

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
At Greenbelt**

In Re: :
LAKEWOOD AT GEORGIA AVE. LLC : Case No. **16-26171**
Debtor : Chapter 11

**DEBTOR'S DISCLOSURE STATEMENT
March 9, 2017**

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I.
INTRODUCTION

Lakewood at Georgia Avenue LLC, the debtor-in-possession in this Chapter 11 case (hereinafter "Lakewood" or the "Debtor"), prepared this Disclosure Statement in order to disclose information that is material and necessary for the creditors to arrive at a reasonably informed decision in exercising their right to accept or reject the Plan of Reorganization (hereinafter the "Plan"), which is on file with the Bankruptcy Court. A copy of the Plan is filed with this Disclosure Statement.

The legal standards governing this Disclosure Statement are set forth in Section 1125 of Title 11 of the United States Code. The Court has determined that this Disclosure Statement contains adequate information in that it provides you with sufficient information upon which to base your decision to accept or reject the Plan, i.e., the degree and detail of information that a reasonably prudent investor in the Debtor would have the right to expect before making a decision to invest.

The Debtor filed a voluntary petition under chapter 11, title 11, of the United States Code (the "Code") with the United States Bankruptcy Court for the District of Maryland, (the "Court") on December 10, 2016 (the "Filing" or "Petition" Date).

Defined terms are capitalized in the Disclosure Statement and Plan and are defined in the Plan.

II.
HISTORY OF THE DEBTOR

A. History of Lakewood at Georgia Avenue LLC

Lakewood is a Maryland limited liability company which owns the premises commonly known as 11510 Georgia Avenue, Wheaton, MD (the "Premises"). Debtor is a "single asset real estate company" as defined in the Bankruptcy Code.

B. Events Leading to Chapter 11 Filing.

In July of 2016, the Debtor lost its major tenant, resulting in a significant loss of revenue. There were ongoing negotiations to sell or rent the entire vacated space to an agency of Montgomery County, Maryland. However, as these negotiations were ongoing, the mortgage holder, Goldman Sachs Commercial Mortgage Capital, initiated foreclosure proceedings. At that point, negotiations for sale or rent were put on hold by the agency.

C. Reasons for Chapter 11 Filing.

The Debtor was faced with the loss of its only asset in the foreclosure sale. The Debtor

projected that the sale would bring only enough to cover the amount of the secured debt and the costs of sale. The property is valued, according to the Debtor's estimates, at about \$6,000,000; however, this valuation estimate assumes that the Premises could be sold in an orderly manner for its highest and best use to a willing buyer. The amount of the balance due to Goldman Sachs is not determined, as explained below, but it is approximately \$4,300,000. Debtor believes that after offsets of escrow balances in the amount of \$450,000, the balance due should be approximately \$4,000,000.

D. Creditors' Committee. No creditors' committee has been appointed.

E. Post Petition Events. Since the filing of the Petition, the Debtor has re-commenced negotiations with the prospective tenant/buyer of the Premises. Debtor believes that it will be able to either rent the space vacated by the major tenant to the agency or to other tenants, or that it will be able to sell the Premises. There are no binding commitments to rent any substantial portion of the Premises or to sell the Premises as of this date.

F. Cash Collateral Order. There is no cash collateral order in place. A Motion for Entry of Cash Collateral Order is in process. Goldman Sachs holds a lien on Debtor's cash collateral. Debtor sent the attorney for Goldman Sachs a draft of a consent cash collateral motion in January of 2017 and has not received a response. This motion will be filed without consent within 5 business days.

G. Post-Petition Financing. None

H. Monthly Operating Reports; Post-Petition Performance. The Debtor has filed Monthly Operating Reports with the Bankruptcy Court and the Office of the United States Trustee through the period ending February 2017.

III.

CONFIRMATION REQUIREMENTS AND DEBTOR'S RECOMMENDATION

A. Confirmation Requirements.

In order to be confirmed (i.e. approved) by the Court, the Plan or its proponent must (among other requirements set forth in Section 1129 of the Code):

1. Disclose all compensation paid or promised for professional services rendered or to be rendered in connection with the case;
2. Disclose the identity and affiliations of all officers to serve after the Plan is confirmed and the compensation of any insiders to be employed after confirmation;
3. Propose to distribute to each member of a Class of claimants property at

least equal in value to what the claimant would receive if the Debtor's assets were liquidated on the date of the Confirmation hearing, and distributed to creditors according to their rights and priorities under law;

4. Propose to pay all Administrative Claims in full, or on such other terms as the Administrative Claimants and the Debtor may agree;
5. Propose to pay all Priority Claims in full in cash on the Effective Date or deferred payments equal to the allowed priority claims as of the Effective Date, including allowed Priority Tax Claims plus statutory interest within six years from the date or dates of assessment.

Since there are Impaired Classes of Claims under the Plan, confirmation of the Plan will require, among other things, that at least one Class of Impaired Claims votes to accept the Plan. Generally, a Class of claims as to which legal, equitable or contractual rights are altered is "Impaired." In order for an Impaired Class of Claims to accept the Plan, votes representing at least two-thirds (2/3) in amount and more than one-half (1/2) in number of claims voting in that Class must be cast in favor of the Plan.

The compensation of professionals serving the Debtor has been or will be satisfied in full by the Debtor's principals and it is anticipated at this time that no assets or income of the Debtor will be funded through the Plan for this purpose with the possible exception of legal fees and costs related to objections to claims. However, the Debtor reserves the right to present such Administrative Claims to the Bankruptcy Court for approval.

B. Absolute Priority Rule

Bankruptcy law imposes the so-called "Absolute Priority Rule" which must be satisfied in order for this Plan to be confirmed. Briefly, that Rule means that claims must be paid in their order of priority. For purposes of this Plan, §507 of the Bankruptcy Code lists the priority for payment of creditors and others entitled to payment.

The priority of claims relevant to this Plan is as follows:

1. Administrative costs, including US Trustee fees and fees incurred by Debtor's counsel.
2. Governmental claims for taxes required to be collected or withheld for which Debtor is liable in any capacity.
3. General unsecured claims.

Additionally, if the Debtor is liable for debts secured by property, these claims must be paid if the Debtor does not surrender the property.

In this case, administrative costs will be determined.

Additionally, §1129(b)(7)(A)(ii) of the Bankruptcy Code provides that in order for a Plan to be confirmable, each impaired class of claims will receive on account of its claim property or payments which, as of the Effective Date, would be not less than the claim holder would receive if the Debtor were liquidated under Chapter 7. Per the analysis in this Disclosure Statement, this requirement is met.

C. Recommendation of the Debtor.

The Debtor believes that the Plan is in the best interests of its creditors, and will permit the best possibility of recovery for all interested parties. In arriving at this conclusion, the Debtor considered: (i) the estimated liquidation value of Debtor's assets and the fact that the creditors would likely receive less in connection with a forced liquidation of Debtor's assets than if the Debtor were to continue to operate; and (ii) the Debtor's anticipated future cash flow from the continued operation of the car wash businesses and receipt of rent from the rental properties. The Debtor believes that, based upon the above factors, and others, the Plan is fair and in the best interest of all parties.

IV. OVERVIEW OF THE PLAN

A. General Structure of the Plan.

Set forth below is a summary description of the Plan which highlights its major terms and provisions. The summary is qualified in its entirety by reference to the provisions of the Plan itself which accompanies this Disclosure Statement. In the event of any inconsistency between the Plan and this Disclosure Statement the terms of the Plan shall control.

The Plan provides that with respect to the secured real property consisting of the Premises will continue to be paid according to the terms of the loan at the non-default interest rate as provided in the loan documents. The amount of the monthly payment is estimated and post-petition payments to the secured creditor are current. Any arrearage which may be determined to be due to the secured creditor will be paid over a period of 60 months commencing on the first day of the month following the month in which there is a final Order of the Bankruptcy Court confirming the Plan, that is, the Effective Date, with interest at the non-default interest rate as provided in the loan documents.

Class 2, Allowed Claims will be paid, if the Creditor elects, in the amount of 30% of the Plan Payment, but over a period of 12 months instead of 60 months. For example, if an electing Creditor's Plan Payment under Class 3 would be \$300, the Creditor could elect to be classified as a Class 2 Creditor. If that election is made, the electing Creditor would be paid a total of \$90 over a 12-month period instead of a 60 month period. The payment of this electing Creditor would be \$7.50/month for 12 months instead of \$150 payable over a 60 month period at the rate

of \$2.50/month. This election is made by sending a written statement to Debtor's attorney, whose name and address are at the end of this document. This statement must be received within 30 days of the Effective Date.

Class 3 Claims will be paid off *pro rata* over a period of 60 months at a total for all Claimants of \$1,037,50/month for 60 months. This payment will be reduced *pro rata* to the extent that any of the Creditors elect to be classified as Class 2 Claims. It should be noted that Edgemoor Contracting is an Insider; however, its Claim is based on the customary charge for services rendered. The payments to Class 3 Creditors under the Plan are as follows:

<u>Creditor</u>	<u>Claim</u>	50.00% <u>Payment</u>	Monthly <u>Payment</u>
Bond Water Technologies	167.00	83.50	1.39
CBRE	20,111.85	10,055.93	167.60
Chesapeake Sprinkler	1,700.00	850.00	14.17
Complete Building Services	8,846.72	4,423.36	73.72
Datawatch	1,401.61	700.81	11.68
Edgemoor Contracting	15,726.89	7,863.45	131.06
Furey, Doolan & Abell	16,583.00	8,291.50	138.19
Martin Lawn & Landscaping	3,366.00	1,683.00	28.05
Scheer Partners	4,054.43	2,027.22	33.79
Thyssen Krup	1,377.88	688.94	11.48
Triple-S	50,367.00	25,183.50	419.73
Verizon	492.47	246.24	4.10
Waste Management	<u>305.26</u>	<u>152.63</u>	<u>2.54</u>
Totals	<u>124,500.11</u>	<u>62,250.06</u>	<u>1,037.50</u>

Class 4 Claims are any claims entitled to priority under §507. This Class may be Impaired. There are no known Creditors in Class 4. Examples of such claims would be claims for wage taxes.

Class 5 Claims consist of any Claims disputed by the Debtor prior to or after Plan confirmation. Upon Confirmation of the Plan, any debts related to these Claims will be discharged as against the Debtor. At present there are no such Claims.

The Class 6 Claims are Claims for rental security deposits of tenants in the Premises. The amounts of the security deposits will be applied according to the terms of the tenant leases. This Claim is not Impaired.

<u>Tenant Security Deposits</u>	<u>Claim</u>
Agular & Assoc	900.00
Environmental Turf	3,302.00
JV Accounting	2,000.00
Luis Gomez	1,489.00

Marinari	1,888.00
Mary Kay	2,056.00
Pray & Abrams	2,231.00
Washington Hospital Ctr	5,014.71
Yang & Ullman	<u>2,400.00</u>
Total Security Deposits	<u>21,280.71</u>

The Class 7 Claim is the claim of Lakewood Investment Group, LP in the amount of \$250,000 for a loan of funds to the Debtor will not receive any distribution under this Plan. This Claim is an Insider Claim. This Claim is Impaired.

It is important to know which Class contains your Claim to assess whether to vote to accept or reject the Plan. A list detailing the Classification of all Creditors is contained in the Plan.

B. Allowed Administrative Claims.

Administrative Claims consist of any cost or expense of the Chapter 11 case allowed under section 503(b) of the Bankruptcy Code, including certain taxes and all actual, necessary expenses relating to the preservation of the Debtor's estate or the operation of the business.

The compensation of professionals, such as attorneys, financial consultants, appraisers and accountants hired by Debtor for services rendered or expenses incurred after the Chapter 11 Petition Date, are also regarded as Allowed Administrative Claims. Payments to such professionals for compensation and reimbursement of expenses will be made in accordance with detailed procedures established by the Bankruptcy Code and Rules relating to such payments. It is not anticipated that there will be any unpaid Administrative Claims remaining to be paid through the Plan, with the exception of possible claims related to objections to proofs of claim as outlined in the Plan.

Under the Plan, Allowed Administrative Claims will be paid in full in cash on the Effective Date if not previously paid pursuant to appropriate orders entered by the Court. Alternatively, the Allowed Administrative Claims of professionals who agree to deferral may be paid after the Effective Date, in the event the Debtor does not have sufficient funds on that date. If this is the case, the Debtor expects that all professionals retained in this case will agree to a deferral.

Professional fees to-date are \$27,100. Total professional fees are estimated to be \$35,000.

C. Classified Claims.

The Plan divides Claims into Classes and sets forth the treatment afforded to each Class. Treatment of each Class is described below

D. Summary of Other Provisions of the Plan.

1. **Implementation of the Plan.** Debtor will commence payments to Class 1 Creditors (with respect to any mortgage arrearage) and Class 2 and Class 3 Creditors on the month following the month in which the Effective Date occurs. The payments will be mailed on the 25th of each consecutive month until paid. Payments to Class 4 tax creditors, if any, will commence on the month following the month in which any assessment becomes final. No distribution will be made to Class 5 Claims as they are disputed. Class 6 Creditors consist of security deposits which will be paid or applied according to the terms of the respective leases of the tenants in the Premises. Class 7 Claims will not receive any distribution under the Plan.

2. **Treatment of Executory Contracts and Unexpired Leases.** All executory contracts and unexpired leases will remain unaffected by the Plan.

3. **Modification of the Plan.** The Debtor may propose amendments to or modifications of the Plan under section 1127 of the Bankruptcy Code at any time prior to the Confirmation Date.

4. **Retention of Jurisdiction.** The Plan reserves the jurisdiction of the Bankruptcy Court through the full term of the Plan to enforce the provisions of the Plan, subject to prior entry of a final decree. Jurisdiction is also reserved to permit the Debtor to maintain actions pursuant to sections 541, 542, 543, 544, 545, 546, 547, 548, 549, 553, 554, and 560 of the Bankruptcy Code. Debtor shall retain all rights to pursue any claims or causes of action accruing under these sections of the Bankruptcy Code within the applicable statutory periods after the confirmation date of the Plan and after entry of a final decree. These rights include, generally, without limitation, the right of the Debtor to maintain lawsuits within the bankruptcy to recover money or property transferred to creditors within 90 days prior to the date of the filing of this bankruptcy case, if the recipient of the money or other property would have received more than it would have under a Chapter 7 proceeding, unless the payment was for a contemporaneous transfer of value to the creditor. Debtor also retains the right to pursue objections to any creditor claims through the full term of the Plan.

5. **Contested and Unliquidated Claims.** If you are the holder of a Claim or Interest which is listed as disputed or which has been objected to, you may ask the Bankruptcy Court, pursuant to Bankruptcy Rule 3018, to have your Claim or Interest temporarily allowed for the purpose of accepting or rejecting the Plan.

V.

ANALYTICAL PROJECTIONS

The funding of the Plan is based on the continuing ability of the Debtor to receive net distributions from the businesses Debtor operates. In this case, the Debtor is also receiving contributions from its principals sufficient to fund any cash flow deficits pending sale or rental of the open space in the Premises. The analytical projections are attached hereto as Exhibit A,

shown as Lakewood 2015 Summary Budget. This set of projections has been updated as of January 1, 2017.

VI.
ALTERNATIVES TO THE PLAN

If the Plan is not accepted and confirmed, the Debtor or any other party in interest could attempt to formulate a different plan. The Debtor believes that it is unlikely that any alternate plan of reorganization would be feasible, or would contain terms more favorable to the creditors than the Plan. The Debtor believes that the Plan, as described herein, enables creditors to realize the maximum recovery under the circumstances.

VII.
LIQUIDATION ANALYSIS

The Bankruptcy Code provides that a Chapter 11 plan will not be approved by the Court unless the creditors will receive at least as much under a Chapter 11 as they would in a liquidation under Chapter 7 of the Bankruptcy Code ("Chapter 7").

In evaluating its business operations Debtor has taken into account the nature, status and underlying values of its tangible and intangible assets. The Debtor believes that a Chapter 7 liquidation, which requires the appointment of a trustee to administer the estate, would diminish the return to creditors due to (i) the delays and expense in connection with the appointment and administration of the estate by a trustee, including review of the business and affairs of the Debtor and evaluation of Debtor's assets (ii) the expenses of the trustee, including the trustee's statutory commissions and compensation for professionals such as accountants, appraisers or liquidation agents employed by the trustee and (iii) the requirement for payment of priority taxes, if any are assessed against the Debtor. Section 326 of the Bankruptcy Code sets forth the guidelines for compensation to a trustee. The trustee is also entitled to be reimbursed for all reasonable expenses. The Bankruptcy Code authorizes the Court to compensate the trustee from the assets of the estate. Fees in a case of this size can be awarded in an amount in excess of 5% of the distributed assets.

Debtor estimated that the Premises, which is its only asset, would support a bid of between \$4,000,000 and \$4,500,000 at a foreclosure auction. Although the Premises highest and best value is estimated to be \$6,000,000, the Debtor has been attempting to sell the Premises since mid-2016 without success. In the event that this Bankruptcy Case is converted to a case under Chapter 7, the Debtor's principals will cease making contributions to the negative cash flow of the Debtor. These contributions average \$40,000/month. Without the contributions, the Premises would very likely go into foreclosure, resulting in the receipt of less than the Debtor proposes to pay under the Plan (including cash flow contributions). Additionally, in the event of a conversion to Chapter 7, the Debtor's principals will assert a claim of \$250,000 plus any interest and other charges. This claim would receive a distribution of about 67% of the surplus, if any, received from the foreclosure.

For these reasons, the Debtor submits that the Plan meets the Chapter 7 liquidation test.

VIII.
RISK FACTORS

The only significant risk factor identified by the Debtor would be the possible inability of Debtor to continue in business. If the Plan is confirmed, it is likely that the Debtor will be able to continue in business. The Debtor's principals are capable of funding the cash flow deficits until the Premises can be either sold or the rented to the point where the rents can fund operations.

IX.
PLAN CONFIRMATION

A. Classes Entitled To Vote.

Only Classes that are Impaired under the Plan are entitled to vote to accept or reject the Plan. Generally, section 1124 of the Bankruptcy Code provides that a class of claims or interests is Impaired under a plan of reorganization unless the Plan does not alter the legal, equitable and contractual rights of the holder of such claim or interest. In addition, such classes are Impaired unless all outstanding defaults, other than defaults relating to the insolvency or financial condition of the debtor or the commencement of the bankruptcy case have been cured and the holders of claims or interests in such classes have been compensated for any damages incurred as a result of any reasonable reliance by such holders on any contractual provisions or applicable law to demand accelerated payment. All classes except Class 6 Claims are Impaired under the Plan. Only the votes of Impaired creditors and Interest holders will be solicited. If your Claim falls within an Impaired Class, you will be requested to return your Ballot indicating your acceptance or rejection of the Plan at such time as the Court has approved this Disclosure Statement.

B. Confirmation Standards.

At the confirmation hearing, the Bankruptcy Court will confirm the Plan only if all the requirements of section 1129 of the Bankruptcy Code are met. Those requirements include, but are not limited to, the following:

- **Feasibility of the Plan.** In order for the Plan to be confirmed the Bankruptcy Court must determine that the need for further reorganization or a subsequent liquidation of Debtor following confirmation is unlikely. Debtor believes based on its financial projections that the Plan is feasible. No matter what occurs, the Plan provides an alternative which meets the requirements of the Bankruptcy Code.
- **Acceptance by Impaired Classes.** Section 1126(a)(8) of the Bankruptcy Code

requires that each Impaired class of claims or interests accept the Plan by the requisite votes in order for confirmation to occur without triggering the "fair and equitable" test described below.

- **Fair and Equitable Test.** In the event that any Impaired Class of Claims does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of Debtor if, as to such Impaired Class, the Plan *does not discriminate unfairly* and is *fair and equitable* with respect to that class. A plan does not discriminate unfairly if no class receives more than it is legally entitled to receive for its claims or interests. "Fair and equitable" has a different meaning for secured claims, unsecured claims and equity interests. The Bankruptcy Court must determine at the confirmation hearing whether the Plan is fair and equitable and does not discriminate unfairly against any Impaired Class of Claims or Interests.

X. DISCLAIMERS

THE TRANSACTIONS CONTEMPLATED IN THE PLAN HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY COURT OR GOVERNMENTAL AUTHORITY, NOR HAS ANY COURT OR GOVERNMENTAL AUTHORITY PASSED UPON THE FAIRNESS OR MERITS OF SUCH TRANSACTIONS OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE DEBTOR HAS NOT AUTHORIZED ANY PERSON TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION IN CONNECTION WITH THE SOLICITATION OF ACCEPTANCES OF THE PLAN OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON AS HAVING BEEN DULY AUTHORIZED.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN AND NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT SHALL (1) CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY THE DEBTOR, (2) BE ADMISSIBLE IN ANY PROCEEDING, CASE OR CONTROVERSY INVOLVING THE DEBTOR OR ANY OTHER PARTY, OR (3) BE DEEMED ADVICE TO ANY PARTY IN INTEREST ON THE TAX OR OTHER LEGAL CONSEQUENCES OF THE PLAN ON THE DEBTOR'S CREDITORS OR SHAREHOLDERS.

CREDITORS OF LAKEWOOD AT GEORGIA AVENUE LLC ARE URGED TO READ THIS DISCLOSURE STATEMENT CAREFULLY AND TO CONSULT WITH THEIR OWN LEGAL AND FINANCIAL ADVISORS IN DECIDING WHETHER TO ACCEPT OR REJECT THE PLAN.

XI.
CONCLUSION

The Debtor urges all creditors to accept the Plan since the Plan will provide an opportunity for creditors to receive at least as much, if not more than, they would receive in a liquidation under Chapter 7 of the Bankruptcy Code, liquidation or any other known alternative.

Dated: March 9, 2017

Respectfully Submitted,
Lakewood at Georgia Avenue LLC

By /s/ George Christopher
George Christopher
Managing Member

DeCaro & Howell, P.C.

/s/ Thomas F. DeCaro Jr.
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CERTIFICATE OF SERVICE

I, Thomas DeCaro, hereby certify that on March 9, 2017 a true and complete copy of the First Amended Disclosure Statement, were sent via first-class mail, postage prepaid to all parties in interest on the creditor matrix with the exception of the U.S. Trustee and attorneys who were served via CM/ECF.

/s/ Thomas DeCaro, Jr.
Thomas F. DeCaro, Jr.