

(C)

DEBTOR'S FILING OF CHAPTER 11

On March 22, 2013, the Debtor filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Western District of Louisiana, Lake Charles Division.

After the filing of the bankruptcy petition, the Debtor was allowed to continue in business under the protection of the Bankruptcy Code and to attempt to work out an arrangement with Creditors on a Plan for the repayment of its debts. This document explains the Debtor's Plan and how the Debtor proposes to pay creditors and continue in business.

(D)

DEBTOR'S FILING OF DISCLOSURE STATEMENT AND PLAN

The confirmation process begins with the filing of this Disclosure Statement. The intent of the Debtor's Disclosure Statement is to explain the Debtor's Plan to Creditors so they can make an informed decision on whether to vote for or against the Debtor's Plan. After the Disclosure Statement is filed a Hearing will be set and Creditors will have time before the Hearing to consider the Debtor's Disclosure Statement.

If the Creditors want to they can object to the approval of the Disclosure Statement if a Creditor finds it does not give them enough information or is not satisfactory. In this case the Debtor is proposing to pay or satisfy all Creditors in full, so the Debtor believes there should not be any substantial objections to the Debtor's Disclosure Statement. The Debtor believes Creditors want to be paid and the sooner the Plan is confirmed the sooner the Debtor will initiate the repayment schedule presented in the Debtor's Plan.

Once the Disclosure Statement is approved it, along with any Exhibits in support of the Plan, and the Plan itself are sent to all Creditors for consideration. Creditors that are impaired will also receive a ballot to vote to accept or reject the Plan. Creditors can also object to the confirmation of the Plan. **There will be a deadline to vote and object.**

The creditors/former members in this case were insiders of the debtor until January 31, 2011. They have been provided with all of the written records of the company from its inception until January 31, 2011, all records of Scalisi, Myers & White, the CPA firm that compiled the debtors financial information and prepared all tax returns for the debtor prior to 2012. The former CPA, Leo Scalisi, two current directors and one former director have been deposed by the former members. Sam Pruitt, the current Manager/President of the debtor has been deposed twice since the case was filed (continuation depositions). The debtor believes that the former members have as much information about the company as the current members. The only written material that has been withheld from the former members are materials that are considered privileged under the attorney client privilege. These documents are currently in the possession of Hon. Kent Savoie, Judge 14th Judicial District Court and are being reviewed by him to determine if the documents are privileged. This privilege review was initiated under a ruling made prior to the commencement of this case by Judge Savoie. The review of the privileged documents was remanded to the 14th Judicial District Court by this court via a Order dated August 2, 2013 (docket #143) entered on the former members Motion to Lift Stay. If any or all of those documents are determined to be discoverable and not privileged, they will be turned over under the terms of the motion to produce filed in the state court proceeding and in this proceeding.

The essence of this case has been the conflict over how to determine what is owed to the former members and how that debt was going to be paid. The debtors have filed a plan that provides for full payment of the claims of the former members either by agreed cash payment in full or deferred payment as set out under the terms of the Articles of

Organization that were in place when the former members tendered their shares in the company.

The debtor considered filing a motion to waive the necessity for filing a disclosure statement, but decided, partly because of time constraints, to file a perfunctory disclosure statement with the hope that the former members would indicate what information they lack to form an opinion to the plan or ignore the disclosure statement by allowing it to be approved in order for the confirmation process to move forward rapidly. There has been nothing in this case and in the state court proceedings that preceded it that has not been vigorously contested by both sides. The Bankruptcy Court, the current members and the former members have been bombarded with extensive motions and answers to motions filed by both sides that contain very detailed assertions of fact about the history of the company, the history of the management and the state court litigation, which have been hotly disputed by whatever side opposed the relief sought. Since the debtors are proposing to pay the debt to the former members in full with two elective alternative treatments, it does not believe that a battle over the contents of a disclosure statement are economically beneficial to either side. With that in mind the debtor will proceed to state some facts that, in all likelihood, will be disputed.

(E)

HISTORY AND BACKGROUND

1. Background: The debtor, PWK Timberland, LLC, came into existence on December 15, 2004. Articles of Organization of PWK Timberland, LLC were filed with the Secretary of State of Louisiana on December 15, 2004.

Article XII, Section 2 of the Articles of Organization of PWK Timberland, LLC which were in effect on January 31, 2011 provides a mechanism whereby current Members may elect to require the company to redeem their membership interest conditioned upon their complying with the provisions for exercising of the option as set forth in the Articles of Organization PWK Timberland, LLC. This procedure for redemption of the Members shares is referred to in the Articles of Organization as the "Put Option procedure". The company is required to redeem the units not purchased by the members. One must refer to the Articles of Organization to determine the complete procedure. The Articles of Organization provide a formula for determining the "agreement price" when a Member exercises his or her rights under the "Put Option".

On or before January 31, 2011 the former members exercised their right to "put" their membership units and demand a redemption of their membership interest pursuant to the Put Option.

2. The Valuation Process

PWK's Articles of Organization contain a deliberate, detailed and sometimes confusing procedure to be followed in the event a member elects to exercise his or her put option rights (Section 2 of the Articles).

The relevant put option period commenced January 1, 2011 and ended January 30, 2011. The former members properly exercised their rights under the Put Option during the relevant time period.

The Articles provide that within 15 days of the end of the Put Option Period, or by February 14, 2011, PWK was required to appoint "qualified appraisers" as defined in the documents. PWK's Articles of Organization require appointment of "a qualified

consulting forester” and “qualified land appraiser” to determine the fair market value of the company’s land and standing timber. The Articles define a “Qualified Appraiser” as a “professional appraiser or independent certified public accountant who is qualified by experience and ability to appraise the land, standing timber or other asset of the company.”

By three separate letters each dated January 31, 2011, Vanessa Brown Claiborne, Chaffe & Associates, Daniel R. Plauche, and Warren E. Peters, ACF were each appointed as a qualified appraiser pursuant to Section 2.1 of the Articles of Organization.

All PWK members were informed that the put option had been exercised by Tendering Members by letter dated February 9, 2011.

The three qualified appraisers were appointed by PWK by February 14, 2011. The appointment of the three qualified appraisers was timely. The report of the three appraisers was completed and transmitted to counsel for the former members on January 31, 2012. It is believed that the former members appointed Devin Daugherty to review the forestry information submitted by Warren Peters of Peters Forest Resources, Inc., John Mack Love, Jr. to appraise certain select parcels of land to determine if the real estate appraisal done on behalf of the company was accurate, and Daphne Berken, CPA to review the valuation report performed by Vanessa Claiborne on behalf of PWK. April 15, 2012 was the last day for the former members to indicate that they did not agree on the single written opinion submitted by PWK and its appraisers. On May 25, 2012 Daphne Berken wrote a letter to Vanessa Claiborne indicating the former members disagreement with the first appraisers and recommends the appointment of a third valuator. On May 25, 2012 Vanessa Claiborne wrote a letter to Daphne Berken

recommending the appointment of a third valuator/appraiser. On June 13, 2012 Daphne Berken accepts Mr. Chav Pierce of LaPorte CPAs as the third appraiser. The parties could not agree on the terms of employment of Mr. Pierce prior to the commencement of the bankruptcy case. Subsequent to the Chapter 11 being filed the debtor agreed to the engagement and LaPorte was appointed to provide the valuation services set forth in his engagement letter dated June 13, 2013. The LaPorte engagement was approved by the bankruptcy court on June 25, 2013. PWK tendered the signed engagement letter and \$25,000.00 retainer to Mr. Pierce on June 24, 2013 based on the Court's oral ruling approving his employment.

PWK has cooperated with LaPorte in all requests made subsequent to their appointment and it is believed that the valuation process is ongoing. It is believed that it will be several months and perhaps a year before that valuation process is complete.

3. The Mineral Interests of the Former Members.

PWK was ordered to provide a Mineral Deed by Judge David Ritchie through a Judgment that was signed on February 11, 2013 and filed on February 13, 2013 in the matter entitled 2011-2533-E.

The terms of the Judgment have been fully complied with by PWK. PWK delivered a signed Mineral Deed, an accounting of the mineral income owed to the former members and the accumulated mineral income that was attributable to the former members from January 2011 through January 2013. PWK continues to collect all of the Royalty Income and some Oil and Gas Lease Rental Income for the current and former members. It has accurately accounted for the money that is owed to the former members after the Judgment rendered by Judge Ritchie. There have been no subsequent orders

directing that the income belonging to the former members be turned over to them.

The status of the Mineral Deed was addressed in the Motion to Lift Stay filed by the former members and the Reply and Opposition filed by the debtor. Subsequent to the hearing on the Motion to Lift Stay the former members submitted some suggested corrections additions and deletions to the draft of the Mineral Deed to counsel for debtor. Those additions, corrections and deletions were incorporated into a revised Mineral Deed prepared by the Gray Law Firm and tendered to the former members sometime on August 8, 2013. As of this writing the Mineral Deed has not been signed or returned to counsel for the debtor with any further comment or suggestion for edit.

PWK does not own the mineral interest of the former members. It does not want to receive and hold the income attributable to their proportionate ownership interest and it does not want its business operations affected or disrupted by the inaction of the former members in getting the mineral deed signed and recorded.

(F)

DEBTOR'S CORPORATE STRUCTURE

1. PWK Timberland, LLC originated with 500 units of membership interest. 155.2781 units were tendered in the provisions of the "put option" on or before January 31, 2011. The remaining 344.72 units consist of current members or equity holders of PWK Timberland, LLC that are listed as follows:

Alison Carol King 429 Thomas Smith Road Sugartown, LA 70662	member	4.00000 #units
Andrew G. Pruitt 1301 North Troy Street, Apt. 10 Arlington, VA 22201	member	1.43000 #units
Anne E. Maduzia 4416 Snowcloud Court Concord, CA 94518	member	0.85800 #units
Charles L. Pruitt 1900 Elm St. Apt 604 Dallas, TX 75201	member	1.43000 #units
Daniel T. Pruitt 4503 Ihles Road Lake Charles, LA 70605	member	1.43000 #units
Elizabeth P. Maduzia 4416 Snowcloud Court Concord, CA 94518	member	31.63552 #units
George Merritt King, IV PO Box 1934 Kinder, LA 70648	member	46.92290 #units
George Merritt King, V PO Box 1666 Kinder, LA 70648	member	18.00000 #units
Jacob S. Pruitt 4503 Ihles Road Lake Charles, LA 70605	member	1.43000 #units
James F. Maduzia 4416 Snowcloud Court Concord, CA 94518	member	0.85800 #units

Jean King White 3602 Holly Hill Road Lake Charles, LA 70605	member	54.39801 #units
John Robert L. Maduzia 4416 Snowcloud Court Concord, CA 94518	member	0.85800 #units
John W. Pruitt 4503 Ihles Road Lake Charles, LA 70605	member	1.43000 #units
Justin Marc Young 296 Hightower Road Deridder, LA 70634	member	7.00000 #units
Logan P. Pruitt 4507 Ihles Road Lake Charles, LA 70605	member	31.63552 #units
Martha A. Pruitt 5700 Scruggs Way, Apt. 5402 Plano, TX 75024	member	1.43000 #units
Samuel L. Maduzia 4416 Snowcloud Court Concord, CA 94518	member	0.85800 #units
Samuel Y. Pruitt 4503 Ihles Road Lake Charles, LA 70605	member	31.63551 #units
Virginia King Pruitt 3218 Henderson Bayou Road Lake Charles, LA 70605	member	106.62443 #units
William W. Maduzia 4416 Snowcloud Court Concord, CA 94518	member	0.85800 #units
Total Current Member Units		344.72 #units

2. The Debtor's Management

The Debtor is managed by its managing member, Samuel Y. Pruitt. Mr. Pruitt is employed as the President/Manager and Executive Officer of the company and is responsible for the day to day operations of the company. The monthly operating reports are current and are prepared by Michael Terranova, CPA under the supervision on Samuel Y. Pruitt.

(G)

WHAT HAS HAPPENED SINCE THE BANKRUPTCY CASE WAS FILED?

The Debtor has filed required Schedules with the Clerk of the Bankruptcy Court. Further, Debtor has provided all requested documents to the office of the United States Trustee. Debtor has filed the required monthly reports and has retained the Court-approved professional services of Legal Counsel, a Certified Public Accountant and LaPorte CPAs as professional valuator. The Debtor is now filing the Disclosure Statement and Plan.

As stated earlier, the Disclosure Statement must provide Creditors and Parties of interest with sufficient information to allow them to evaluate the Debtor's Plan. The required Disclosure Statement should provide the required information.

A meeting of Creditors was held on May 16, 2013 at 11:15 o'clock a.m. at the Federal Court Building in Lake Charles, Louisiana.

The Debtor has and will continue to timely file monthly reports with the Office of the United States Trustee. The Debtor is maintaining a "Debtor in Possession" checking account and is current on all post-petition trade payables.

The debtor currently has four tracts of land in Calcasieu Parish that have been listed for sale since this case was filed. The listing agreements, realtors, and all details of the listing process have been provided to the former members through motions filed in this court. The property remains listed for sale and no offers have been received by the debtor to purchase these tracts as of this writing.

(H)

HOW DOES THE DEBTOR PROPOSE TO PAY ITS DEBTS?
THE CREDITORS ARE DIVIDED INTO CLASSES

The Bankruptcy Code requires a Debtor to divide its Creditors into Classes. Creditors with the same legal rights must be put into the same Class. In this case, Debtor has three classes of unsecured claims. The Debtor's Legal Counsel, accountants, and post-petition¹ Creditors are put in a separate category defined as "Administrative Claims" which are Creditors who have assisted with this bankruptcy case either by rendering services or providing credit to the Debtor post-petition. They have in some way contributed in a positive way to the preservation of the Debtor's estate and provided services or goods that were reasonable, necessary and of benefit to the Debtor. The subject professional fees must be approved by the court after notice and a hearing.

All of these Creditors are "unsecured creditors," and are placed into separate Classes. The various Classes of Creditors and how their Claims are treated are addressed in the Plan as attached hereto marked Exhibit A.

(I)

HOW MUCH AND WHEN DOES
THE DEBTOR PROPOSE TO PAY CREDITORS?

The Plan attached hereto as Exhibit "A" outlines the Debtor's Proposed Payment Schedule. Debtor proposes to pay or otherwise satisfy all allowed claims in full.

All of the assets of the Reorganized Debtor (another label for Debtor used to describe Debtor after the Plan is confirmed), including all furniture, fixtures, equipment, intangibles, movable property and immovable property will be retained by and revert in the Reorganized Debtor free and clear of any mortgage, lien, judgment and/or other encumbrances, none of which will be recognized and maintained under this Plan with the exception of the security afforded to the former members under the terms of the Articles of Organization as originally contracted.

The general premise of the Plan is that the Debtor will pay all Creditors holding Allowed Claims 100% of any amounts owed with the exception of any claims disallowed by the Court.

The Reorganized Debtor, PWK TIMBERLAND, LLC, will continue to operate much as the Debtor has in the past.

(J)

DOES THE DEBTOR HAVE ENOUGH MONEY AND EARNINGS TO MAKE THE PAYMENTS CALLED FOR UNDER THE PLAN?

The current members are prepared to purchase a significant portion of the shares if the former members tender their shares for \$24,000.00 per share. Any shares not purchased by the current members will be purchased by the company. The company is seeking a loan from several local banks to finance the purchase of any shares not purchased by the current members. The company intends to secure this loan by personal guarantees of the current management and, if necessary, a mortgage on some of the real assets of the company.

The former members are entitled, under the Articles of Organization to retain a lien on their shares until they are paid in full. Those former members who elect to be paid in full at the rate of \$24,000.00 per unit, will surrender their share at closing and there will be no lien. Those former members who wish to wait for the completion of the LaPorte valuation will retain the lien on their shares until they are paid in full and their shares are surrendered to the company.

(K)

WHAT IMMOVEABLE PROPERTY DOES THE DEBTOR OWN?

The Debtor owns 10,700 acres of property that are fully described in the debtor's original Bankruptcy Schedules A - Real Property, which is incorporated by reference. The final determination of the value of the land, timber and mineral interests on the 10,700 acres is now in the hands of LaPorte.

(L)

IS THERE ANY RISK THAT THE PLAN MIGHT NOT SUCCEED?

There is always risk in a repayment plan. The current members own 344.72 ownership units of the debtor. The former members tendered 155.2781 ownership units. The assets of the debtor exceed the claims of the former members by two thirds (69%). The company has possession of, and control over, 100% of the assets of the company to sell, borrow against or use to earn revenue to fund this plan and pay the former members. The debtor believes that it will be able to purchase 100% of the outstanding ownership interests in **three months from the date of this disclosure statement** if all former members elected to be paid in full at the rate of \$24,000 per unit.

The debtor currently has four tracts of land in Calcasieu Parish that have been listed for sale. The listing agreements, realtors, and all details of the listing process have been provided to the former members through motions filed in this court. The property remains listed for sale and no offers have been received by the debtor to purchase these tracts as of this writing. The debtor believes that it can satisfy the claims of the former members without having to sell any additional property, but it will, if necessary, market and sell other tracts of property to generate the funds to pay the claims of the former members.

The debtors real and tangible assets are free and clear from liens and mortgages. The former members retain a lien on their unit interests until they are paid. The debtor is able to sell real property to fund this plan if necessary.

(M)

ARE THERE ANY TAX EFFECTS FROM THIS PLAN?

P.1 Tax Effects for the Debtor – The Debtor believes that it will suffer no unexpected tax effects from this Plan.

P.2 Tax Effects to Creditors – The Debtor does not know what the tax effect on Creditors will be and each should consult its own tax advisor.

(N)

FUTURE LITIGATION

The Debtor is unable to address future litigation in this disclosure statement. The matter pending in Judge Savoie's court in the 14th Judicial District Court is not fully resolved.

(O)

U.S. TRUSTEE

The Debtor will continue to report to the U.S. Trustee the total of all disbursements on or before the 15th of each month for the prior calendar month and all disbursements up to the date an Order is entered either granting Final Decree or dismissing the Case.

Dated: November 19, 2013

Respectfully submitted:

/s/ Gerald J. Casey
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APPROVED AS TO FORM AND CONTENT:

/s/ Samuel Y. Pruitt
BY: Samuel Y. Pruitt
Managing Member/President
of PWK TIMBERLAND, LLC