

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS

IN RE:)	
)	CHAPTER 11
KANZLER LANDSCAPE CONTRACTOR, INC.)	
)	CASE NO. 17-37355
)	
Debtor-in-Possession,)	JUDGE LASHONDA A. HUNT
)	
IN RE:)	
)	CHAPTER 11
JAMES J. KANZLER,)	
)	CASE NO. 17-37377
)	
Debtor-in-Possession,)	JOINTLY ADMINISTERED
)	

DEBTORS' JOINT DISCLOSURE STATEMENT

Kanzler Landscape Contractor, Inc., an Illinois Corporation, and James J. Kanzler, individually, debtors/debtors-in-possession herein ("Debtors"), by and through its attorneys, filed this Joint Disclosure Statement ("Disclosure Statement") pursuant to Section 1125 of the Bankruptcy Code and in conjunction with its Plan of Reorganization ("Plan"). A copy of the Plan is attached to this Disclosure Statement as **Exhibit "A"**.

CHART OF TREATMENT OF CLAIMS UNDER PLAN

<u>CLASS</u>	<u>AMOUNT OF CLAIM</u>	<u>TREATMENT</u>
Administrative Claims	Approx. \$27,000.00 consisting of the professional fees owed to Ottenheimer Law Group, LLC.	Paid in full in cash on Effective Date unless otherwise agreed – all subject to Court approval
Secured Claims	Approx. \$1,855,401.57 due Debtor's secured lender First Midwest Bank	To be paid \$20,000 per month for 92.7 months.
	\$890,079.00 for the secured portion of the Internal Revenue Service claim	To be paid over a 96-month period in equal monthly installments of \$9,270.83
	Approximately \$395,861.00 for the secured portion of the	

	claim of the Illinois Department of Employment Security.	To be paid over a 96-month period in equal monthly installments of \$4,123.55.
Priority Claims	Approx. \$1,760.00 to the Illinois Dept. of Revenue claims.	To be paid over 96-months in equal monthly installments of \$18.33.
	Approx. \$6,183.00 in Illinois Department of Employment Security Claims.	To be paid over 96 months in equal monthly installments of \$64.40.
General Unsecured Creditors Disputed Claims and Un-Disuted Disputed	Approx. \$819,000.00, excluding insider claims	will be paid one hundred percent (100%) of their claims over 96 months in equal monthly installments of \$8,513.25

INTRODUCTION

The Debtors filed their respective Voluntary Petitions for Relief under Chapter 11 of the United States Bankruptcy Code on December 18, 2017 (the “Petition Date”). On January 31, 2018 this Court entered an Order consolidating the two cases. Since the Petition Date, the Debtors have been managing its financial affairs pursuant to Sections 1101 and 1107 of the Bankruptcy Code. No trustee or examiner and no Official Committee of Unsecured Creditors has been appointed. On June 1, 2018, the Debtors filed their Joint Plan. The Debtors are the proponent of the Plan. The Plan provides for distribution to creditors with Allowed Claims¹ out of operating income, consisting of payment made by Debtors to the Creditors on a monthly basis.

SUMMARY OF TREATMENT OF CLAIMS UNDER THE PLAN

The Plan has one (1) category of Administrative Claims, one (1) category of Secured Claims, one (1) category of Unsecured Priority Claims, and one (1) category of General Unsecured Creditors. The Claims set forth in the Plan consist of the following.

Administrative Claims

¹ Capitalized terms are defined Article I of the Plan.

Administrative claims are unclassified and unimpaired under the Plan and primarily consist of Allowed Claims for fees and expenses of bankruptcy counsel employed pursuant to order of this Court. The Ottenheimer Law Group, LLC (“OLGLLC”), is bankruptcy counsel for the Debtor. It is estimated that OLGLLC is owed approximately \$27,000.00.²

The Ottenheimer Law Group, LLC did receive an approved pre-petition retainer by the Debtor. OLGLLC shall not be paid unless and until the Bankruptcy Court has entered an appropriate order allowing the compensation and reimbursement of expenses requested by OLGLLC.

Also included in the category of Administrative Claims are post-petition current expenses and statutory fees due to the United States Trustee. Under the Plan, post-petition current expenses will be paid in the ordinary course pursuant to the terms existing at the time the claims were incurred. The statutory fees to the United States Trustee will be paid when such come due until the entry of a final decree.

Other than statutory fees to the United States Trustee, all Allowed Administrative Claims, to the extent allowed, will be paid in full in cash on the Effective Date or as otherwise agreed upon. The source of funds for payment of such Administrative Claims will be the cash resources out of operations of the Debtor.

Secured Claims

This consists of the claim of First Midwest Bank, the Debtor’s secured lender with a claim of \$1,855,401.57; the secured claim of the Internal Revenue Service in the sum of \$890,079; and the secured claim of the Illinois Department of Employment Security in the sum of \$395,861.

² These amounts are merely the Debtors’ estimate and therefore, are subject to change.

Other Priority Claims

Holders of Allowed Claims entitled to priority under Section 507(a) of the Bankruptcy Code, other than Administrative Claims and Tax Claims, comprise the category of Other Priority Claims which include the Illinois Department of Revenue and the Illinois Department of Employment Security. The Debtors estimate that there are approximately \$7,943.00 of Priority Claims.

The source of funds for payment of Priority Claims will also be the Debtor's operations.

General Unsecured Claims

General Unsecured Claims total approximately \$819,000.00.

Claim Objections

The Debtor may file Claims Objections to Certain Claims. No distribution will be made to claimants whose Claims are subject of objections until resolution of the objections.

Class 1 Claims

First Midwest Bank holds the Allowed Class 1 Claim. First Midwest Bank's Claim emanates from a secured loan to the Debtor, pursuant to a note, security agreement and UCC filing. First Midwest Bank will be paid on monthly basis pursuant to the contract terms between the Debtor and the Bank.

Class 2 Claims

Class 2 Claims consist of the Secured Claims of the Internal Revenue Service and the Illinois Department of Employment Security. Class 2 Claims will be paid over a 96-month period in equal monthly installments.

Class 3 Claims

Class 3 Claims consist of Priority Claims of the Internal Revenue Service and the Illinois Department of Employment Security. Class 3 Claims will be paid over a 96-month period in equal monthly installments.

Class 4 Claims

Class 4 Claims consist of General Unsecured Claims. Class 4 Claims will be paid over a 96-month period in equal monthly installments.

PURPOSE OF DISCLOSURE STATEMENT

This Disclosure Statement is provided to all of the known holders of Claims against the Debtor who are entitled to vote their acceptance or rejection of the Plan. This Disclosure Statement is disseminated in connection with the solicitation of acceptances of the Plan filed by the Debtor. The purpose of this Disclosure Statement is to provide such information as would enable a hypothetical, reasonable investor, typical of the holder of Claims are impaired under the Plan, to make an informed judgment about the Plan.

The information contained in this Disclosure Statement has been submitted by the Debtor unless specifically stated to be from other sources. No representations have been authorized by the Debtor.

The Debtor believes that all of the information contained in this Disclosure Statement is accurate. However, the Debtor is unable to warrant that there are no inaccuracies.

Under the the Bankruptcy Code, a Class of Claims is considered to have accepted the Plan if both a majority in number and two-thirds (2/3) of the dollar amount of those actually voting vote to accept the Plan. The Claims of those who do not vote are not counted in determining whether the requisite statutory majority in number and dollar

amount have voted for acceptance. Acceptance by the statutory majority will bind the minority who dissent and those who fail to vote.

The Plan requires that the holders of Claims in Class 1, 2, 3 and 4 vote on Confirmation of the Plan.

Other Potential Causes of Action

The Debtor continues to investigate, but does not believe any other causes of action, such as avoidance actions under the Bankruptcy Code are present

HISTORY AND BACKGROUND

Kanzler Landscape Contractor, Inc. began business operations in 1989. James Kanzler is the sole owner and operator of the Debtor. It operates its business out of a piece of property located at 30846 W. Highway 12, Round Lake, Illinois.

Kanzler Landscape Contractors is in the business of concrete crushing, earth moving, site development and the selling of top soil. It employs 3 to 4 full time employees. It's business depends on part on the weather, January, February and March being it's slow months.

The bankruptcy filing was necessitated by a number of factors. Those factors are but not limited to James Kanzler's health, his pending dissolution of marriage and/or their customers not paying obligations on a timely basis. As a result, the Debtors became delinquent on its taxes, loan, vendor and supplier payments.

Since the Bankruptcy was filed, Kanzler Landscape Contractor, Inc. has taken dramatic steps to reduce its expenses. James Kanzler is taking a reduced salary, reduced its staff, and is taking aggressive step to collect revenue. Kanzler Landscape Contractor, Inc. fully expects to be able to implement all aspects of its Plan.

In addition, Kanzler Landscape Contractor, Inc. is undergoing an extensive marketing campaign in order to obtain not only additional consumers, but the more profitable business line of the landscaping business as well.

OTHER ASPECTS OF THE PLAN

The Debtor will assume a role of disbursing agent under the Plan. The Debtor shall be entitled to continue to operate its business and manage its financial affairs without further order of this Court, except as otherwise set forth in the Plan. After confirmation of the Plan, the Debtor will continue to manage its financial affairs in the ordinary course. Payments to creditors pursuant to the Plan will be made from the Debtor's operations and possibly from a contribution of new value by third parties.

Upon confirmation, an injunction under Section 524 of the Bankruptcy Code shall arise to prevent any party from foreclosing its Lien or Security Interest or otherwise enforcing its Claims against the Debtor and its assets in the Bankruptcy case except as authorized in the Plan. This injunction will remain in effect until all distributions under the Plan have been made.

The Plan is self-executing. The Debtor shall not be required to execute any newly created documents to effectuate the terms of the Plan. Upon payment of the amounts as required by the Plan, any Liens and Security Interest supporting such claims shall be deemed released and discharged. All executory contracts and unexpired leases which exist between the Debtor and any other party, whether such executory contracts in writing, or oral, which have not been previously assumed, signed, rejected, or otherwise terminated by the Debtor shall be deemed assumed. Any and all claims asserted by any party arising from the rejection of executory contracts and unexpired leases pursuant to the Plan must be filed within thirty (30) days following confirmation of the Plan, unless a prior order of the Bankruptcy Court establishes a

different date for the filing of such claims. Further, with respect to Claims for Defaults relating to any unexpired lease or executory contract that is assumed pursuant to the Plan, any and all such Claims must also be filed on or with thirty (30) days following the assumption. Allowed Claims emanating from the rejection of unexpired leases and executory contracts will be treated as Class 2 Claims. Allowed Claims for Defaults emanating from the assumption of unexpired leases and executory contracts shall be treated as administrative claims. Any person failing to file such claim within the time provided in the Plan shall be forever barred from asserting such claim and shall not receive any distribution under the Plan. The provisions for assumptions, assignment and rejection shall be equally applicable to executory contracts and unexpired leases of real and personal property.

The Bankruptcy Court shall retain jurisdiction for certain specified purposes. Any distribution under the plan that remains unclaimed thirty (30) days after the distribution is made will become property of the Debtors, and will not be recouped in subsequent distributions.

The Debtor will have the right to make any distributions to creditors earlier than required by the Plan without penalty. The Debtor shall have the right, power and authority after Confirmation of the Plan to commence any preference, fraudulent conveyance or other litigation it deems appropriate.³ Any funds realized from such claims and retained causes of action may be used to make the payments under the Plan. The Bankruptcy Court shall retain jurisdiction for such litigation.

The provisions of the Plan shall bind all creditors, interest holders and parties in interest. Except as expressly provided in the Plan, no interest or penalties shall accrue or be paid to any

³ The Debtor has completed an analysis of potential preference and/or fraudulent conveyance and other avoidance claims. Therefore, the Debtor is presently unable to quantify the extent to which, if at all, it has claims for such preferences and fraudulent conveyances. It is, however, unlikely any such avoidance claims exists.

creditor. Finally, in the event that all applicable requirements of Section 1129(a) of the Bankruptcy Code, other than in Section 1129(a)(8) are met, the Debtor reserves the right, pursuant to Section 1129(b) of the Bankruptcy Code, to request that the Bankruptcy Court conduct a Confirmation Hearing.

LIQUIDATION ANALYSIS – KANZLER LANDSCAPE CONTRACTOR, INC.

Attached as Exhibit “B” is the Debtor’s Schedules A and B (real and personal property schedules, showing various assets having a scheduled valued approximately \$3,281,026.01).

The Debtor’s liabilities may be summarized as follows:

<u>Liabilities</u>	<u>Amount</u>
Secured Claims	\$2,857,861.83
Unsecured Priority Claims	\$ 264,578.28
Unsecured Non-Priority Claims	\$ 819,119.00
Total	\$3,941,559.11

In terms of the sale of assets, the Debtor would be “lucky” if it got 40% on the dollar for its equipment and the bank holds a security interest in a majority of the equipment.

The real assets would total \$2,975,336.00. Secured creditor claims total \$2,857,961. It would leave \$117,775.00 for unsecured creditors.

Unsecured claims total \$819,113. In a liquidation case, either under Chapter 7 or otherwise, unsecured creditors would receive approximately 14% of their claims.

The Debtor’s Plan is proposing a 100% distribution to all creditors, including unsecured creditors. Thus distribution under the Plant is significantly greater than unsecured creditors would receive in a liquidation.

JAMES J. KANZLER, Individually
LIQUIDATION ANALYSIS

Attached as Exhibit B-1 are the Debtor's Schedule A and B with Assets valued at \$3,332,500.00.

The Debtor's liabilities may be summarized as follows:

<u>Liabilities</u>	<u>Amount</u>
Secured Claims	\$3,191,939.00 ⁴
Unsecured Priority Claims	\$ 252,151.00
Unsecured Non-Priority Claims	\$ 514,644.58
Total	\$3,958,734.58

In terms of the sale of assets the Debtor would most likely recover 90% of the value or \$2,999,250.00.

Secured creditors claims total \$3,191,939.00. Thus, there would be no distribution to unsecured creditors.

The Debtor's Plan proposes to pay all creditors 100%, significantly more than in a liquidation.

PROJECTIONS

The Debtor believes that the Plan is feasible based upon projections of income for the life of the Plan. The Debtor is now in the "high" season. The Debtor has current contracts with a value of \$400,000 and Debtor expects to obtain additional contracts totaling \$1,500,00 this year alone. The current and future contracts will be sufficient to enable the Debtor to fund the Plan.

⁴ Includes First Midwest Bank of \$1,855,401 which is also included in the Corporate Bankruptcy

Attached as Exhibit “C” is a Projected Cash Flow and Budget, as well as Financial Statements. The Debtor’s monthly operating reports from the Petition Date through April 2018 are attached hereto as Exhibit “D” and Exhibit “D-1”.

In addition, the Debtors have causes of action which if successful, will generate an additional \$400,000 to \$500,000.

IMPLEMENTATION AND FEASIBILITY OF THE PLAN

As discussed throughout this Disclosure Statement, distributions under the plan will be made from the Debtor’s operations. The Debtor reduced its monthly rent and has reduced/forgiven his salary and has cut staff accordingly as well. The Debtor does not intend to borrow funds in order to fund the Plan.

The Debtor believe that the Plan represents an opportunity for the holders of Allowed Claims to receive as much or more than such claimants would receive in a forced liquidation. The Plan is also fair.

RECOMMENDATION

The Debtor recommends that those persons entitled to vote, vote to accept the Plan.

Respectfully submitted,

Kanzler Landscape Contractor, Inc. and
James J. Kanzler, Individually
Debtors/Debtors-in-Possession

By: /s/ Lester A. Ottenheimer, III /s/
One of Its Attorneys

DEBTOR’S COUNSEL

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