

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF KANSAS**

| | | |
|------------------------------|---|---------------------------|
| In Re: |) | |
| |) | |
| RIM DEVELOPMENT, LLC |) | Case No. 10 -10132 |
| Debtor-in-Possession. |) | Chapter 11 |
| _____ |) | |

AMENDED DISCLOSURE STATEMENT DATED MAY 4, 2010

I. INTRODUCTORY STATEMENT

On January 22, 2010, the Debtor (hereinafter “RIM” or the “Debtor”) filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Kansas (“Court”). On April 23, 2010, the Debtor filed its First Plan of Reorganization (“Plan”). On May 4, Debtor filed its First Amended Plan of Reorganization.

Pursuant to the terms of the Bankruptcy Code, acceptance of the Plan by holders of claims or interests may not be solicited unless, at the time of or before such solicitation, there is transmitted to the holder, a copy or summary of the Plan and a written disclosure statement approved by the court as containing adequate information. The Debtor has prepared this Disclosure Statement to disclose that information which, in its opinion, is necessary to make an informed evaluation of the Plan. Defined terms not defined herein shall have meaning given to them in the Plan. This Disclosure Statement, including the summary of the Plan contained herein, has been presented to and approved by the Court. The Court’s approval does not constitute a judgment by the Court as to the desirability of the Plan, but only that the Disclosure Statement contains information sufficient to enable a typical creditor to make an informed judgment about the Plan.

Provided that at least one Class of Impaired Claims vote in favor of the Plan, if any Class or Classes of Creditors whose Claims are Impaired fails to accept the Plan, it may still be confirmed under the “cramdown” provisions of §1129(b) of the United States Bankruptcy Code. These provisions require that the Plan be fair and equitable as to the objecting Class. As to a Class of Unsecured Creditors, this means that the Class must be paid in full before any junior Class of Claims or interests receive anything of value under the Plan. This principle is sometimes referred to as the “Absolute Priority Rule.” As to secured creditors, the fair and equitable rule requires that they receive the indubitable equivalent of their Claim or that they retain their lien on and receive deferred cash payments equal to the value of their interest in property of the Estate. The Debtor believes that the Plan meets these requirements and hereby requests confirmation under §1129(b) if one or more Classes fail to accept the Plan.

In order to vote on a Plan, a creditor or holder must have filed a proof of claim or interest prior to the expiration of the “Claim Bar Date” established, unless the Claim is scheduled by the Debtor and it is not stated in the schedules as disputed, unliquidated or contingent. An order establishing a Claim Bar Date was entered by the Court on February 3, 2010 establishing a Claim Bar Date of April 30, 2010. Any creditor scheduled as undisputed, liquidated and not contingent is, to the extent scheduled, deemed to have filed a claim. In order for the Plan to be accepted by creditors, a majority in number and two-thirds (2/3) majority in amount of Claims filed, allowed (for voting purposes) and voting in each Impaired Class of Creditors must vote to accept the Plan. In order for the Plan to be accepted by interest holders, a two-thirds (2/3) majority in amount of interest allowed (for voting purposes) and voting in each Impaired Class of interests must vote to accept the Plan. If the Debtor is unable to obtain the requisite acceptance, it may be able to obtain confirmation of the Plan, despite the non-acceptance of one

or more Classes pursuant to 11 U.S.C. §1129(b) as discussed more fully above.

The Debtor is a Kansas limited liability company. THE OWNERS OF THE MEMBERSHIP INTERESTS OF DEBTOR BELIEVE THAT THE PLAN OF REORGANIZATION PROPOSED HEREIN BY THE DEBTOR IS IN THE BEST INTERESTS OF ALL CREDITORS AND HOLDERS OF EQUITY INTERESTS. AS SUCH, THE DEBTOR STRONGLY URGES ALL CREDITORS AND HOLDERS OF EQUITY INTERESTS TO VOTE IN FAVOR OF THE PLAN BY NO LATER THAN 4:00 P.M. CST ON June 7, 2010, WHICH IS THE VOTING DEADLINE SET BY THE BANKRUPTCY COURT.

A creditor or interest holder may vote on the Plan by filling out and mailing the enclosed ballot which the Court has provided. The ballots must be returned by June 7, , 2010; no vote received after such time will be counted nor included in the tally in any manner. Whether a creditor or interest holder votes on the Plan or not, such Claim holder will be bound by the terms of the Plan if the Plan is confirmed. You are, therefore, urged to complete, date, sign, and promptly mail the ballot to Susan G. Saidian; Case, Moses, Zimmerman & Martin, P.A.; 200 W. Douglas, Suite 900, Wichita, Kansas 67202.

NO REPRESENTATIONS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT CONCERNING THE DEBTOR OR THE PLAN IS AUTHORIZED BY THE DEBTOR. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN AS CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR WHO IN TURN SHALL DELIVER SUCH

INFORMATION TO THE COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THE INFORMATION CONTAINED IN THIS STATEMENT AND THE ATTACHED SCHEDULES HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. DUE TO THE COMPLEXITY OF THE DEBTOR'S FINANCIAL MATTERS, THE DEBTOR IS UNABLE TO WARRANT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE OF THIS DOCUMENT UNLESS ANOTHER DATE IS SPECIFIED HEREIN AND THE DELIVERY OF THIS DOCUMENT DOES NOT IMPLY THAT THERE HAVE BEEN NO CHANGES IN THE INFORMATION SET FORTH HEREIN SINCE SUCH DATE.

THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW OF THE PLAN BY EACH HOLDER OF A CLAIM OR EQUITY INTEREST. THIS DISCLOSURE STATEMENT IS INTENDED TO AID AND SUPPLEMENT SUCH REVIEW. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN. THE PLAN IS THE OPERATIVE CONTROLLING LEGAL DOCUMENT. AS SUCH, IF THERE IS ANY INCONSISTENCY BETWEEN THE TERMS AND PROVISIONS OF THIS DISCLOSURE STATEMENT AND THE PLAN, THE TERMS AND PROVISIONS OF THE PLAN SHALL CONTROL.

CASE, MOSES, ZIMMERMAN & MARTIN, P.A. ("CMZM") COMMENCED REPRESENTATION OF THE DEBTOR PRIOR TO THE PETITION DATE AS ITS BANKRUPTCY COUNSEL. ALL COUNSEL TO THE DEBTOR HAVE RELIEF UPON

INFORMATION PROVIDED BY THE DEBTOR IN CONNECTION WITH PREPARATION OF THIS DISCLOSURE STATEMENT. CMZM HAD NO INVOLVEMENT WITH THE DEBTOR OR ITS MEMBERS PRIOR TO ITS ENGAGEMENT FOR THE FILING OF THIS BANKRUPTCY AND ANY PRE-PETITION CONSULTATION AND WORK REGARDING FINANCIAL MATTERS.

FORWARD-LOOKING STATEMENTS: THIS DISCLOSURE STATEMENT INCLUDES FORWARD-LOOKING STATEMENTS BASED LARGELY ON THE CURRENT EXPECTATION OF THE DEBTOR AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL TRENDS AFFECTING THE FINANCIAL CONDITION OF THE DEBTOR OR THE REORGANIZED DEBTOR'S BUSINESS. THE WORDS "BELIEVE," "MAY," "WILL," "ESTIMATE," "CONTINUE," "ANTICIPATE," "INTEND," "EXPECT," AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED BELOW UNDER THE CAPTION "RISK FACTORS." IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES DISCUSSED IN THIS DISCLOSURE STATEMENT MAY NOT OCCUR AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS. NEITHER THE DEBTOR NOR THE REORGANIZED DEBTOR NOR THEIR COUNSEL UNDERTAKE ANY OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

II. HISTORY OF THE DEBTOR

A. BACKGROUND

RIM Development, L.L.C. initially investigated the Junction City real estate market for investment opportunities in 2004 in response to the anticipated Fort Riley BRAC expansion with an eye towards building single family and multi-family housing, along with commercial and retail development in a master planned community, with the development to be purchased and leased by members of the military and others who would be employed in various business entities associated with the Fort Riley BRAC expansion and later the National Bio and Agro-Defense Facility (NBAF) which is expected to positively impact Kansas' economy by \$3.5 billion dollars in economic growth. RIM investigated the local economy and markets and found that the Ogden location, being situated near Fort Riley and close to K-18, to be an ideal location for real estate development. The River Trail Subdivision is the completed configuration of town homes, some 72 units of which are still owned by RIM and are fully leased with a waiting list. There are also several pad ready commercial sites and several residential six-plex, nine-plex, and thirty-plex apartment sites, most with utilities and streets up to the pad ready sites and some require a short extension of streets and utilities using approved bond financing.

After RIM negotiated for the purchase of an initial tract of ground near Ogden, Kansas, Kansas Department of Transportation ("KDOT") announced that it planned to expand the K-18 interchange near RIM's property and presented a preferred alignment of the K-18 expansion for public comment, although KDOT had not committed to developing that particular alignment and continued to consider others without announcing a firm schedule for completion of the project. Ultimately RIM closed on its initial purchase of ground and purchased additional lots. The City of Ogden approved several different plats of RIM's property as RIM moved forward with its

plans to develop the area as a Master Planned Community with residential and commercial development.

KDOT filed an eminent domain petition on November 6, 2009 in which it sought possession of part of RIM's property for right of way easements, both permanent and temporary and permanent, acquisition of title, and a flowage easement. The impact of this eminent domain action is discussed in more detail in section D below. KDOT also filed an eminent domain petition to compensate Rim for billboards, and RIM intends to accept \$60,000.00 for that award. ONEOK, Inc., also filed an eminent domain petition in which it sought right of way rights for its pipeline near a railroad track that is being moved. The court appointed appraisers awarded \$7800.00. RIM is still within time to appeal that award, but has not made a decision as of the filing of this disclosure statement.

The KDOT taking jeopardizes over 100 acres of prime commercial property that is zoned, platted and designed, and creates a new flow of water drainage that did not previously exist over a substantial portion of RIM's property. RIM has filed an appeal of the award by the appraisers and seeks to remove the appeal to the bankruptcy court, discussed in more detail in section D, below.

B. COREFIRST BANK AND TRUST

From December of 2006 through February of 2009, RIM continued its development of the approximately 502 acres of ground it had purchased. Commerce Bank and Trust, now CoreFirst Bank and Trust, initially loaned approximately \$1,500,000 to RIM to finance the initial land purchase and loaned additional funds during 2007 for the acquisition of land. CoreFirst was granted mortgages on virtually all of RIM's property. Its mortgages are dated 12/06 – Original Purchase, 3/07 – McCreary Purchase, 6/07 – Nivert and Livingston Purchase, 7/07 - Carson

Purchase, 11/07 - Erichson Purchase, securing the repayment of \$2,583,926 used for land acquisition and \$1,436,691 for letters of credit, some of which is contingent indebtedness for irrevocable letters of credit issued to the City of Ogden for the costs of infrastructure. The letters of credit have been partially released and it is estimated that \$4,352,000.00 in principal remains on the special assessments in total, to be paid off with estimated annual tax assessment payments of \$256,000.00.

C. TEXTRON FINANCIAL CORPORATION

On February 21, 2008, RIM signed a Builder Agreement (Model and Spec II Financing Program) (“Builder Agreement”) with Textron Financial Corporation (“Textron”). Pursuant to this agreement, RIM executed nine (9) notes in various principal amounts, with the initial sum of \$800,000.00, with draws to be made in accordance with the terms of the Builder Agreement being made. The total loaned to RIM was \$10,248,000.00. To secure the notes, RIM executed eleven (11) mortgages encumbering much of the ground RIM had acquired.. Individual owners of the member entities of RIM also executed guaranties. CoreFirst released its first mortgage with respect to approximately four (4) acres on which 96 town homes were constructed, 24 of which were sold.

Pursuant to the terms of the Builder Agreement and the notes, the interest rate was set at Prime Rate plus .5%, with the minimum prime set at 6%. As real property was developed and sold, various notes were paid down. Through May 16, 2008 the interest rate was 6.00%, and RIM timely made the interest payments and paid Textron the proceeds of various completed units.

In March of 2008, RIM rented out some of the units due to delays in selling them in an effort to maintain the development and maintain cashflow. Subsequent to this, Textron loaned additional funds. On May 16, 2008, Textron and RIM executed a forbearance agreement in

which RIM specifically disputed it was in default because of the leased units which Textron claimed was prohibited by its loan documents. Ultimately, Textron and RIM entered into three forbearance agreements. Under the first forbearance agreement and due to the claims of default of RIM, the interest rate on all notes was increased to 8.5%. Under the First Amended Forbearance Agreement, the interest rate was 8.5%. Under the Second and Third Amended Forbearance Agreements, the interest rate was 8.5%, RIM was not in default on payments and all payments were made on time with a \$250,000 reserve unused and intact under these forbearance agreements until July 31, 2009. The second and third amended agreements were simple extensions of time with few language changes in the terms of the notes and mortgages. When it learned KDOT intended to file an eminent domain proceeding, Textron requested that it be given a lien on the eminent domain proceeds that it be involved with the condemnation hearing process. As negotiations continued on this new agreement, the third amended agreement expired. Textron filed for foreclosure on September 9, 2009, just prior to the date that KDOT said it would make its offer on the proposed taking.

D. KANSAS DEPARTMENT OF TRANSPORTATION

As late as the summer of 2007, KDOT still had not decided on a final alignment of the proposed K-18 interchange, but RIM made every effort to communicate with KDOT and the City of Ogden to stay informed of the various designs for the proposed interchange. In fact, RIM requested the proposed KDOT K-18 right of way.

Through all of 2007 and 2008, KDOT did not announce its final design plans. Moreover, KDOT continued to finalize any plans to begin construction. In February of 2009, Congress passed the American Recovery and Reinvestment Act of 2009 (“ARRA”) as a part of the stimulus package. One feature of it was to provide funding to states to develop infrastructure

projects in the hopes of stimulating local economies by providing jobs and other economic advantages. On February 20, 2009, Kansas submitted several projects for ARRA funding, including the development of the K-18 corridor between Ogden and Manhattan.

In May of 2009, KDOT indicated that overflows from the 7 Mile and Dry Branch Creeks would not be contained within the channel and would run over platted areas of the River Trail development. This was well after RIM had platted, designed and obtained floodplain fill permits for much of the ground on which KDOT later imposed the flowage easement.

It was not until November 6, 2009 when KDOT filed its eminent domain proceeding that KDOT gave details on its proposed flowage easement. On March 10, 2010, an appraisers' hearing was conducted in Riley County in which RIM, KDOT and Textron participated. The purpose of the hearing was for the appraisers appointed by the court to determine how much RIM was to be compensated for the loss of its property to be taken and damages due to the K-18 expansion. The compensation for losses included ground for the "footprint" of the actual interchange itself, permanent right of way easements along the interchange, temporary construction easements and the flowage easement.

RIM contends that the terms of the flowage easement will require corrective action that will significantly increase the cost to develop the property or make such development not economically feasible. As a result, RIM is entitled to the cost to cure these defects or damages sufficient to compensate for the impact of the loss of this property to the entire development project.

KDOT offered \$1,195,000.00 as the just compensation and damages. The appraisers appointed by the court in the administrative action awarded RIM \$1,480,000.00. RIM asserts that the amount of just compensation and damages due it exceeds both these amounts and is

pursuing a claim for the correct amount of just compensation and damages.

The appeal of the KDOT award will require evidence to be presented regarding the value of the various parcels given that KDOT's taking impacts some parcels differently than others. Because there are competing lien claimants on various parcels, the same evidence will be elicited for the purpose of valuation of the respective lien claimants.

RIM's appeal will be tried *de novo*. In order to try this case, RIM will incur expert fees for an engineer to discuss the corrective action to restrict and contain the flood waters to be placed on the RIM property. In addition, RIM will be required to retain at least one appraiser and will incur additional legal fees. There is a risk that RIM will be awarded less than the amount previously awarded. Moreover, there has been no final determination of the correct allocation of the amount that will ultimately be awarded. RIM intends to file a petition to remove the appeal to be heard in the bankruptcy court to reduce litigation expenses and to avoid duplicating the presentation of evidence that could result in conflict findings of fact should two courts hear the issues. Further, some of the property is subject to lien avoidance under 11 U.S.C. 547 (*e.g.*, Textron's assertion of a *lis pendens* of the proceeds of the eminent domain action allocated to parcel E, the footprint of the actual interchange and not encumbered by Textron's mortgages) and because the award is property of the bankruptcy estate pursuant to 11 U.S.C. 521, the bankruptcy court can properly assert jurisdiction over the award, determining its value via the appeal and apportioning the award to the various parties.

Nonetheless, RIM believes the correct amount of just compensation and damages to justify the investment of resources and corresponding risk of the appeal.

E. B.G. CONSULTANTS

BG Consultants began work for RIM in May of 2006. It performed significant design work in the development of the River Trails subdivision and the other parcels of ground. It filed a mechanic's lien on September 11, 2009. It filed its answer to Textron's petition to foreclose in which it also asserted a counterclaim to foreclose its lien on November 11, 2009. Textron disputes the validity of BG's lien. It is possible that BG's lien may be subject to avoidance by the debtor pursuant to 11 U.S.C. 544 and/or 11 U.S.C. 547.

F. ONEOK

Oneok, Inc. also filed an eminent domain proceeding in order to acquire rights to ground necessary for it to move gas pipelines. The appraisers awarded \$7,800. RIM will likely appeal this amount.

III. LIQUIDATION ANALYSIS

Pursuant to §1129(a)(7) of the Bankruptcy Code, if each Class of Impaired Claims does not vote unanimously to accept the Plan, then the "best interests of creditors test" requires the Bankruptcy Court to find that the Plan provides to each holder of a Claim or Equity Interest in each Impaired Class a recovery on account of such holder's Claim or Equity Interest that has a value at least equal to the value of the distribution that each such holder would receive if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code.

If the Debtor's Chapter 11 case was converted to a Chapter 7 liquidation proceeding, then the Debtor's business operations would immediately cease and the Debtor's assets liquidated by a Chapter 7 trustee. In connection therewith, the Debtor believes that the liquidation value of the assets is substantially less than the amount of the Secured Claims encumbering such assets and the balance of the unsecured claims. See the Liquidation Analysis attached hereto as

Exhibit A. The personal property assets are appliances used at the 72 rental units, the billboards and the eminent domain proceed derived from them. Textron claims a lien in all of this property. RIM may also be able to avoid any lien claimed by Textron in and to that portion of the eminent domain award attributable to parcel E and may be able to avoid liens asserted by BG Consultants and Kolde Construction. Until the court makes a determination of the value of that portion of the proceeds, RIM cannot accurately assess how much of Textron's claimed lien position the award it will be able to claim for the use of the estate and the unsecured creditors. Further, if this Chapter 11 case was converted to Chapter 7 liquidation proceedings, then there would be additional administrative expenses for a Chapter 7 trustee and professionals employed by the Chapter 7 trustee to administer and liquidate the assets. In such event, the Debtor asserts that holders of Unsecured Claims and Equity Interests would receive only the value the Causes of Action pursued by the trustee in the event of liquidation in Chapter 7 and equity remaining after payment of secured claims and allowed administrative expenses, if any remains. As a result of these circumstances, Debtor firmly believes that the Plan provides a significantly higher return to holders of Unsecured Claims against and Equity Interests in the Debtor because no statutory trustee fees under 11 U.S.C. §326 will be assessed.

IV. MANAGEMENT, AFFILIATED ENTITIES AND COMPENSATION OF INSIDERS

RIM is managed by its members, RAM Engineering, Inc., owned and managed by Rick and Kellie Meisinger; Inland Constructors, Inc., owned and managed by Art and Valerie Robertson; and Irons Development, LLC, owned by Carol Irons and managed by Jack Irons. All three members work together in an integrated fashion providing marketing and project oversight.

RAM Engineering, Inc. has extensive experience with Land Development engineering,

financial pro-forma analysis, project financing and real estate marketing. Inland Constructors, Inc. has extensive experience with construction, projects and project supervision. Irons Development, LLC oversees all phases of marketing, concept development and communications. All three members actively participate in business decisions and project planning.

The 72 residential units are managed by Steward Management, LLC and operated by Kellie Meisinger and Valerie Robertson. Steward also manages 24 residential units owned by others not related to RIM. Steward charges 5% of rent collected for its management fees.

Post-petition and in accordance with the interim cash collateral orders entered by the Bankruptcy Court, Steward has collected rents, paid operating expenses, and remitted the difference to RIM's counsel for deposit into the law firm's trust account.

Tax returns are prepared by Stephen K. Bjorkman of HBE Becker Meyer Love LLP. His retention as a professional was approved on April 22, 2010.

Traditionally RIM has compensated its members for their services at the rate of \$10,000.00 per month per member. During the reorganization, RIM will compensate its members at the rate of \$6000.00 per month with annual increases as set forth on the attached projection.

V. FINANCIAL INFORMATION

Attached hereto as Exhibit B as "Historical Financials" are selected reports relating to the past financial performance of the Debtor. Also attached as Exhibit C are historical reports from inception and post-petition projections for the years 2010 through 2018.

VI. SUMMARY OF ASSETS

RIM's assets consist of approximately 502 acres of real estate located east of Ogden Kansas around the K-18 interchange. There are approximately 72 town home units, all currently rented (with a waiting list). These units can be converted to individual fee simple single family

attached residences and are located on approximately 4 acres along the eastern side of K-18 directly east of Ogden. There are 168 additional town home lots which have been platted east of the town homes, with utilities in up to those sites. Attached as Exhibit D is a site map of the property. Also attached as Exhibit E is a projected time line for additional development.

In addition to the real estate, KDOT has paid into court \$1,472,800.00 as an award for the eminent domain taking of RIM's property. CoreFirst, Textron, BG Consultants and Kolde Construction may all claim an interest in and to this award. This award is being appealed by RIM. RIM has or will shortly file a petition to remove the appeal to be heard in the Bankruptcy Court. Debtor estimates that the award should be significantly in excess of the \$1,472,800.00 awarded by the Court appointed appraisers.

Contractors working on the K-18 project may have need of water from RIM's high capacity well, and RIM will sell the water at commercially reasonable price.

VII. SUMMARY OF THE PLAN

A. The entire text of the Plan has been provided with this Disclosure Statement to all creditors and interest holders known to the Debtor. The following is a brief summary of the Plan and should not be relied on for voting purposes. The Plan should be read carefully and independently of this Disclosure Statement. Creditors are further urged to consult with counsel, or with each other, in order to fully resolve any questions concerning the Plan.

B. The specific treatment of each Class of Creditor is as follows:

1. Administrative claims. These claims are for Debtor's retained professionals, including accountants, attorneys and appraisers, and for any taxes which have accrued post-petition prior to confirmation and fees due the Office of the United States Trustee. The estimated total expected at confirmation is \$122,000.00.

2. Priority tax claims of Riley County, Kansas. Riley County has a claim for unpaid ad valorem taxes last payable within one year of the filing of the bankruptcy petition in the amount of \$98,210 and a claim for unpaid special assessments it collects for the City of Ogden in the amount of \$128,034.00. These amounts will be paid in full within 4 years of the filing of the petition.

2. Classified claims. These claims are for the various creditors scheduled by the debtor and/or who have filed proofs of claim. Debtor proposes to pay all secured and unsecured claims a pro rata share of two thirds (2/3) of the proceeds from property sales so that all claims but that of Textron are paid within 4 years based on projected sales. The proposed classes are as follows.

a. **Class 1: Allowed secured claims of CoreFirst.** The first group of CoreFirst's claims consist of amounts due CoreFirst for promissory notes used for land acquisition, in the principal amount of \$1,610,996.73. Interest accrues at various rates. The second group of CoreFirst's claims consists of promissory notes incurred to repay amounts advanced or to be advanced by CoreFirst pursuant to irrevocable letters of credit issued to the City of Ogden for special assessments for infrastructure. To the extent any of the letters of credit are drawn upon, the corresponding promissory note ceases to be contingent and any claim of Riley County for collecting the special assessment would be reduced. The amounts set forth above as priority claims and below in the secured claim of Riley County shall not include any amounts advanced by CoreFirst pursuant to a letter of credit. Debtor proposes to pay CoreFirst an annual interest only payment at the rate of 6%.

b. **Class 2: BG Consultants.** BG Consultants has a secured claim arising from a mechanics lien on virtually all of debtor's property. Its principal is \$590,836.23, and interest

accrued to January 22, 2010 is \$11,574.42.

c. **Class 3: Pinnacle Bank.** Class 3 consists of the secured claim of Pinnacle Bank for the van owned by RIM, in the amount of \$8000. The balance of its claim, approximately \$70,000 will be treated as unsecured, but is additionally secured by guaranties and mortgages on non-debtor property.

d. **Class 4: Kolde Construction.** Class 4 consists of the secured claim of Kolde Construction arising from a mechanic's lien and is for \$47,000.00.

e. **Class 5: Secured Claim of Riley County.** This claim consists of the non-priority secured tax claim of Riley County for both ad valorem taxes and special assessment taxes it collects for the City of Ogden.

f. **Class 6: Secured claim of Textron.** This claim consists of the secured claim of Textron. It is secured by a mortgage on the 72 rental units (and rents), and a mortgage on most but not all of the rest of debtor's property. As of April 8, Textron asserts its claim to be \$9,410,000.00, including accrued interest. Debtor asserts that the appropriate interest rate is a fixed rate 6% interest only, Textron asserts it should be 12%. Debtor proposes to turn the 72 units over to Textron with a lump sum cash payment of \$900,000. This transfer of ownership of the 72 units to Textron along with the lump sum payment would fully satisfy Textron's claim.

g. **Class 7: Unsecured creditors.** Class 7 consists of all allowed unsecured claims, including any allowed undersecured claims, if any. Attached as Exhibit E is a summary of the unsecured claims. The approximate total of the unsecured claims is \$382,672.00

IX. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Debtor will assume the management contract with Steward Leasing, and may, at its discretion, enter into agricultural leases on real estate it is not developing. Steward Management

is also willing and able to continue the management of the 72 units on the same terms for Textron.

X. TAX ATTRIBUTES AND TAX CONSEQUENCES

General Discussion

In general, the Debtor does not expect to incur any substantial tax liability as a result of implementation of the Plan to itself, but does not represent what effect may result to the members of RIM Development, LLC. Any creditor with questions or concerns about the potential tax consequences to the creditor or its claim is advised to consult with the tax professional of its, his or her choice as Debtor specifically makes no representation herein about potential tax consequences to any creditor or any party affected by this bankruptcy.

XI. LITIGATION

As of the filing of this Disclosure statement, there are no pending adversary actions in the bankruptcy case, but Debtor expects to remove the KDOT eminent domain appeal to this court and potentially to appeal the Oneok award. Debtor reserves the right to initiate any cause of action allowed it under Title 11 and/or applicable state or other law.

XII. RISK FACTORS

Introduction

This section summarizes some of the risks associated with the Plan and the Debtor's ability to comply with the terms of the Plan. However, this analysis is not exhaustive and must be supplemented by an evaluation of the Plan and this Disclosure Statement as a whole by each holder of a Claim or Equity Interest with such holder's own advisors.

AS SUCH, HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE

DEBTOR SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISK INVOLVED IN CONNECTION WITH THE PLAN, ITS IMPLEMENTATION OR ITS SUCCESS.

Bankruptcy Risks

(a) Risks Relating to Confirmation

For the Plan to be confirmed, each Impaired Class of Creditors and holders of Equity Interests is given the opportunity to vote to accept or reject the Plan, except for those Classes which will not receive any distribution under the Plan and which are, therefore, presumed to have rejected the Plan. There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan.

If one or more of the Impaired Classes vote to reject the Plan, then the Debtor may request that the Bankruptcy Court confirm the Plan by application of the “cramdown” procedures available under §1129(b) of the Bankruptcy Code. There can be no assurance, however, that the Debtor will be able to use the cramdown provisions of the Bankruptcy Code to achieve confirmation of the Plan.

If the Plan, or a Plan determined not to require re-solicitation of any classes of Claims or Equity Interests by the Bankruptcy Court, were not to be confirmed, it is unclear what distribution holders of Claims and Equity Interests ultimately would receive with respect to their Claims and Equity Interests. If an alternative Plan could not be agreed to, it is likely that

holders of Claims and Equity Interests would receive less than they would have received pursuant to this Plan.

Any objection to the Plan by a member of a Class of Claims or Equity Interests could also either prevent Confirmation of the Plan or delay such Confirmation for a significant period of time.

(b) Other Bankruptcy Risks

If Administrative Expense Claims or Priority Claims are determined to be allowed in amounts greatly exceeding the Debtor's estimates, then there may be inadequate cash or other property available on the Effective Date to pay certain Claims under the Plan, and the Plan would not become effective. The Debtor believes, however, that it will have more than sufficient cash to satisfy such Claims.

In addition, the effect, if any, that the Chapter 11 case may have upon any continued operations of the Reorganized Debtor cannot be accurately predicted or quantified. Although the Debtor's reorganization and emergence from bankruptcy will eliminate some uncertainty about the Reorganized Debtor's future operations, some entities, at least initially, may be uncomfortable doing business with a company that recently emerged from the Chapter 11 process. The Chapter 11 case could have harmed the Reorganized Debtor's relationships with its customers, suppliers and employees, resulting in a material impact on the Reorganized Debtor's operations.

Business Risks

(a) Reliance on Key Personnel

The Debtor believes that its success depends on the services of its members. If the Reorganized Debtor loses the services of its key executives, then its business could be materially

adversely affected. The Reorganized Debtor also believes that its ability to retain the services of its members is critical to its future success.

Risks with Financial Projections

The fundamental premise of the Plan is the successful implementation of the Debtor's business plan as reflected in the financial projections attached hereto. The projections are inherently uncertain and are dependent upon the successful implementation of the business plan and the reliability of the other assumptions contained therein. The projections reflect numerous assumptions, including Confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of the Reorganized Debtor,, general business and economic conditions and other matters, most of which are beyond the control of the Reorganized Debtor and some of which may not materialize. In addition, unanticipated events and circumstances occurring subsequent to the date of this Disclosure Statement, including unanticipated changes in applicable regulations or accounting procedures, may affect the actual financial condition, results of operations and cash flows of the Reorganized debtor in the future.

Debtor believes that its proposed Plan is superior to a liquidation under Chapter 7 of the Bankruptcy Code, dismissal of the bankruptcy case, or the filing of an alternative Plan of Reorganization or Liquidation. The Debtor firmly believes that the Plan results in a fair balancing of all parties' rights, and again urges Creditors and holders of Equity Interests to vote to accept the Plan.

XIII. MISCELLANEOUS PROVISIONS

The plan also provides that it may be modified by the Debtor or corrected prior to the Confirmation Date without additional disclosure, pursuant to §1125 of the Bankruptcy Code, provided that the Court finds that such modification does not adversely affect any Creditor or

Class of Creditors and is consistent with the Bankruptcy Code. After the Confirmation Date, the Debtor may, with approval of the Court, and so long as it does not adversely affect the interests of Creditors, remedy any defect or omission, or reconsider any inconsistencies in the Plan, or in the order of confirmation, in such manner as may be necessary to carry out the purposes and effect of the Plan.

XIV. TERMINATION OF THE PLAN

Upon completion of all the payments provided for in the Plan, the Plan shall terminate.

XV. DISCHARGE PROVISIONS

Upon confirmation of the Plan, the Debtor will be discharged pursuant to 11 U.S.C. §1141.

XVI. REVESTING OF ASSETS

On the Effective Date, certain portions of property of the estate under §541 of the Bankruptcy Code, as set forth herein, shall be vested in the Reorganized Debtor, free and clear of any and all Claims, debts, liens, security interests and encumbrances of any kind or type, except those Claims, debts, liens, security interests and encumbrances specifically provided for under the Plan. From and after the Effective Date, the Reorganized Debtor may operate its business and may use, acquire and dispose of its property free and clear of any restrictions of the Bankruptcy Code, except as otherwise provided in the Plan or Confirmation Order. The Reorganized Debtor shall also be able to pay any and all legal and professional fees and expenses that accrue post-confirmation without the need to seek Court approval thereof.

XVII. RETENTION OF JURISDICTION

The Court, pursuant to the Plan, will retain jurisdiction of the case in order to:

- A. To consider any modifications of the Plan pursuant to §1127 of the Bankruptcy Code;
- B. To hear and determine all controversies, suits and disputes, if any, which may arise in connection with the interpretation or enforcement of the Plan, or which may be required to insure compliance with the provisions of the Plan;
- C. To hear and determine any and all requests for compensation and/or reimbursement of expenses, made by application to the Court;
- D. To hear and determine all of the controversies, suits and disputes, if any, that may be pending at the time of the confirmation of the Plan, or that may arise between the Debtor and any Creditor of any Class, including objection to Claims and to determine the extent to which disputed Claims shall be allowed and approved, including, but not limited to the following:
 - (1) The determination of valid liens and Claims (and amounts) against the Debtor and its property;
 - (2) This continuing jurisdiction, staying enforcement of any Claims or liens until consummation of this Plan;
 - (3) The entering of any necessary orders requiring lien holders, judgment holders, and mortgage holders to erase and cancel their liens and mortgages from the conveyance, mortgage or other appropriate records of any county where the real estate or other property of Debtor is located, so that there will be no encumbrances on the Debtor's properties after confirmation other than Claims and liens consistent with this Plan.
- E. To allow the Debtor to enforce, after confirmation, any Claims or Causes of Action which exist in the Debtor's favor as debtor-in-possession and which may not have previously been enforced by the Debtor;
- F. To enforce the provisions of §§362 and 524(a) of the Bankruptcy Code; and

G. To insure that the intents and purposes of the Plan are fulfilled.

XVIII. CONCLUSION

This Disclosure Statement is intended to assist each Creditor in making an informed decision regarding the acceptance of Debtor's Plan of Reorganization. If the Plan is accepted, all Creditors will be bound by its terms. You are, therefore, urged to carefully review this statement and the enclosed copy of the Plan. If questions remain after such review, you are urged to make further inquiries as you may deem appropriate to counsel or other Creditors.

RIM DEVELOPMENT, LLC

By: RAM Engineering, Inc.



By: s/Rick Meisinger
Rick Meisinger

RESPECTFULLY SUBMITTED:

CASE, MOSES, ZIMMERMAN & MARTIN, P.A.

/s/ Susan G. Saidian
Susan G. Saidian, #13661
sgsaidian@cmzwlaw.com
200 W. Douglas, Suite 900
Wichita, Kansas 67202
(316) 303-0100 / (316) 265-8263 fax
Attorney for Debtor