

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In re:

LADDCO, LLC,

BKY 17-43456 Chapter 11

Debtor.

LADDCO LLC'S DISCLOSURE STATEMENT

1. INTRODUCTION AND PRELIMINARY MATTERS

This Disclosure Statement dated May 18, 2018 (the "Disclosure Statement"), is submitted by LADDCO, LLC ("Debtor"). The Disclosure Statement contains information about the Debtor and describes the Debtor's Plan of Reorganization dated May 18, 2018 (the "Plan"). The Debtor is seeking confirmation of the Plan. The Disclosure Statement is intended to provide you with adequate information to enable you to make an informed decision on whether to vote for or against the Plan.

The Debtor filed for relief under Chapter 11 of the United States Bankruptcy Code on November 15 2017 with the intention of reorganizing its debts. The Plan is intended to implement the Debtor's reorganization of its business and finances. The Plan provides for the reorganization of the Debtor's business and the payment of the claims of creditors. The Debtor believes that the Plan complies with all of the requirements of the Bankruptcy Code and that it should be confirmed by the Court.

Purpose of This Document

This Disclosure Statement is provided to creditors to provide them with information relevant to the Plan and to enable creditors to make informed decisions concerning their vote on the Plan. Parts of the Plan are incorporated into this Disclosure Statement, and a copy of the Plan is included in this voting packet. Capitalized terms used in this Disclosure Statement shall have the meanings ascribed to them in the Plan or in the Bankruptcy Code unless the context requires otherwise. 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.

The Court has entered an order setting the date of the hearing on confirmation of the Plan, and establishing the deadline for the submission of ballots casting votes for or against the Plan. A copy of the order is included in the materials accompanying this Disclosure Statement. You may vote for the Plan by completing the enclosed ballot and mailing it to the Clerk of the United States Bankruptcy Court, 200 Warren Burger Federal, 316 North Robert St., St. Paul MN 55101, in time for it to be RECEIVED not

later than the date set forth in the Court's Order, a copy of which is attached. Ballots that are not submitted timely will not be counted. At the confirmation hearing the Court will determine whether a sufficient number of creditors have accepted the Plan, and whether to confirm the Plan.

Section 1129 (a) of the Code imposes certain conditions for the confirmation of a Plan of reorganization. These conditions include the requirement that all classes of claims and interests have accepted the Plan or are not impaired. Section 1129 also establishes the number and dollar amount of claims that must vote in favor of a Plan in order for a class to have accepted the Plan. In the event that one or more classes rejects the Plan, the Bankruptcy Court may nevertheless confirm the Plan if the Bankruptcy Court finds that the Plan affords fair and equitable treatment to the class rejecting it. This means that, pursuant to 11 U.S.C. §1129(b), the Plan may be confirmed even if a class of claims or interests rejects it so long as the Plan provides that (1) each holder of a claim or interest in the rejecting class receives the value of that claim or interest; or (2) no holder of a claim or interest junior to those held by members of the rejecting class will receive or retain value under the Plan. **The Debtor reserves the right to seek confirmation under 11 U.S.C. §1129(b).** (These statements are intended only to briefly summarize the requirements for confirmation that are established in § 1129. The proponent of a Plan must meet all of the applicable conditions set forth in this section of the Code in order to obtain confirmation of a Plan of reorganization. These statements do not address all of the applicable conditions and criteria for confirmation; and creditors are urged to consult with their counsel and advisers, and to review the applicable provisions of the Code independently.)

Debtor's Disclosure Statement is furnished pursuant to §1125 of the Bankruptcy Code and is furnished to provide all persons known to have claims against Debtor with sufficient information to permit them to make an informed judgment as to their votes on whether to accept or reject the Plan. No representations concerning the Debtor, particularly as to its future business operations, the value of its property or the value of any notes to be issued under the Plan, other than those set forth in this Disclosure Statement, are authorized by the Debtor. ANY REPRESENTATION OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN THOSE IN THIS AMENDED DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO THE DEBTOR OR TO THE UNITED STATES TRUSTEE, WHO, IN TURN, SHALL DELIVER THIS INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

The financial information contained in this Disclosure Statement has been provided by the Debtor but has not been independently reviewed or audited. All statements concerning financial data are made in good faith and are intended to be as complete and as accurate as possible within these limitations. Neither the Debtor nor its counsel are aware of any inaccuracies.

Deadline for Objecting to the Confirmation of the Plan

The Court Order approving this Disclosure Statement sets a deadline for objections. Objections to the confirmation of the Plan must be filed with the Court and served upon Debtor's Counsel, Sam V. Calvert, 1011 2nd St N, STE 107, St. Cloud MN 56303, and other parties in interest by the appropriate deadline and in accordance with the applicable Federal Rules of Bankruptcy Procedure and the Local Rules of the United States Bankruptcy Court for the District of Minnesota. Generally, objections must be served and filed electronically through the CM/ECF system.

Contact for More Information

If you want additional information about the Plan, you may contact the Debtor's attorney, Sam V. Calvert, 1011 2nd St N, STE 107, St. Cloud MN 56303, telephone: 320-252-4473; email: calcloud@gmail.com.

2. DEFINITIONS

The definitions set forth in the Plan are used in this Disclosure Statement.

3. NATURE AND HISTORY OF THE DEBTOR'S BUSINESS

A. Description and History of the Debtor's Business

Debtor is a limited liability company under the laws of Minnesota. In 2017 it had a taxable gross income of \$82,743.00. The Debtor is on track to gross \$97,200.00 in 2018, not including the sale of any Undeveloped Lots. The Debtor has two business lines: (a) the operation of an apartment building in Eden Valley, Minnesota, located at 300 Douglas Avenue, Eden Valley MN 55329 and (b) the sale of 9 platted development lots in Stearns County, near Eden Valley. The Debtor also has title to Outlot A, Jack's Addition in Meeker County, Minnesota, which is of inconsequential value and which Outlot is adjacent to a drainage pond.

B. Insiders of the Debtor

Douglas Ruhland is the Chief Operating Officer of the Debtor. He owns a 99% membership interest in the Debtor. Diane O’Neill is the Chief Executive Officer of the Debtor, and owns 1% membership interest in the Debtor. Both are an insider as defined in §101(31) of the United States Bankruptcy Code (the “Code”).

Neither Douglas Ruhland nor Diane O’Neill have been paid any wages or salary during at least the two years prior to the Debtor filing. There may have been reimbursement for actual necessary expenses incurred on behalf of the Debtor by one or the other of Douglas Ruhland and Diane O’Neill.

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 business of the Debtor was operated by Douglas Ruhland. Mr. Ruhland has continued to manage the business of the Debtor during the Debtor’s chapter 11 case.

After the effective date of the order confirming the Plan, the members, and managers of the Debtor (the “Post Confirmation Manager”), will be Douglas Ruhland and Diane O’Neill. The responsibilities and compensation of these Post Confirmation Managers are described in section 9 of this Disclosure Statement.

4. CIRCUMSTANCES LEADING TO THE BANKRUPTCY FILING

The Debtor acquired undeveloped land in November, 2008 platted it into twelve lots suitable for residential dwelling sites, plus one outlot. Three lots were sold immediately and the outlot was conveyed, leaving the Debtor with the ownership of nine platted lots. However, the market for development lots essentially collapsed in the 2009 and since that time the Debtor has not been able to sell the platted development lots.

Granite Community Bank (formerly First National Bank of Cold Spring) held the mortgage financing on the Debtor’s apartment building in Meeker County and the development lots in Stearns County. Granite Community Bank refused to extend the due date on the Debtor’s mortgages, and commenced a foreclosure of its mortgages against the Debtor’s apartment building and development lots.

5. OPERATIONS DURING THE BANKRUPTCY CASE

During the pendency of this Chapter 11 case, Debtor has tried to maintain its business affairs in the ordinary course.

Significant Events During the Bankruptcy Case

The Debtor has prepared the monthly operating reports required by the United States Trustee and attended the meeting of creditors required by § 341 of the Code. The Court has approved the employment of Sam Calvert as counsel for the Debtor. The Debtor stipulated with its senior secured creditor, Granite Community Bank, for the use of cash collateral and adequate protection. The stipulation was approved by the Court. The cash collateral was used by Debtor to meet operating expenses during a period of reduced revenue.

Projected Recovery of Avoidable Transfers

The Debtor has reviewed its records for evidence of preference payments or otherwise avoidable transfers pursuant to 11 U.S.C. § 547 and 11 U.S.C. § 548 for payments or transfer made to creditors within the 90 days prior to filing and does not believe that there are any. Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions and Debtor does not believe protracted, potentially expensive litigation would necessarily result in a recovery for the creditors.

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.

Current and Historical Financial Conditions

The identity and fair market value of the estate's assets are listed in Exhibit A. The values shown are the Debtor's estimates. The post-petition operating report filed for the first quarter of 2018 is set forth in Exhibit C. A summary of the Debtor's periodic operating reports filed since the commencement of the Debtor's bankruptcy case is set forth in the next paragraph.

Income and Expenses during the Case

The following table shows the Debtor's income and expenses during the pendency of the case. The information set forth in the table is drawn from the Monthly Operating Reports filed with the U.S. Trustee.

	11/17	12/2017	1/2018	2/2018	3/2018	TOTAL
Income	375.0	\$6,946.0	\$12,983.00	\$8,846.0	\$9,016.00	\$38,166.00
Expens	\$0.00	\$597.29	\$13,504.17	\$8,947.7	\$7,721.94	\$30,771.17
Net	\$375.	\$6,348.7	-\$521.17	-\$101.77	\$1,294.06	\$7,598.37

6. SUMMARY OF THE AMENDED 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. The Plan is based on the premise that Debtor will be able to maintain a profitable business by continuing its apartment rentals and selling the development lots as the market for lots improves.

B. Unclassified Claims: Description And Treatment

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 Debtor has *not* placed the following claims in any class:

- (a) Priority unsecured tax claims entitled to priority pursuant to §507(a)(8) of the Bankruptcy Code would include the claims of the United States Internal Revenue Service (“IRS”) (to the extent allowed. The Debtor does not believe that there are any tax claims which have priority status.
- (b) Administrative expenses entitled to priority pursuant to §503(b)(2) or §503(a) of the Bankruptcy Code excluding any claims included in any other class under the Plan. These claims include attorneys’ fees for the Debtor’s attorneys and

¹The case was filed on November 15, 2015; the November monthly operating report covers November 15, 2017 through November 30, 2017. Because the tenants of the apartment building typically pay rent in the first ten days of any given month, there was essentially no income in the month of November, 2017.

accounting fees by the Daniel Schleper CPA accounting firm as may be approved and awarded by the Court pursuant to §330(a) of the Code. The Debtor estimates administrative priority claims for professional persons will be approximately \$6,750.00 as of the date of confirmation. Allowed administrative expenses entitled to priority pursuant to §503(b)(2) of the Code shall be paid in full to the extent allowed by the Court, on the Effective Date or such later date as the administrative claimant and the Debtor may agree, from the Debtor's operating revenues, and from advance retainers paid by the Debtor to professionals.

- (c) United States Trustee fees and other court costs and fees assessed, or accessible pursuant to 28 U.S.C. §1930(a) and (b). The Debtor estimates that unpaid Trustee fees, court fees, and other fees assessable pursuant to these provisions, will be less than \$325.00 as of the date of confirmation. All such fees and expenses will be paid on the Effective Date from Debtor's income. Debtor shall continue to pay those fees authorized and assessed or otherwise payable in accordance with 28 U.S.C. § 1930, following confirmation until such time as this Chapter 11 case is closed, dismissed or converted. After confirmation of the Plan, the Debtor shall submit quarterly operating reports to the United States Trustee each quarter (or portion thereof) until this Chapter 11 case is closed, dismissed or converted. These reports shall be in the format prescribed by the United States Trustee.

C. Classified Claims: Description And Treatment

3.1 Class 1: Secured Claim – Granite Community Bank

Class 1 consists of the secured claim of Granite Community Bank.

Granite Community Bank holds a claim secured by the Debtor's interest in real estate in Meeker County, Minnesota and Stearns County, Minnesota. Granite Community Bank holds a senior lien as its lien on the debtor's real estate, other than Outlot A of Jack's Addition, as mortgages securing the notes which make up the debt were perfected prior to the liens of Debtor's other secured creditor by the filing of certain mortgages, including as follows:

- (a) Mortgage, dated June 10, 2003, in the original principal amount of \$608,477.80, executed and delivered by Lonn M. Peterson, Ann M. Peterson and Douglas Ruhland, and recorded with the Meeker County Recorder's Office on June 12, 2003, Document No. 315618, as modified by that certain Assignment and Assumption of Mortgage, dated January 23, 2006, executed by the Debtor and recorded with the Meeker County Recorder's Office on February 9, 2006, Document No. 338537, as modified by that certain Modification of Mortgage,

dated July 25, 2008, recorded with the Meeker County Recorder's Office on August 1, 2008, Document No. 354620, and as further modified by that certain Second Modification of Mortgage, dated February 26, 2010, recorded with the Meeker County Recorder's Office on March 2, 2010, Document No. 363405 encumbering certain property owned by the Debtor located at 300 Douglas Drive, Eden Valley, Minnesota 55329, and legally described as:

Lots 1, 2, 3, Block 1, Logeais Addition, City of Eden Valley, according to the plat and survey thereof on file and of record in the office of the County Recorder in and for Meeker County, Minnesota(the "Apartment").

(b) Mortgage, dated August 23, 2007, in the original principal amount of \$330,000.00, executed and delivered by the Debtor and recorded with the Meeker County Recorder's Office on September 6, 2007, Document No. 349344, and recorded with the Stearns County Recorder's Office on October 8, 2007, Document No. 1240446, as modified by that certain Modification of Mortgage, dated September 4, 2008, recorded with the Meeker County Recorder's Office on September 9, 2008, as Document No. Stearns County Recorder's Office on October 8, 2007, Document No. 1240446, as modified by that certain Modification of Mortgage, dated September 4, 2008, recorded with the Meeker County Recorder's Office on September 9, 2008, Document No. 355178, and recorded with the Stearns County Recorder's Office on October 1, 2008, Document No. 1269270, and as further modified by that certain Second Modification of Mortgage, dated February 26, 2010, recorded with the Meeker County Recorder's Office on March 2, 2010, Document No. 363407, and recorded with the Stearns County Recorder's Office on March 29, 2011, Document No. A1340138 encumbering certain property owned by the Debtor located at 20658 - 175th Street, Richmond, Minnesota 56368 and Jacquin Lane, Eden Valley, Minnesota 55329, and legally described as:

Lot 1, Block 1; Lots 1 and 3, Block 2, Lots 1, 2, 3, 4, 5 and 7, in Block 3, all in Eagles View, according to the plat and survey thereof, now on file and of record in the office of the Stearns County Recorder (the "Undeveloped Lots").

(collectively, the "Mortgaged Properties"). The Mortgaged Properties consist of an apartment building and certain undeveloped lots.

Pursuant to Order of this Court dated December 19, 2017 and a stipulation between Debtor and Granite Community Bank Debtor continued to use the cash-collateral for business operation in exchange for providing Granite Community Bank adequate protection by granting Granite Community Bank replacement liens in all post-petition assets of Debtor

having the same nature, type, quality and substance of the pre-petition collateral, excluding any causes of action Debtor may have under Chapter 5 of United States Bankruptcy Code.

The Indebtedness will be restructured as follows:

The portion of the Indebtedness secured by the undeveloped lots, which are legally described as Lot 1, Block 1; Lots 1 and 3, Block 2, Lots 1, 2, 3, 4, 5 and 7, in Block 3, all in Eagles View, Stearns County, Minnesota is referred to as the Class 1A claim.

The remainder of the Indebtedness is referred to as the Class 1B claim.

The debtor will attempt to sell the Undeveloped lots.

There are two alternatives regarding the Undeveloped Lots. The first alternative is that the debtor will sell individual lots at a price no less than the 2017 County Assessor's Market Value for each Undeveloped Lot or such lower amount as Granite Community Bank may approve. The net sales proceeds will be paid by the debtor to Granite Community Bank for application on the Class 1A claim; if the net sales proceeds for an individual lot are at least \$20,000 the debtor will pay the holder of the Class 3 Claim (currently Bernice Grabber Tintes) \$5,000.00 for each lot sold and the balance of the net proceeds will be paid to Granite Community Bank. Upon receipt of the said net sales proceeds, Granite Community Bank will release that sold lot.

The second alternative is that Granite Community Bank shall assign, without any representations and warranties, a bifurcated portion of the Undeveloped Lot Note (the "Class 1A claim") and the mortgage(s) securing the Class 1A claim to a third party designated by the debtor in return for payment of \$135,000.00, minus amounts actually paid to Granite Community Bank from the sale of individual Undeveloped Lot(s). The amount allocated to the bifurcated Undeveloped Lot Note shall be equal to \$135,000, minus amounts actually paid to Granite Community Bank from the sale of individual Undeveloped Lots. (By way of example, if the debtor sells three of the undeveloped lots and Granite Community Bank has been paid \$30,000.00 from the prior sale of the Undeveloped Lots; in that case, if a third party pays Granite Community Bank \$105,000.00, Granite Community Bank will assign to the third party the bifurcated portion of the Undeveloped Lots note and its Class 1A claim and mortgage(s) against the remaining six undeveloped lots).

If the debtor has not paid Granite Community Bank at least \$135,000.00 by July 19, 2018, Granite Community Bank shall have relief from the stay and may foreclose the remainder of its Class 1A claim against the unsold undeveloped lots. Relief shall be granted upon the filing by Granite Community Bank of an affidavit to that effect; the debtor shall have five days to rebut the affidavit on the basis that payment was, in fact, made. In the event of relief from stay, Granite Community Bank has agreed that it will bid at least \$5,000.00 for each of the unsold undeveloped lots subject to the mortgage securing the Class 1A claim. The amount realized by Granite Community Bank, whether by sale of individual

Undeveloped Lots or by sale of the bifurcated portion of the Undeveloped Lot note and the Class 1A claim and its securing mortgage to a third party, or by the amount Granite Community Bank bids (or is paid, if a third party overbids) upon foreclosing upon the unsold Undeveloped Lots, will be applied to the Indebtedness. The Court shall retain jurisdiction as to the Class 1A claim and as to the parties compliance with the above terms and conditions.

The balance of the Indebtedness is referred to as the class 1B claim and will continue to be secured by the apartment building, which is situated on real property legally described as:

Lots 1, 2, 3, Block 1, Logeais Addition, City of Eden Valley, according to the plat and survey thereof on file and of record in the office of the County Recorder in and for Meeker County, Minnesota

The debtor will pay the Class 1B claim with an annual interest rate of 6.50%, in monthly installments of \$5,010.00 per month beginning the 20th day of the first month following the effective date of the Plan, for a term of 60 months, at which time any remaining unpaid principal and accrued interest shall be paid in full.

If there are other mortgages of record or assignments of rents in favor of Granite Community Bank which have been fully paid but not satisfied, Granite Community Bank will provide the Debtor with a recordable satisfaction within 30 days after the effective date.

In addition to the payment of \$5,010.00 per month for principal and interest, the debtor will escrow real estate taxes and insurance premiums for the apartment building by paying Granite Community Bank an estimated one-twelfth of the annual real estate taxes and insurance premiums. Granite Community Bank will use the funds in the escrow account to pay the installments of real estate taxes and insurance premiums as they are due.

Unless otherwise modified in this Section 3.1, the terms and conditions of the loan documents shall be incorporated into this Plan, in their entirety, and shall be enforceable as against the parties.

3.2 Class 2: Secured Claim – Real estate taxes.

Class 2A consists of the secured claims of Meeker County for real estate taxes due and payable in the year 2018 and thereafter against the real property owned by the Debtor. The Debtor will continue to escrow funds with Granite Community Bank in the amount of one-twelfth of the annual real estate taxes per month for the Mortgaged properties; Granite Community Bank will pay the real estate taxes when due out of the escrow account. Taxes due and payable in the year 2018 are a total of \$13,840.00, including a

special assessment amount of \$1,536.80 and are one-half paid as of May 15, 2018, with the balance due on October 15, 2018.

Class 2A is not impaired.

Class 2B consists of the secured claims of Stearns County for real estate taxes against the real property in Stearns County owned by the Debtor. The secured claim will continue to be secured by each of the Undeveloped Lots against which the taxes were assessed. When each undeveloped lot is sold the tax claim attributable to that lot will be paid at that time. As of the date of this plan, the amounts for the taxes for each of the Undeveloped Lots are as follows:

	<u>2018</u>	<u>2017</u>
Lot 1, Block 1,	\$262.00	\$361.73
Lot 1, Block 2	\$226.00	\$305.58
Lot 3, Block 2	\$226.00	\$313.48
Lot 1, Block 3	\$259.00	\$363.74
Lot 2, Block 3	\$259.00	\$358.73
Lot 3, Block 3	\$262.00	\$361.73
Lot 4, Block 3	\$262.00	\$361.73
Lot 5, Block 3	\$262.00	\$361.73
Lot 7, Block 3	\$298.00	\$408.65

This class 2B is not impaired.

3.3 Class 3: Secured Claim – Bernice Grabber-Tintes

Class 3 consists of the claim of Bernice Grabber-Tintes which is partially secured by a judgment in court file 73-CV-13-2384 which was entered on January 31, 2013 docketed on March 18, 2013 in Stearns County, Minnesota and in court file 47-CV-10-1249 which was entered on January 31, 2013 and docketed on February 1, 2013 in Meeker County. This claim is junior to the claim of Granite Community Bank except as to Outlot A, Jacks Addition, Meeker County, Minnesota. This claim will be paid as follows:

The debtor will pay the holder of the class 3 claim \$5,000.00 from the sales proceeds of each of the Undeveloped Lots. The holder of the class 3 claim will release each lot from the lien of the judgment as each lot is sold. When the debtor has paid the holder of the class 3 claim a total of \$45,000.00, the holder of the claim will satisfy the judgment against the debtor and Douglas Ruhland.

This Class 3 claim is impaired.

3.4 Class 4 Unsecured Claims

Class 4 claims consists of all unpaid pre-petition, unclassified non-priority claims as follows:

1. City of Eden Valley for pre-petition water service in the total amount of \$4,500.00.
2. Xcel Energy for pre-petition utility services in the amount of \$460.62.
3. Internal Revenue Service in the amount of \$19,229.90.
4. Centerpoint Energy for pre-petition utility services in the amount of \$1,728.43.

The claims of this class amount to \$25,918.35.

The Debtor will pay this class 4 as follows:

\$2,500.00 on the first anniversary of the Effective Date of the plan
\$3,500.00 on the second anniversary of the Effective Date of the plan
\$5,500.00 on the third anniversary of the Effective Date of the plan
\$7,000.00 on the fourth anniversary of the Effective Date of the plan
\$7,418.35 on the fifth anniversary of the Effective Date of the plan

All distributions to holders of allowed Class 4 Claims shall made on a pro-rated basis such that the distribution to any one holder shall be proportionate to the ratio of the holders' claim bears to the aggregate amount of allowed Class 4 Claims (individual distribution=amount of holder's allowed claim ÷ aggregate amount of allowed Class Four Claims, multiplied by the total amount of the distribution). As a matter of administrative convenience the Debtor has already paid the pre-petition claim of West Central Sanitation.

These claims are not impaired.

3.5 Class 5: Equity Holder's Membership Interest.

3.5 Class 5: Equity Holder's Membership Interest. Class 5 consists of the membership interests of Douglas Ruhland and Diane M. O'Neill. They will retain their ownership interests. In consideration thereof they will not charge the Debtor any management fees so long as there are any Class 4 claims unpaid

7. IMPAIRED AND UNIMPAIRED CLASSES

All classes are impaired, except for the Class 2A real estate tax claims, Class 4 claims and Class 5 claims.

8. MEANS OF EXECUTION OF THE AMENDED PLAN

On the Effective Date, the Debtor shall be re-vested with title to all property of the bankruptcy estate. The Debtor shall continue to conduct its business in the ordinary course. All monthly distributions and payments made under the Plan shall be funded from the Debtor's business operating revenue.

The aggregate amount of annual distributions under the Plan is approximately \$60,120.00 to Granite Community Bank, plus amounts as stated in the plan to the Class 4 claims annually. The operating expenses of the Debtor are approximately \$41,402.50 annually. The operating expenses of the Debtor will decline about \$500 per year for each of the development lots which are sold. The Debtor expects rents to increase by about three percent per year.

The difference between the estimated amount of funds available and the amount of required distributions may be held by the Debtor as an operating reserve.

Notwithstanding any other provision in the Plan, the Debtor reserves the right to pay claims in full prior to the conclusion of the Term of the Plan and to seek a discharge upon payment in full of the Plan obligations.

9. MANAGEMENT FOLLOWING CONFIRMATION

Douglas Ruhland and Diane O'Neill will continue as Chief Operating Officer and Chief Executive Officer respectively. They will be reimbursed for actual necessary expenses, but they will not charge the Debtor for their services until the Class 4 claims have been paid in full. Once the Class 4 claims are paid in full the Debtor will establish reasonable compensation for Douglas Ruhland and Diane O'Neill.

10. EXECUTORY CONTRACTS

The Debtor will assume and perform its obligations under all of the unexpired leases under which tenants occupy apartments in the apartment building. Other than that, there are no executory contracts nor unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the

type that must be cured under the Code, if any.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract is no later than thirty (30) days after the date of the order confirming this Plan. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

11. POTENTIAL TAX CONSEQUENCES OF THE AMENDED PLAN

The Debtor is not expected to suffer adverse tax consequences as a result of the Plan. The Debtor is not qualified to advise creditors of the specific respective tax impact on each of them as a result of treatment provided in the Plan and therefore makes no representation as to that. While the Debtor does not believe the Plan will have a tax impact on claim holders, each creditor is urged to consult with a tax adviser as to such matters.

12. POST CONFIRMATION ADMINISTRATIVE MATTERS

Fees payable by the by Debtor under 28 U.S.C. § 1930 shall be paid in full on the Effective Date and thereafter and when due until the Chapter 11 case is closed, dismissed or converted. After confirmation of the Plan, the Debtor shall submit quarterly operating reports to the United States Trustee each quarter (or portion thereof) until this Chapter 11 case is closed, dismissed or converted. These reports shall be in the format prescribed by the United States Trustee.

13. 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 Debtor believes that classes 1, 3, 4, and 5 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 is to be set by the Court.

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 a "cram down" on non-accepting classes, as discussed later in Section B2.

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.

14. ALTERNATIVES TO THE PLAN

The Debtor believes that if the Plan is not confirmed that Granite Community Bank will foreclose upon the property owned by the Debtor, and that none of the class 3, 4 or 5 creditors will receive any payment, as the Bank will bid in the amount due under its mortgage and the amounts in question will be too great for the creditors to contemplate redemption. Even if the Debtor were to convert to a Chapter 7, the Debtor does not believe there would be any distribution to the Class 3, 4 or 5 claims. Consequently, the Debtor believes that the only realistic alternative to confirmation of the Plan is liquidation under Chapter 7. The Debtor firmly believes that reorganization under Chapter 11 is preferable to liquidation under Chapter 7. The Debtor believes that general unsecured creditors and administrative claimants would receive no recovery on liquidation. On the other hand, the Debtor anticipates one hundred percent recovery on account of Class 1 claim and full payment of the Class 4 claims.

All of the Debtor's assets are subject to secured claims under applicable law.

Theoretically if the case is converted to Chapter 7 the trustee could liquidate the assets of the Debtor. The following table sets forth the Debtor's liquidation analysis in a Chapter 7 case. Trustee commission is figured at the rate shown in 11 USC Sec. 326. No allowance is made for income taxes due as a result of the sale by the trustee, nor any professional fees for the trustee other than statutory commission. In real life the Debtor expects that the chapter 7 trustee would abandon the property and that Granite Community Bank would foreclose on the apartment building and development lots; the judgment creditor might foreclose on the outlot.

Asset	Scheduled Value	Amount of Secured claim	Estimated liquidation value	Ch. 7 Trustee comm.	Sale expense	Real estate taxes due	Net
Cash	\$45,000.00	\$45,000.00	\$45,000.00	N/a ²	N/a	N/a	\$0.00
Apartment building	\$900,000.00	768,441.74 ³	\$810,000.00	\$43,750.00	56,700 ⁴	\$18,229.99	-\$77,121.73
Outlot A	\$100.00	\$0.00	\$0.00	\$5.00	\$92.00	\$4.00	-\$1.00
Equipment	\$12,000.00	\$12,000.00	\$12,000.00	\$600.00	1200.00 ⁵	\$0.00	\$0.00
Undeveloped lots	\$394,000.00	170,402.50 ⁶	\$180,000.00	\$8,958.00	12600.00 ⁷	\$4,906.89	-\$16,870.39
TOTALS	1,351,000.00	995,844.24	1047,000.00	53,313.00	\$70,592.00	\$23,140.88	-\$95,793.12

15. FEASIBILITY AND PROJECTIONS

The Debtor believes that the Plan is feasible and Exhibit B shows projections evidencing the feasibility of the Plan. These projections suggest that the Plan is viable over the long term. The feasibility of the Plan depends, at least in part, upon Debtor's ability to continue to meet or exceed existing levels of income and maintain costs at or below projected levels.

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- 2 Will be set off by Granite Community Bank, not administered by trustee
 - 3 Granite Community Bank claim, net of \$45,000.00 cash in "lockbox" shown as "cash"
 - 4 Estimated at 7% including Realtor and closing costs
 - 5 Estimated at 10%
 - 6 Granite Community Bank shortfall on apartment building, minus \$12,000 for equipment, plus Bernice Grabber-Tintes claim.
 - 7 Estimated at 7% including Realtor and closing costs

16. WAIVER AND RELEASE

Confirmation of the Plan shall constitute a complete waiver and release of all claims of all creditors against the Debtor except as provided for in the Plan, and to the extent authorized by 11 U.S.C. § 1141. Confirmation of the Plan will bind creditors to accept payments provided for in the Plan, and will oblige the Debtor to make payments to creditors as provided for in the Plan. Creditors holding judgments against the Debtor on account of or with to respect pre-petition claims shall not take any action to enforce such judgments.

17. EFFECT OF CONFIRMATION OF AMENDED PLAN

A. Discharge of Debtor

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 Debtor 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. The Debtor may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated *and* (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Debtor, 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.

18. CONTINUING JURISDICTION OF THE COURT

The Court shall continue to have and assert jurisdiction over the Debtor, parties and parties-in-interest following confirmation in order to hear and determine claims objections, adversary proceedings, and any other matter that may be properly be brought before the court.

19. CONCLUSION

Debtor believes that the acceptance of this Plan is in the best interests of the Debtor, the estate, and the unsecured creditors herein. The alternative would be a Chapter 7 liquidation or a dismissal of the case followed by a foreclosure of Granite Community Bank's mortgages. In either case, the Debtor predicts, the unsecured creditors would not receive a distribution of any kind.

Debtor respectfully urges all creditors to vote in favor of the Plan.

Respectfully submitted:

LADDCO, LLC

by _____
its Chief Operating Officer

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