

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF OKLAHOMA

IN RE:)	
)	
SEP RIVERPARK PLAZA, LLC)	Case No. 10-16832
)	Chapter 11
Debtor)	

DISCLOSURE STATEMENT

Dated: March 3, 2011.

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1. Projections and Income Statement

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Pursuant to 11 U.S.C. §1125, SEP Riverpark Plaza, L.L.C. (the “Debtor”) submits this Disclosure Statement for the Plan of Reorganization for Riverpark Plaza, L.L.C. proposed by the Debtor (the “Plan” or “Debtor’s Plan”).

BANKRUPTCY COURT APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT OF THE PLAN OF REORGANIZATION OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION IN THE DISCLOSURE STATEMENT.

Capitalized terms in this Disclosure Statement are defined either in the Plan, a copy of which was served upon you with this Disclosure Statement, or in the Bankruptcy Code, 11 U.S.C. §101, et seq. (the “Code”). Defined terms have the same meanings in this Disclosure Statement that they do in the Plan and Code.

INTRODUCTION

Voting on a plan of reorganization is important. To be confirmed under Code §1129(a), each impaired class of Claims and interests must accept a plan. An impaired class of Claims accepts a plan if a majority in number and at least two-thirds in dollar

amount of the allowed Claims voted in that class vote to accept. An impaired class of interests accepts a plan if at least two-thirds in amount of the allowed interests voted in that class vote to accept.

A number of additional requirements must also be satisfied before a bankruptcy court will confirm a plan under Code §1129(a). For example, Code §1129(a) requests that each holder of a Claim or interest in an impaired class must accept a plan or that the plan must be in the best interests of the rejecting Claim or Interest Holder. The “best interests” test requires that the value of property to be distributed under the plan to the rejecting Claim or Interest Holder may not be less than the rejecting Claim or Interest Holder would have received if the debtor were liquidated under Chapter 7 of the Code. See Code §1129(a) for additional confirmation requirements.

A bankruptcy court may confirm a plan even if all impaired classes of Claims and interests do not accept it, although at least one class of impaired Claims must accept the plan, if there is an impaired class of Claims. The circumstances under which a bankruptcy court may confirm a plan despite its rejection by one or more classes of Claims or interests are stated in the “cram down” provisions of Code §1129(b). Code §1129(b) provides that a bankruptcy court may confirm a plan notwithstanding its rejection by one or more impaired classes if the court finds that the plan does not discriminate unfairly and the plan is fair and equitable as to each rejecting class.

With respect to each class of secured Creditors, the “fair and equitable” test requires that each secured Creditor (i) retain its liens and receive cash payments having a present value equal to its allowed Secured Claim; (ii) receive the proceeds from the sale of its Collateral; or (iii) realize the indubitable equivalent of its Claim. With respect to a

rejecting class of Unsecured Claims, the “fair and equitable” test requires that either (I) each Creditor in the rejecting class receive property having a present value equal to the allowed amount of its Claim; or (ii) no class junior to the rejecting class receive or retain any property under the plan. With respect to a class of interests, the “fair and equitable” test requires that either: (i) the plan provides that each holder of an interest of such class receive or retain on account of such interest property of value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or (ii) no class junior to the rejecting class receive or retain any property under the plan.

Confirmation of a plan will make it binding upon the debtor, creditors, and other parties in interest to the bankruptcy case, regardless whether they accepted the plan. The Debtor urges you to carefully read this Disclosure Statement, which was prepared to give you adequate information to decide whether to accept or reject the Plan.

The financial information in this Disclosure Statement was prepared according to generally accepted accounting principles. Unless otherwise indicated, all information was current as of January 2011.

Under the Code, your vote for acceptance or rejection may not be solicited unless you receive a copy of the Disclosure Statement approved by the Court before, or concurrently with, the solicitation. The provisions of Code §1125(b) govern the solicitation of votes on a plan. Violation of those provisions may result in sanctions by the Court, including disallowance of the solicited vote and loss of the “safe harbor” provisions of Code §1125(e).

THE DEBTOR

Riverpark Plaza Apartments, located in Wichita, Kansas is reported to be the largest apartment community in Wichita as well as the State of Kansas. It possesses a unique location with a large presence in the core of the City's center area in what would be considered an A-type location.

This property is a 584 apartment community located in downtown Wichita on the east side of the Arkansas River, looking directly across to the museum, parks and other City recreation facilities located on the west side of the River. The property is one block from the courthouse and several blocks from what is known as "Old Town" in Wichita, Kansas. The property has tremendous visibility as it has thoroughfares on two sides of the property. The property consists of 39 two-story apartment buildings, one two-story central office/recreation/laundry facility, and one one-story maintenance shop. There are 184 efficiencies at 450 square feet each; 24 one-bedroom at 650 square feet each; 24 additional one-bedroom, one bath units at 650 square feet each; 64 two-bedroom, 1 ½ bath units that are 950 square feet each; and 16 two-bedroom, two-bath units that are 950 square feet each. There are three swimming pools, a club room with a business center and fitness center, a large rental office, and laundry facility. The club room serves as the centerpiece to the property itself. The property has four extremely attractive furnished models. The property is well known as one of the popular locations for residents who desire to reside in downtown Wichita.

The property was constructed in two phases; one in 1979 and the other in 1980. The construction components are wood frame with wood trusses, joist floor structures with plywood floor decking and concrete slabs over them. The exterior walls are wood

frame painted with wood siding and wood accent trim. All the roofs are pitched with composition shingles. There are outside staircases leading up to each of the second story buildings. Each unit has individual air-conditioning and is ground-mounted. The kitchens have electric ranges and ovens, frost-free refrigerators, and dishwashers, and a number of units have microwave ovens. There are select units with fireplaces and washer and dryer hookups with washer and dryers. Each unit has its private patio or balcony. There is mature landscaping throughout. The parking lots are all asphalt surfaced, which were redone approximately two years ago, and there are 973 parking spaces.

The total site consists of 40.70 acres, or 1,772,892 square feet. The property is zoned B-multiple family district, and it is located in the northwest corner of West Central and North Waco Street, with additional frontage along the Arkansas River. The street address is 400 West Central. The site is irregularly shaped and had tremendous frontage along two primary carriers throughout the neighborhood. The ingress and egress are easily available along West Central and North Waco. The property is one block from the Sedgwick County Courthouse and one block from the City of Wichita Municipal Building.

At the time of acquisition in January 2007 through a 1031 exchange for a price of \$13,500,000, the property was not stabilized and had considerable deferred maintenance. Thereafter, SEP Riverpark Plaza Apartments, LLC spent a substantial amount of money remodeling the club rooms and offices, adding a fitness center, together with a new billiard room, a recreation room and a new laundry facility. They repaved the parking lot with a two-inch overlay and repainted the buildings and stairways. Units throughout

the property were upgraded, and the units that received the upgrade consisted of placing mirrors in the dining room areas, refurbishing the kitchen counter-tops and cabinets, refurbishing the bathroom counter-tops, retiling bathrooms and/or kitchens, recarpeting and repainting the interior with decorator coordinated colors (which gave the units a modern, up –to-date appearance).

Prior to the renovation, the property was not operating at a stabilized level. Subsequent to the renovation, the property operated at a stabilized level, and in January 2009, the property was appraised at \$19,055,000 as is.

The reception to the upgrading was exceptionally strong and the occupancy of the property climbed to a much higher level. Rental rates were increased to match the new demand. Toward the end of 2009 when the layoffs started, this property and an adjoining property to it were affected either by the layoffs or the downturn in the economy in Wichita, or both. The occupancy eventually dropped to a low of 70% in September 2010 and since then has increased gradually. There is an adjoining property to this which has no common ownership that is currently at 90% occupancy. The property had less residents affected by the lay offs and downturn in the economy than Riverpark Plaza Apartments.

Based on the property's amenities, location and present rent schedule, it will increase back to high occupancy over a relatively short period of time; however, the substantial increases will not occur until spring and summer of 2011 as the rental activity in Wichita during winter months is far less than it is in spring and summer.

EVENTS LEADING TO BANKRUPTCY

As stated above, several major aviation employers in the Wichita, Kansas area began a reduction in their workforce. These layoffs had a direct and negative affect on the Riverpark Plaza Apartment complex, since many of the lessees were employed through the aviation industry. The occupancy rate fell to a low of 70% in the fall of 2010. This lowered the total cash flow of the Debtor's operation and it was unable to meet its financial obligations to its two secured lenders. Its first mortgage lender filed a foreclosure action and in that litigation requested a receiver be appointed. In response to that request, and to give the Debtor time to reorganize and realize the Riverpark Plaza Apartments full potential, the Debtor filed for reorganization under these proceedings.

THE CONDITION AND PERFORMANCE OF THE DEBTOR-IN-POSSESSION

The Debtor has been operating the Riverpark Plaza Apartments under this Court's protection since its filing on November 11, 2010. It has filed its initial reports and monthly operating reports on a timely basis. It has proposed to its two Secured Creditors a payment of adequate protection and use of cash collateral. It has sufficient funds on hand to meet those obligations when they are finalized in an order of this Court. The Debtor is current on its post-petition payables and its insurance for both liability and hazard are presently in force. The Debtor is also current on the quarterly fees it must pay to the U.S. Trustee pursuant to 28 U.S.C. §1930(a)(6).

ASSETS AND LIABILITIES

The Estate's assets and liabilities are set out below:

A. Available Assets and Their Value

The Estate's assets and their values are as follows:

ASSET TYPE	FORCED, LIQUIDATION VALUE	FAIR MARKET VALUE
Riverpark Plaza Apartment Complex	unknown	\$19,055,000.00
Cash on hand	\$99,796.32	\$99,796.32
Tax impound account	\$83.01	\$83.01
Tenant Security Deposits	\$304.00	\$304.00
Rents receivable	\$unknown	\$unknown
Pre-petition retainer remitted to G. Rudy Hiersche, Jr. in contemplation of, or in connection with the Case	\$15,000.00	\$15,000.00
Appliances	unknown	\$58,400.00
Clubhouse, Office and Model furniture	unknown	\$49,723.00
Business equipment	unknown	\$1,500.00
TOTAL	\$100,183.33	\$19,264,806.33

The fair market value given above for the Riverpark apartment complex is based on a self contained appraisal report prepared by CB Richard Ellis, dated January 22, 2009. This is the most recent appraisal available. The fair market value of the other assets was taken from the Schedules filed by the Debtor-in-Possession, except the cash on hand and rents receivable figures, which were taken from the January 2011 Monthly

Operating Report filed by the Debtor-in-Possession and are subject to the notes stated therein and changes over time.

Debtor filed an Amended Statement of Affairs on December 28, 2010, and listed the transfers that it claims were made Pre-Petition by the Debtor within 90 days prior to the Petition Date as to third parties, and within one year prior to the Petition Date as to insiders. This filing included all transfers, and these will be examined to determine the nature and manner of each.

B. Claims Against the Estate

The Estate's liabilities allowed pursuant to Code §1111(a) and the Claims evidenced by timely filed Proofs of Claim are reflected in the following table. In setting out the undisputed, noncontingent, liquidated Claims listed in the Schedules and the Proofs of Claim filed through the Bar Date, apparent duplicate Claims were omitted, apparent misclassifications by the Court Clerk were corrected, and Bankruptcy Rule 3003(c)(4) was applied.

TYPE OF CLAIM	AMOUNT
Priority Claims	
Allowed priority Claims under Code §507(a)(4) (Class 1 under the Plan)	\$0
Allowed priority claims under Code §507(a)(5) (Class 2 under the Plan)	\$0
Tenant security deposit Claims characterized as being entitled to priority under Code §507(a)(7)(Class 3 under the Plan)	\$69,095.00
Estimated unpaid Post-petition expenses, other than professional fees, which are estimated below.	\$0

Subtotal	\$69,095.00
Secured Claims	
Sedgwick County Treasurer (Class 4 under the Plan)	\$690,055.56
FAA Federal Credit Union (Class 5 under the Plan)	\$9,802,204.00
All America Bank (Class 6 under the Plan)	\$1,425,000.00
Subtotal	\$11,917,259.56
Unsecured Claims (Class 7 under the Plan)	
Cox Communications	\$1,319.94
Kansas Natural Gas	\$487.26
Internal Revenue Service	\$2,464.03
Macco Properties, Inc.	\$7,280.00
Corporate Group, LLC	\$20,000.00
Wichita Water Utilities	\$47,320.94
Subtotal	\$78,872.17
TOTAL ALL CLAIMS	\$12,065,226.73

All Classes of Claims and interests are impaired under the Plan, except Class 3, which is unimpaired.

In listing Secured Claims, the Debtor has not estimated the value of Collateral or the allowable amount, if any, of Post-Petition interest, attorneys' fees, and other charges recoverable under Code §506. Priority Claims as stated above are based on the information given in the Schedules, in filed Proofs of Claim, or the Debtor-in-Possession's January 2011 Monthly Operating Report. The Reorganized Debtor may file a number of objections to Claims, motions to estimate contingent Claims, and motions

for valuation of the Collateral. The liabilities listed above reflect the Estate's liabilities according to the information that the Debtor has in its possession or is available to it. Nothing in this Disclosure Statement should be taken as an admission that a Claimant is due anything or as an admission of the amount, type or priority of any Claim, or the validity or extent of any lien.

The Debtor remitted a \$15,000.00 Pre-Petition retainer to G. Rudy Hiersche, Jr., of the Hiersche Law Firm, in contemplation of, or in connection with, the Case. Mr. Hiersche estimates that his total professional services will be approximately \$35,000.00 in addition to the retainer. Mr. Hiersche's fees and expenses are subject to Court approval after proper application, notice and hearing.

PROJECTIONS AND INCOME STATEMENT

The Debtor-in-Possession's projections for the first 120 days of the Case and the actual results to date of this Disclosure Statement, and year-to-date income statement, which were attachments to the Debtor-in-Possession's January 2011 Monthly Operating Report are collectively attached as Exhibit 1 to this Disclosure Statement.

ELEMENTS OF THE DEBTOR'S PLAN

The Debtor's Plan is a liquidating Plan. Its goal is to immediately place the property on the market through Price Edwards Company and actively seek a purchase contract for the fair market value of the project and will pay all Creditors of the Debtor in full with interest, and allow Equity Security Holder to receive any remaining funds left from the sale proceeds. This active marketing period will last until a qualified buyer is found and a closing is had. However, if this does not occur within 24 months from the Effective Date, or the monthly payments required of the Debtor under its Plan of

Reorganization to its two Secured Creditors are not timely made, the Debtor will be in default of the Plan and all Creditors will have their legal rights under prevailing State law to pursue their individual claims.

MANAGEMENT OF REORGANIZED DEBTOR

The management of the Reorganized Debtor will remain with the present Security Interest Holders and it will continue to operate the day to day affairs of the apartment complex. It will retain the present management company, which is Macco Properties, Inc., under the same terms as are presently in force. It will collect all rents and pay all Post-Confirmation ongoing expenses as they are incurred and all payments required under the Plan of Reorganization including the payments to its Secured Creditors under the Plan. The Reorganized Debtor will immediately proceed to take all such steps that are necessary to complete a sale of the Debtor's assets for the fair market value which will pay all creditors of the Debtor in full and in accordance with the Plan. This sale will be accomplished as soon as possible, and in any event within 24 months of the Confirmation Date.

THE RELATIONSHIP OF THE DEBTOR WITH AFFILIATES

The Debtor's Affiliates, and relationship with those Affiliates, are as follows:

- Macco Properties, Inc. is the 99% owner of the Debtor and is its current property manager.
- General Properties, Inc. is the 1% owner of the Debtor.
- Jennifer Price is the 100% owner of Macco Properties, Inc., and is the chief financial officer of the Debtor.
- Lew S. McGinnis is the president of Macco Properties, Inc. and is the husband of Jennifer Price.
- Corporate Group LLC processes the payroll for Macco Properties, Inc. and other entities.

LITIGATION

Pre-Petition, the Debtor was a party to a foreclosure/receivership action with respect to SEP Riverpark Plaza apartment complex. It is styled FAA Credit Union, Plaintiff versus SEP Riverpark Plaza Apartments, LLC, Macco Properties, Inc., Jennifer Price and All America Bank, Defendants, assigned case number 10-CV-4226, and is pending in Sedgwick County, Kansas. This litigation was stayed as to Debtor and its property by the filing of the Case.

If the Riverpark Plaza apartment complex is liquidated timely under the Plan, there would be no need for further prosecution of the foreclosure action in the Kansas suit. However, if the Riverpark Plaza apartment complex is not liquidated timely under the Plan, prosecution of the foreclosure action would be continued to conclusions.

As stated above, the Reorganized Debtor may file a number of objections to Proofs of Claim and motions to estimate contingent Claims.

TAX CONSEQUENCES OF THE PLAN

The Debtor provides the following discussion of the federal income tax consequences of the Plan as general information. The Debtor has not obtained or requested a ruling from the Internal Revenue Service or any opinion of counsel with respect to any tax matters. This general discussion is not intended to present a detailed explanation of the federal income tax consequences of the Plan. Those consequences will depend, in substantial part, upon factual matters relating to each particular Claimant.

THE DEBTOR URGES EACH CLAIMANT TO SEEK ADVICE FROM ITS OWN TAX ADVISOR ABOUT THE FEDERAL INCOME TAX

CONSEQUENCES OF THE PLAN AND, IF APPLICABLE, STATE AND LOCAL TAX CONSEQUENCES.

A. Tax Consequences to the Estate and Interest Holders.

There will be no tax consequences to Debtor when it sells the property pursuant to the Plan. Any tax resulting from the sale will be the obligation of the owners of Debtor. They will be able to meet any tax burden out of the equity realized from a completed sale.

The Debtor is a pass through entity for income tax purposes. As a pass-through entity, the Debtor has not paid income taxes and does not have tax attributes.

Additionally, given that confirmation of the Plan will not discharge any Debt, Debt forgiveness income and its potential consequences under the Internal Revenue Code should not be an issue at the Estate or Reorganized Debtor level. See 26 USC §§108(a) and (b).

B. Tax Consequences to Claimants

The tax consequences of the Plan on Claimants will depend on many factors, including: (I) the type of consideration received by the Claimant in exchange for its Claim; (ii) whether the Claimant reports income on the accrual basis; and (iii) whether the Claimant receives consideration in more than one tax year. However, the Debtor does not expect Claimants to experience any material, adverse tax consequences as a result of the Plan, other than those inherent in Claimants being paid.

LIQUIDATION

One of the purposes of the Plan is to seek to maximize the recovery from the Riverpark Plaza apartments; this might be best done by affecting a private sale, if

reasonably possible in a timely manner, rather than resorting to a foreclosure sale. In a Chapter 7 liquidation bankruptcy, it is likely that encumbered Collateral would be abandoned and the holders of Secured Claims would be allowed to foreclose their lien interests. Collateral with material equity, if any, and unencumbered property, if any, would be liquidated and, after full payment of the Secured Creditors, the remaining sale proceeds would be distributed according to the hierarchy set forth in Code §726.

Based on the liquidation values given in the “ Available Assets and Their Value” section of this Disclosure Statement and the Claims reflected in the “Claims Against the Estate” section of this Disclosure Statement, it appears that the Unsecured Creditors would receive nothing in a Chapter 7 liquidation.

Under the Plan, all property vesting in the Reorganized Debtor will be liquidated and the proceeds will be distributed to Creditors according to their relative rights and priorities, with the objective and hope that all Creditors will be paid in full, with interest, as provided in the Plan.

RISK FACTORS

Under the Plan, Parties in Interest will be subject to the risk that the proceeds from liquidation of the property vesting in the Reorganized Debtor, whether the property is liquidated by voluntary sale or otherwise, will be inadequate to fully pay all Claims. Claimants will also be subject to the risk that the value of the Reorganized Debtor’s assets may decline. The risk of non-payment is highest for Unsecured Creditors.

The Debtor believes that the Plan increases the likelihood the Riverpark Plaza apartment complex will be liquidated for an amount higher than would be obtained under an immediate, forced sale liquidation, which appears to be the alternative to the Plan.

Dated this 3rd day of March, 2011.

HIERSCHE LAW FIRM

s/ G. Rudy Hiersche, Jr.

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Attorneys for Debtor

CERTIFICATE OF SERVICE

I hereby certify that on the 3rd day of March, 2011, a true and correct copy of the **Disclosure Statement** was electronically served upon the following using the Court's CM/ECF system:

Julie Brower jbrower@klinefirm.org,
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Further, I certify that on the 3rd day of March, 2011, a true and correct copy of the **Disclosure Statement** was forwarded via U.S. Mail, first class postage prepaid and properly addressed to all parties requesting manual notice, to-wit:

None

*s/ G. Rudy Hiersche, Jr.*_____