

B25B (Official Form 25B) (12/08)

**United States Bankruptcy Court  
Central District of Illinois**

In re B & B Metals, Inc. Debtor(s) Case No. 17-80859  
Chapter 11

Small Business Case under Chapter 11

**B & B METALS, INC.'S DISCLOSURE STATEMENT, DATED SEPTEMBER 20, 2017**

*Table of Contents*

Exhibit A - Plan  
Exhibit B - August 2017 Monthly Operating Report  
Exhibit C - Liquidation Analysis  
Exhibit D - Projected Financial Information

## I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the small business chapter 11 case of B & B Metals, Inc. (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the B & B Metals, Inc.'s Plan of Reorganization (the "Plan") filed by B & B Metals, Inc. on September 20, 2017. 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 1-2 of this Disclosure Statement. [General unsecured creditors are classified in Class 2, and will receive a distribution of 21.681% of their allowed claims, to be distributed as follows U.S. Auctioneers \$11,606.40 as discussed on page 7.]

### 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 Proponent] 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. The hearing at which the Court will determine whether to [finally approve this Disclosure Statement and] confirm the Plan will take place on \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_ .M, at the US Courthouse, 211 19th St., Room 226, Rock Island, IL 61201.

2. If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Barash & Everett, LLC, 211 West Second Street, Kewanee, IL 61443. See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by \_\_\_\_\_, 20\_\_ or it will not be counted.

#### 3. *Deadline For Objecting to the [Adequacy of Disclosure and] Confirmation of the Plan*

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon Barash & Everett, LLC, 211 West Second Street, Kewanee, IL 61443 by \_\_\_\_\_, 20\_\_\_\_.

#### 4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact Barash & Everett, LLC, 211 West Second Street, Kewanee, IL 61443.

### C. Disclaimer

***The Court has conditionally 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 has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. [The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until \_\_\_\_\_, 20\_\_.]*

## II. BACKGROUND

### A. Description and History of the Debtor's Business

The Debtor is a Corporation. Since 2012, the Debtor has been in the business of scrapping semi trailers, selling various parts including the tires, rims, and suspension equipment as well as refrigeration units and then scrapping the remaining metals and selling to regional scrap yards.

### B. Insiders of the Debtor/amount of income paid by Debtor in the two years preceding filing

1. Larry Beam (Shareholder/President) 2015: \$46,060.00  
2016: (\$-6,567.00)
2. Tammie Beam (Shareholder/Treasurer) 2015: \$33,498.00  
2016: (\$-9,029.00)
3. Terry Norin (Ex-shareholder) 2015: \$4,187.00  
2016: (\$-821.00)

### 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 Larry Beam, Tammie J. Beam, and Terry J. Norin.

The Managers of the Debtor during the Debtor's chapter 11 case have been: Larry Beam and Tammie J. Beam

After the effective date of the order confirming the Plan, the directors, officers, and voting trustees of the Debtor, any affiliate of the Debtor participating in a joint Plan with the Debtor, or successor of the Debtor under the Plan (collectively the "Post Confirmation Managers"), will be: Larry Beam and Tammie J. Beam. The responsibilities and compensation of these Post Confirmation Managers are described in section (D)(2) of this Disclosure Statement.

#### **D. Events Leading to Chapter 11 Filing**

B & B Metals, Inc. is in the business of scrapping semi trailers, selling various parts including the tires, rims, and suspension equipment as well as refrigeration units and then scrapping the remaining metals and selling to regional scrap yards. In 2015 scrap prices began to plummet. As a result of the significant downturn in scrap prices, B & B Metals, Inc. suffered cash flow problems.

This in itself did not trigger the necessity of filing the Chapter 11 Bankruptcy, but was a material component of the decision to file. Another cause was the loss of the only purchaser of semi trailer tires available to the debtor which was located in Mexico. For political reasons, Mexico is no longer purchasing tires from American suppliers and as they were the only purchaser the Debtor is unable to create additional income from the sale of the tires to supplement the downturn in the scrap prices.

Finally, B & B Metals, Inc.'s principal creditor as a result of an acquisition by a different bank elected not to renew the Debtor's loans when they ballooned. The resulting collection efforts left the Debtor with no choice but to seek Chapter 11 reorganization in an effort to continue to operate the business.

#### **E. Significant Events During the Bankruptcy Case**

1. Debtor sold and end loader to his sons subject to a perfected security interest by Creditor, Triumph Community Bank, NA after applying for permission and obtaining an order allowing the sale for the sum of \$35,000.00. The sale was outside the ordinary course of business of the Debtor.

2. Debtor's shareholders sold individual assets namely apx 14 acres of land and utilized the \$152,121.15 received from the proceeds of the sale to reduce the debt owed to Triumph Community Bank, NA. This was not a preference as the asset was never owned by Debtor.

2. The professionals that have been approved by the court are as follows:

- a. Barash & Everett, LLC as attorney for the Debtor.
- b. Miriam Mock of Western FBFM Assoc. as tax preparer and bookkeeper for the Debtor.

3. There are no adversarial proceedings currently in place and no pending significant litigation during the case within the bankruptcy court.

4. Current litigation affecting the Debtor outside of the bankruptcy court:

- a. Triumph Community Bank, NA, Case No. 17-CH-38, the Court of Jurisdiction is Henry County, Illinois, the amount in controversy apx \$393,984.51
- b. US Auctioneers, Inc. Case No. 17-L-44, the Court of Jurisdiction is Rock Island, Illinois, the amount in controversy apx \$53,533.63

5. Steps taken to improve operations and profitability of the Debtor:

a. Debtor has sold personal assets to buy down secured debt to a manageable level to afford the opportunity for continued servicing through the bankruptcy plan given the downturn in the scrap value prices and to hopefully attract refinancing with a manageable payment given the new scrap market.

b. Debtor has simplified his business in that he is no longer making credit purchases of trailers containing materials that cannot currently be sold such as the tires mentioned in paragraph D above.

#### **F. Projected Recovery of Avoidable Transfers**

Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions as there exists no known fraudulent conveyances, preferences, or action taken by any third party that require avoidance. Prior to filing the petition, Creditor Triumph Bank took possession by repossession of an end loader. However, upon filing the creditor

returned the item and it was sold pursuant to an order as set forth above. Creditor did so voluntarily without need of any avoidance action.

### **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 procedures for resolving disputed claims are set forth in Article V of the Plan.

### **H. Current and Historical Financial Conditions**

The identity and fair market value of the estate's assets are listed below:

Bank Orion - Checking - \$4.95. The basis of the valuation was a bank statement for date of filing.

Inventory of scrap metal - \$50,000.00. The basis of the valuation was the Debtor's knowledge of the fair market value of items.

Automobiles, vans, trucks, motorcycles, trailers, and titled farm vehicles - \$20,000.00. The basis of the valuation was the Debtor's knowledge of the fair market value of items.

1995 Toyota forklift, Caterpillar forklift - \$3,000.00. The basis of the valuation was the Debtor's knowledge of the fair market value of items.

John Deere 260 skid loader - \$3,000.00. The basis of the valuation was the Debtor's knowledge of the fair market value of items.

Hand tools - \$1,000.00. The basis of the valuation was the Debtor's knowledge of the fair market value of items.

The August monthly operating report is attached as Exhibit B.

## **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 § 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 following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

Type	Estimated Amount Owed	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	None.	Paid in full on the effective date of the Plan, or according to terms of obligation if later
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	None.	Paid in full on the effective date of the Plan, or according to terms of obligation if later
Professional Fees, as approved by the Court. Barash & Everett, LLC	\$20,000.00 (minus amount already paid \$4,383.00) = \$15,617.00	Paid according to court order periodically as requested in a petition for compensation filed by the attorney
Clerk's Office Fees	None.	Paid in full on the effective date of the Plan
Other administrative expenses Miriam Mock of Western FBFM Assoc.	\$1,170.00	Paid in full on the effective date of the Plan or according to separate written agreement and as further needed by order of the court as services are rendered and amounts are incurred.
Office of the U.S. Trustee Fees	unknown	Paid quarterly in the ordinary course of business of Chapter 11 Debtors in Possession in an amount commiserate with distributions made in accordance with the schedule as set forth by the United States Trustee's Office
<b>TOTAL</b>	<b>\$15,070.00</b>	

2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 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 5 years from the order of relief.

The following chart lists the Debtor's estimated § 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
Internal Revenue Service	\$8,000.00	2015	Pmt interval = quarterly payment = \$400.00 Begin date = 2018 End Date = 2023 Interest Rate % = 0.00 Total Payout Amount = \$8,000.00

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 § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will [be classified as a general unsecured claim].

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	<p><i>Secure claim of:</i> Triumph Community Bank NA</p> <p>Collateral Description = 2001 Freightliner semi, 2001 Kentworth semi, 1999 Kentworth semi, 1990 Transcraft semi trailer, 2002 Fontaine semi trailer, 1991 Fontaine semi trailer, 1994 Trail King semi trailer, 2002 OEM semi trailer</p> <p>Allowed Secured Amount = \$206,863.36 (Judgment amount \$393,984.51 minus \$35,000.00 and \$152,121.15 already paid since filing)</p> <p>Priority of lien = none.</p> <p>Principal owed = \$206,863.36</p> <p>Pre-pet. arrearage = ballooned</p> <p>Total claim = \$206,863.36</p>	No	impaired	quarterly payment = \$6,967.98 Pmts Begin = 2018 Pmts End = 2028 [Balloon pmt] = Interest rate % = 6.25% Treatment of Lien = lien is avoided upon complete payment [Additional payment required to cure defaults] =

2. *Class[es] of General Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. [Insert description of §1122(b) convenience class if applicable.]

The following chart identifies the Plan's proposed treatment of Class 3 which contain general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment
2	General Unsecured Class US Auctioneers, Inc.	impaired	Quarterly payment = \$90.16 for the first 5 years, then that amount shall be increased to \$490.16 for the remaining 5 years Pmts Begin = 2018 Pmts End = 2028 [Balloon pmt] = 6.25% Interest rate % Estimated percent of claim paid = 21.681%

3. *Class[es] 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 ("LLC"), 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[es] of equity interest holders: [There may be more than one class of equity interests in, for example, a partnership case, or a case where the prepetition debtor had issued multiple classes of stock.]

Class #	Description	Impairment	Treatment
3	Equity interest holders - Larry Beam & Tammie Beam	impaired	No guaranteed payment

**D. Means of Implementing the Plan**

1. *Source of Payments*

Payments and distributions under the Plan will be funded by the following: Sale of personal assets of equity holders, purchase and sale of scrap, sale of inventory scrap.

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
Larry Beam		yes	President	\$ 500.00 monthly
Tammie Beam		yes	Secretary	\$1000.00 monthly

**E. Risk Factors**

The proposed Plan has the following risks:

- Volatility of the market.
- Political instability of relationships with purchasing countries.

**F. Executory Contracts and Unexpired Leases**

None.

**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: Debtor may incur regular income taxes. Debtor does not anticipate additional taxes such as capital gain resulting from the sale of assets.

**IV. CONFIRMATION REQUIREMENTS AND PROCEDURES**

To be confirmable, the Plan must meet the requirements listed in §§ 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 § 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.

In this case, the Plan Proponent believes that classes 1, 2, 3, are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject 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 deadline for filing a proof of claim in this case was October 24, 2017.***

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 § 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 §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and

holders of claims or equity interests in classes that do not receive or retain any value under the Plan;

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 "cram down" 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 Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 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 attached to this Disclosure Statement as Exhibit C.

**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.

1. *Ability to Initially Fund Plan*

The Plan Proponent 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.

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

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent has provided projected financial information. Those projections are listed in Exhibit D.

The Plan Proponent's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, of \$4,000.00. The final Plan payment is expected to be paid on December 31, 2028.

***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**

Discharge. 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 § 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 § 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 § 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 revoting 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.

/s/ Larry Beam

B & B Metals, Inc.

[Signature of the Plan Proponent]

/s/ Justin M. Raver

Justin M. Raver 6293618

[Signature of the Attorney for the Plan Proponent]