

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF ILLINOIS
BENTON DIVISION

IN RE:)
) Chapter 11
 KOHN FUNERAL HOME, LLC,)
) 16-60489-lkg
 Debtor in Possession.)

DISCLOSURE STATEMENT

I. INTRODUCTION

KOHN FUNERAL HOME, LLC, the Debtor in Possession, provides this Disclosure Statement to all of the Debtor’s known creditors in order to disclose that information deemed by it to be material, important and necessary for the creditors to arrive at a reasonably informed decision in exercising their right to vote for acceptance of the Plan of Reorganization (hereinafter the "Plan"), filed by them with the Bankruptcy Court. A copy of the Plan accompanies this Statement.

The United States Bankruptcy Code provides, as a general rule, that in order for a Plan of Reorganization to be deemed accepted, each class of claims must accept the Plan. A class of creditors whose rights are impaired and altered under the Plan are deemed to have accepted the Plan if two-thirds in dollar amount and more than one-half in number of those creditors in that class holding allowed claims who cast votes vote in favor of the Plan.

A class of claims which is not affected under the Plan is deemed to have accepted the Plan and need not vote.

In the event the Plan is not accepted by a least two-thirds in dollar amount and more than one-half in number of the creditors of any impaired class, debtors, under Section 1129(b) of the Bankruptcy Code, may request the Court to confirm the Plan anyway. The Court, in such a case, will confirm the Plan if all requirements for confirmation set forth in the Bankruptcy Code other than acceptance by impaired classes of creditors are met and the Court finds the Plan to be "fair and equitable" to the non-accepting classes. If the Plan is not accepted by all classes, the Debtor might be liquidated under Chapter 7 of the Bankruptcy Code. In that event, the Debtor's assets would be liquidated and distributed to the creditors in accordance with their statutory priority after the payment of all costs of administration.

The cost of distributing the Plan and this Disclosure Statement, as well as the costs, if any, of soliciting acceptances will be borne by the Debtor in Possession. In addition, the Debtor in Possession has retained the services of Dent Law Office, Ltd. in connection with the preparation of the Plan. However, fees for legal services are payable only upon approval by the Bankruptcy Court after notice of hearing is given to all creditors and other interested parties.

NO REPRESENTATIONS CONCERNING THE DEBTOR (PARTICULARLY AS TO THEIR FUTURE INCOME, VALUE OF PROPERTY, OR THE VALUE OF ANY PROMISSORY NOTES TO BE ISSUED UNDER THE PLAN) ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE WHICH ARE OTHER THAN AS CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON BY YOU, AND SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTORS AND THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED OR OTHER AUDIT. THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE.

II. BACKGROUND

In March of 2010, Jarrod and Hayley Kohn formed an LLC with another couple, Ashton and Julie Byrd. The funeral home opened for business on November 1, 2011. In the fall of 2012, less than a year of being in operation, the Byrds decided they no longer wished to proceed in the ownership of the funeral home, at which time the Kohns took on their responsibilities for the entire funeral home. We assumed all of the liabilities, debt, and obligations we made as a group.

Within a couple months of our partners leaving, Jarrod Kohn, the only licensed funeral director and insurance agent on the premises, became ill and over the course of the following 3 years spent much time dealing with his medical issues. This forced us to hire additional help at the funeral home in order to proceed with business. We had to bring in licensed help, office help, and maintenance help to facilitate the daily operations of the business. This made it impossible to keep up financially. Due to Jarrod's long term illness, it was physically impossible for him to go out and build the business, which is one of the most important things in a small town, start-up funeral home.

III. CURRENT SITUATION

Jarrold is now healthy. He is now handling all of the funeral director and insurance agent responsibilities again. This greatly decreased the payroll expense for Debtor because it no longer needed to employ a full-time funeral director.

In 2017, Debtor further reduced overhead costs when it changed its marketing strategy. Previously, Debtor invested heavily in expensive newspaper and radio advertising. It also invested heavily in donations to community events as a means of generating goodwill and business. The Members of the Debtor now realize that there was a minimal return on investment. Debtor now does minimal advertising and relies more on “word of mouth” advertising.

Debtor is also pursuing the sale of non-essential assets as a means of reducing debt. Debtor has more land than is needed for the operation of the business. Debtor has been approached by potential buyers because the land is located in a high traffic area. In the event of a sale, the net proceeds will be tendered to the lien holder, First Community Bank, Xenia-Flora.

Debtor has also changed the way it handles accounts payable. In the past, Debtor paid for inventory such as caskets and vaults on a monthly basis. As a result, the practice, while reasonable, created cash flow problems. Debtor is now paying for materials at the time of service. This allows the Debtor to follow the business more closely.

Finally, Jarrold Kohn assists other funeral homes in the area with embalmings, removals, and other needs. This allows Kohn to supplement his personal income to further reduce overhead of the Debtor. It also allows the opportunity, to allow Kohn to make capital contributions to the business, if necessary.

IV. FINANCIAL INFORMATION

THIS INFORMATION WAS PREPARED BY THE DEBTOR IN POSSESSION AND HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE.

PROFIT AND LOSS STATEMENT **JANUARY 1, 2017-SEPTEMBER 20, 2017**

Ordinary Income/Expenses	
Income	
Sales	673.01
Sales Commission	61.16
Uncategorized Income	151,728.23
Owner Contribution	4,055.00
	156,517.40

Expenses

Advertising and Promotion	1,695.84
Answering Service	923.03
Automobile Expense	2,992.71
Bank Service Charges	432.06
Caskets	9,411.72
Cemetery Fee	1,150.00
Clergy	1,370.00
Clothing	1,621.49
Contract Labor	3,827.50
Coroner's Fee	301.00
Crematory Fee	1,640.00
Customer Relations	93.22
Death Certificates	1,375.90
Donation	729.00
Dues and Subscriptions	1,295.25
Flowers	451.94
Fuel	3,565.43
Grave Open/Close	6,700.00
Hairdresser	130.00
Insurance Expense	7,424.61
Landscaping	1,751.00
Meals and Entertainment	359.69
Monuments	778.44
Musician	375.00
Obituaries	1,272.67
Office Supplies	1,570.28
Overpayment	1,050.00
Payroll Expenses	8,401.52
Postage and Delivery	212.23
Professional Fees	2,422.35
Removal	892.50
Repairs and Maintenance	475.87
Supplies	4,190.34
Taxes	8,206.42
Telephone Expenses	5,906.40
Tips	1,489.00
Travel Expense	2,662.00
Urns	727.96
Utilities	4,691.46
Vaults	12,135.00
Video Publication	404.00

 107,104.82

Net Income	49,412.58
Net Monthly Income available for debt service	\$5,490.29

PROJECTED DEBT SERVICE PLAN

Net Monthly Income available for debt service	\$5,409.29
Class 2 – First Community Bank, Xenia-Flora	-\$3,400.00
Class 3 – Flora Bank & Trust	- \$600.00
	\$1,409.29
Available for Class 4 – Unsecured debt	\$1,409.29

V. PENDING CLAIMS AND LITIGATION

The Debtor in possession is involved in two pending claims.

One matter is a foreclosure matter pending in Clay County. The confirmation of the Plan will cure the arrearage owed to First Community Bank, Xenia-Flora and resolve that matter.

The other matter is a collection matter pending in Iroquois County. A creditor incorrectly sued a member of the Debtor rather than the Debtor itself. The individual member will not be seeking relief from the judgment. Rather, Debtor will be treating the claim as a Class 4 claim to be paid in full.

VI. SUMMARY OF PROPOSED PLAN OF REORGANIZATION

Class 1 – 100% Payment. On the Distribution Date each allowed Administrative Claim shall be paid in full in cash or upon such other terms as may be agreed upon by an Administrative Claimant and the Debtor. The United States Trustee quarterly fee shall be paid pursuant to 28 U.S.C. § 1930(a)(6). All administrative claims take priority over all other priority and non-priority unsecured claims with regard to payment regardless of any other provisions in this plan or disclosure statement.

Class 2 – First Community Bank, which holds a claim secured by a mortgage encumbering Debtor's real estate located at 500 W. 12th Street, Flora, Clay County, Illinois, and the personal property of Kohn Funeral Home, LLC, shall be paid 100% of its allowed claim of approximately \$649,868.91. Upon confirmation of the Plan, Debtor shall tender the amount necessary to cure any arrearage, that figure is approximately \$61,000.00. Beginning with the following monthly payment, Debtor shall resume the pre-petition contractual payments which

are approximately \$3,335.00 with a variable interest rate of ½ percentage point above the prime lending rate, with a 10 day grace period and a 5% late charge for payments made after the grace period.

Class 3 – Flora Bank & Trust, which holds a claim secured by a purchase money security interest encumbering the 2008 Cadillac DTS and John Deere Tractor, shall be paid 100% of its allowed claim of approximately \$20,000.00 according to the terms of the original contract. Debtor shall resume payments upon the confirmation of the Plan.

Class 4 – The non-contingent, undisputed, liquidated, unsecured debts, which total approximately \$40,000.00 shall receive 100% of their respective allowed claims with 3% interest. Debtor shall fund a pool in the amount of \$1,163.25 each month for a period of 36 months beginning upon the effective date of the Plan.

VII. HYPOTHETICAL CHAPTER 7 LIQUIDATION ANALYSIS

The Plan proposed by the Debtor will allow it to accurately estimate its monthly expenses on a regular basis. By making fixed monthly payments, the Debtor will be able to plan an annual budget so as to meet its monthly expenses and allow for repairs, maintenance, and capital improvements.

The operation of the business will result in the estate receiving at least what it would have received in a Chapter 7 liquidation. Listed below are the assets of the Debtor as of the time of the filing of the Voluntary Petition, and the liens held against those assets at the time of the filing. The liquidation value of the bankruptcy estate was calculated by taking the value of the assets and subtracting the value of the liens, and a 15% liquidation expense associated with the hypothetical sale of property in a Chapter 7.

Asset Description	Value	Liens	Equity
Real estate located at 500 W. 12 th Street, Flora, Clay County, Illinois.	\$825,000.00	\$649,868.91	\$368,753.69
Cash of cash equivalent	\$233.00		
Accounts receivable	\$72,060.60		
Inventory	\$6,332.50		
Office furniture, fixtures, and equipment;	\$110,196.50		

collectibles.			
Motorized scooter	\$500.00		
Lawn equipment	\$3,800.00		
Tools	\$500.00		
	\$1,018,622.60		
2008 Cadillac DTS	\$5,017.00	\$20,000.00	0.00
John Deere Tractor with attachments	\$10,000.00		
	\$15,017.00		
2004 Cadillac Hearst	\$50,000.00	0.00	\$50,000.00
Net Equity			\$418,753.69
15% liquidation expense			-\$62,813.05
Liquidation value of the bankruptcy estate			\$355,940.64

VIII. BENEFITS OF THE PLAN OVER LIQUIDATION

The Plan is based on the belief of the Debtor in Possession that the present liquidation value of the Debtors' assets would be sufficient to pay general unsecured creditors a dividend of 100% of their debts. The values which the Debtors used in the foregoing liquidation analysis assume the assets are sold for their full fair market value. It is the Debtors' belief that in a forced liquidation of the Debtors' assets will bring substantially less than the market value used in the liquidation analysis. In a foreclosure sale such as the one pending in Clay County, the creditor owes no duty to seek a surplus from the sale. As a result, the assets may be sold for the value of the lien, or less, leaving no distribution to the general, unsecured creditors.

IX. CONCLUSION

The foregoing represents what the Debtor in Possession believes to be a fair and accurate representation of the general terms of the proposed Plan of Reorganization and the Debtor in Possession current financial condition. ALL CREDITORS AND INTEREST HOLDERS ARE CAUTIONED THAT THE ABILITY OF THE DEBTOR TO PERFORM ITS OBLIGATIONS

UNDER THE PLAN OF REORGANIZATION IS UNCERTAIN AND, ACCORDINGLY, THERE CAN BE NO ASSURANCE GIVEN THAT ALL OF THE PAYMENTS PROPOSED TO BE MADE WILL IN FACT BE MADE BY THE DEBTOR. Nonetheless, Debtor, believes that the proposed Plan of Reorganization offers the best chance of recovery by all classes of creditors in this case and that, accordingly, it would be in the interest of all classes of creditors to vote in favor of the proposed plan.

X. VERIFICATION

We hereby certify that the information contained in the Disclosure Statement is true and correct to the best of my knowledge.

KOHN FUNERAL HOME, LLC

Dated: __October 9, 2017__

_/s/ Jarrod Kohn_____
Member

KOHN FUNERAL HOME, LLC,
Debtor in Possession,

Dated: _October 9, 2017__

By: __/s/ Roy Jackson Dent_____
Of Dent Law Office, Ltd.

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