

IN THE UNITED STATES BANKRUPTCY COURT FOR
THE WESTERN DISTRICT OF MISSOURI

In Re:)
)
LAKWOOD DEVELOPMENT) Case No. 16-50425-CAN11
COMPANY, LLC,)
Debtor.)

DEBTOR'S DISCLOSURE STATEMENT

I. INTRODUCTION

This Disclosure Statement ("Disclosure Statement") is provided to the creditors of Lakewood Development Company LLC, to enable the creditors to arrive at an informed judgment in exercising their rights under the Debtor's Plan of Reorganization (the "Plan"). The definitions of Article I of the Plan shall have the same meaning when used in this Disclosure Statement.

The function of this Disclosure Statement is to provide "adequate information" to all creditors. "Adequate information" is defined in 11 U.S.C. §1125 as follows:

Section 1125. Postpetition disclosure and solicitation.

"(a)" In this section --

- (1) 'adequate information' means information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor; and the condition of the debtor's books and records, that would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the plan...; and
- (2) 'investor typical of holders of claims or interests of the relevant class' means investor having --
 - (A) a claim or interest of the relevant class;
 - (B) such relationship with the debtor as the holders of other claims or interests of such class general have; and
 - (C) such ability to obtain such information from sources other than the disclosure required by this section as holders of claims or interests in such class generally have."

THE REPRESENTATIONS MADE IN THIS DISCLOSURE STATEMENT ARE THE ONLY REPRESENTATIONS AUTHORIZED BY THE DEBTOR RESPECTING ITS BUSINESS OPERATIONS, THE VALUE OF ITS PROPERTY OR ANY OTHER MATTERS WHATSOEVER. CREDITORS SHOULD NOT RELY ON ANY UNAUTHORIZED REPRESENTATIONS WHICH ARE MADE TO SECURE THEIR ACCEPTANCE OR REJECTION OF THE PLAN. THE COURT WILL

CONDUCT A HEARING ON WHETHER OR NOT THIS DISCLOSURE STATEMENT SHOULD BE APPROVED AS CONTAINING ADEQUATE INFORMATION TO ENABLE ALL CREDITORS TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN.

The information provided in this Disclosure Statement is true and accurate to the best of the Debtor's knowledge, information and belief. However, certain information relating to projections and values is necessarily subjective.

CREDITORS ARE ENCOURAGED TO CONSULT WITH THEIR FINANCIAL ADVISORS, ATTORNEYS, AND OTHER CREDITORS IN ORDER TO OBTAIN A MORE COMPLETE UNDERSTANDING OF THE FINANCIAL AND LEGAL IMPLICATIONS OF THE DISCLOSURE STATEMENT AND THE PLAN. CREDITORS AND PARTIES IN INTEREST SHOULD CONSULT THEIR OWN COUNSEL AND TAX ADVISORS REGARDING THE INCOME TAX CONSEQUENCES OF CONFIRMATION OF THE PLAN AS IT RELATES TO THEM. THE DEBTOR MAKES NO REPRESENTATION REGARDING THE EFFECT OF CONFIRMATION OF THE PLAN ON HOLDERS OF CLAIMS AND INTERESTS.

Creditors may contact counsel for the Debtor for additional information. The counsel for the Debtor can provide tax returns from 2013-2015, Monthly Operating Reports for the months of October and November, 2016. The Court may set a separate hearing on the sufficiency of the Disclosure Statement. At either that hearing or at the confirmation hearing, the Court will determine whether the Disclosure Statement provides adequate information and determine whether the Plan has been accepted by the requisite number of classes of creditors and will rule on whether the Plan complies with the confirmation requirements of 11 U.S.C. §1129.

The Plan will have several Classes of Claims and each creditor should examine those Classes to determine where its Claim has been placed. A Class of Claims will have accepted a Plan if the Plan has been accepted by creditors [other than any entity designated under 11 U.S.C. §1126(e)] which hold at least two-thirds in amount and one-half in number of the Allowed Claims of such Class held by creditors [other than any entity designated under 11 U.S.C. §1126(e)] that have voted to accept or reject the Plan.

If the Plan is accepted by the impaired Classes it will likely be confirmed. If the Plan is not accepted by the impaired Classes, the Plan may nonetheless be confirmed under §1129(b) of the Bankruptcy Code if it is accepted by at least one Class of Claims or interests which is impaired by the Plan and the Bankruptcy Court finds that the Plan does not discriminate unfairly and is fair and equitable with respect to each Class of Claims or interests that is impaired by, and has not accepted, the Plan. The Debtor reserves the right to request that the Court confirm the Plan under §1129(b) of the Bankruptcy Code if the Plan is not accepted by all impaired Classes and, if necessary, to revise and amend the Plan so as to provide such treatment as the Court may determine to be necessary or sufficient to assure that the Plan does not discriminate unfairly, and is fair and equitable, with respect to any Class of Claims or interests rejecting or failing to accept the Plan.

II. ORGANIZATION AND HISTORY OF THE DEBTOR

The Debtor began its business in 2005 with the purpose of developing the land that it assembled, including approximately 74 lots and 280 acres of ground in Andrew County, Missouri. The Members of the Debtor contributed land so that the Debtor could develop a golf course community and housing around and through the golf course community. With the depression of the real estate market in 2007-2008, the Debtor was unable to secured financing to complete the project.

Bank Northwest called its Notes due. A foreclosure was commenced and this bankruptcy was filed to stay that foreclosure action.

It is the Debtor's expectation that the Debtor will sell all of its properties, including the finished residence, the 73 remaining lots, and the 280 acres of undeveloped property. The Debtor does not expect to retain ownership of the properties for further development.

III. THE CONFIRMATION PROCESS

Approval of the Plan requires that it be confirmed by the Court. Confirmation can be achieved in one of two ways - either (i) all classes of Claims or Interests entitled to vote have accepted the Plan by the requisite majorities, or (ii) the Court determines that the Plan is fair and equitable with respect to those Classes that have rejected the Plan, and that confirmation will be in the best interests of creditors.

A. Classification of Claims and Eligibility to Vote. For voting purposes, all Claims and Interests will be grouped into Classes where members of each such Class will hold substantially similar Claims or Interests. All persons with an impaired Claim are eligible to vote provided that they are determined to have an Allowed Claim or Interest. A Class is "impaired" if, under the Plan, its legal, equitable or contractual rights are in any way modified other than by curing defaults or payment in full on the Effective Date. Claims that are not impaired are presumed to have accepted the Plan and may not vote.

B. Confirmation by Acceptance. A Plan will be confirmed if it is accepted by all Classes entitled to vote. A Class will have accepted the Plan if votes representing at least two thirds of amount and one half in number of the Allowed Claims voting in that Class have voted to accept the Plan. If any creditor in an otherwise accepting Class have voted against the Plan, the Court must determine that each holder of a Claim or Interest in that Class will receive property, as of the Effective Date, having a value that is not less than what such holder would receive if the Debtor was liquidated under Chapter 7 on that date.

C. Confirmation Without Acceptance by All Classes. If the Plan is not accepted by all impaired Classes, the Court may nonetheless confirm the Plan if (i) at least one impaired Class has accepted the Plan, without counting votes by insiders, and (ii) the Court finds that the Plan does not discriminate unfairly, and is fair and equitable with respect to each impaired Class that has rejected the Plan.

D. Balloting. This Disclosure Statement will be mailed to all creditors and equity holders along with the Plan, a ballot and an order containing instructions, setting certain deadlines, and setting a hearing on confirmation. Only those ballots timely filed will be counted.

E. Confirmation. At the hearing on confirmation the Court will determine whether the requisite number of votes have been received for confirmation under the acceptance method or, if the Plan is not accepted by all Classes, then whether the Plan should be confirmed under the non-acceptance method. The Debtor reserves the right to seek confirmation under the non-acceptance method if less than all Classes vote to accept the Plan. The effect of confirmation generally is to discharge the debtor from any and all liabilities that arose prior to confirmation, except as provided in the Plan.

IV. DISCLOSURES OF COMPENSATION

A. Krigel & Krigel, P.C., the attorneys for the Debtor, were paid an initial retainer of \$16,700 from which the filing fee of \$1,717 was paid, leaving available funds for attorneys' fees and expenses of \$14,983. The attorneys have billed through December, 2016 a total of \$6,215.63 in fees and \$1,742.57 in expenses. The Court has allowed the Debtor to pay 80% of the fees and 100% of expenses upon the firm's filing of a notice of its fees and expenses.

B. The Debtor is current with U.S. Trustee Quarterly Fees.

C. The Members of the Debtor are identified in the pleadings filed with the Court. The three Managing Members include Jerry Sigrist, Thomas Thornton and Donna Harrison. None of the Members or Managing Members have received a salary either before or after the filing of this case.

V. THE CHAPTER 11 PLAN

A. Classification of Claims. The claims of creditors are classified as follows:

1. Bank Northwest is owed over \$581,000, plus interest and other allowable fees and charges. This figure is taken from the Motion filed by Bank Northwest (as no Proof of Claim has yet been filed). The two Promissory Notes are secured by a deed of trust on real estate, which includes 73 developed lots and one completed residence in Andrew County, Missouri. The value (as stated in the Schedules) of the real estate secured by Bank Northwest's lien is \$3,200,000 (net book value is \$1,275,000). The Debtor has listed the completed residence at \$279,900 and the undeveloped lots at \$1,400,000. Bank Northwest shall be treated as a secured creditor. This is an Allowed Secured Claim.

2. Class Two includes Don A. Robinson and Mary Robinson. The Robinsons are owed over \$310,000, plus interest. The Promissory Note is secured by a deed of trust on real estate, which includes 280 acres of undeveloped land in Andrew County, Missouri. The value of the real estate secured by the Robinsons' lien is approximately \$1,000,000. The Robinsons shall be treated as secured creditors. This is an Allowed Secured Claim.

3. Class Three includes all Allowed General Unsecured Nonpriority Claims. This class includes \$1,457,438 of claims listed on Schedule F; however, the Debtor would dispute and require strict proof of all unsecured claims with the exception of Bernice Woodward's claim of \$300,000, which is an Allowed Unsecured Non-Priority Claim.

4. Class Four includes all claims of Members of this Debtor. These are Allowed Unsecured Claims which are subordinated to any Allowed Unsecured Non-Priority Claims.

5. Class Five includes all Allowed Administrative Claims, whether incurred before or after the Confirmation Date, allowable under §330 and §503(b) of the Bankruptcy Code, and which are entitled to priority payment under §507(a)(1) of the Bankruptcy Code. The Claims of this Class include income taxes derived from the operation of the Debtor's business, and post-petition expenses not paid during the course of the Chapter 11 proceeding, attorneys' fees and accounting fees for post-petition services rendered to the Debtor on and after the Filing Date. These Claims also include Claims of the United States Trustee to the extent of any quarterly fees due under 28 U.S.C. §1930(a)(6) as of the Confirmation Date and post-petition taxes, if any.

C. Treatment of Claims and Interests. The Debtor's Plan of Reorganization is incorporated into this Disclosure Statement. Creditors and parties in interest are referred to the Plan for a discussion of the treatment of each Class under the Plan. The Secured Creditors (Classes 1 and 2) shall be paid in full. The Allowed Unsecured Non-priority Creditors shall receive distributions from the sale of the real estate once Classes 1 and 2 are paid in full.

D. Means for Execution and Implementation of the Plan. The Debtor will sell the residence and the undeveloped 73 lots through a real estate broker/agent and its Members will satisfy the secured claim of the Robinsons through their acquisition of the land that the purchasing Members contributed to the Debtor.

E. Executory Contracts and Unexpired Leases.

All executory contracts and unexpired leases are rejected under the Plan unless otherwise specified in the Plan. The executory contracts and unexpired leases to be assumed are as follow: Listing Agreement with Berkshire Hathaway HomeServices Stein & Summers Real Estate/Lisa Humphrey and Mark Clark, Agents, for the completed residence at 14026 Harrison Court, Helena, Missouri (listing price at \$279,900) and the 73 undeveloped lots (listing price \$1,400,000) all with a real estate commission of 6% of gross sale price).

VI. CONSEQUENCES OF DENIAL OF CONFIRMATION

If the Debtor's Plan is not confirmed, the case may be converted to a case under Chapter 7 or it may be dismissed. If converted, a trustee would be appointed to liquidate the Debtor's assets and distribute the proceeds to creditors. The Trustee would sell the real estate and Metcalf Bank will be paid in full.

VII. LIQUIDATION ANALYSIS

The Debtor's assets and debts should be reviewed as follows:

<u>ASSET</u>	<u>CURRENT VALUE</u>	<u>SECURED DEBT</u>	<u>AVAILABLE FOR LIQUIDATION</u>
73 lots/finished residence	\$1,679,900	\$700,000*	\$845,500**
*Approximate payoff of Bank Northwest loans			
**After deduction for costs of sale			
280 acres	\$1,000,000	\$360,000***	\$540,000**
***Approximate balance of Robinson loan			
Cash/Bank Accounts	\$100	\$0	\$100
Claim against ICON/ Title Company	\$230,000	\$0	\$230,000****
**** This is gross recovery. The recovery will require the services of an attorney which have not been figured into the amount available for liquidation			

TOTAL EQUITY AVAILABLE FOR LIQUIDATION: \$1,615,500

The Debtor believes that it will be successful in selling all of the real estate to pay Classes 1, 2 and 3 creditors in full.

Dated: January 17, 2017

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