

**UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

<b>IN RE:</b>	:	
	:	
<b>BEDROCK HOLDINGS, INC.</b>	:	<b>CHAPTER 11</b>
	:	
<b>Debtor</b>	:	<b>BKRTCY. NO. 17-16283 REF</b>
	:	

**DISCLOSURE STATEMENT OF BEDROCK HOLDINGS, INC.**

**I. INTRODUCTION**

This is the Disclosure Statement (the “Disclosure Statement”) in the small business Chapter 11 case of Bedrock Holdings, Inc. (the “Debtor”). This Disclosure Statement contains information about the Debtor and describes the Chapter 11 Plan of Reorganization (the “Plan”) filed by the Debtor on January 24, 2018. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.

The proposed distributions under the Plan are discussed here and at page 7 of this Disclosure Statement, at Part D. Creditors are classified in two Classes: Class 1 of Secured Real Estate Tax Creditors (approximately \$90,000); and Class 2 is the ownership interest of the sole shareholder, Robert Koch. Class 1 will receive distribution of 100% of their allowed claims, with applicable interest, over 60 months following the Effective Date, giving credit to adequate protection payments currently being made to creditor Northwestern Lehigh School District (hereafter “NLSD”). The Class 2 claimant will retain his equity position in the Debtor.

**A. Purpose of This Document**

This Disclosure Statement describes:

1. The Debtor and significant events during the bankruptcy case
2. How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),
3. Who can vote on or object to the Plan,
4. What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan,
5. Why the Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and

**6. The effect of confirmation of the Plan.**

**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.**

**B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

**The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.**

**1. *Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan***

**The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place on \_\_\_\_\_ at 9:30 a.m. in Courtroom No. 1, The Madison, 400 Washington Street, Reading, PA.**

**2. *Deadline For Voting to Accept or Reject the Plan***

**Debtor will ask the Court to set a deadline to vote. See section IV.A. below for a discussion of voting eligibility requirements.**

**Your ballot must be received by \_\_\_\_\_ or it will not be counted.**

**3. *Deadline For Objecting to the Adequacy of Disclosure and Confirmation of the Plan***

**Objections to the Disclosure Statement and to the confirmation of the Plan will be set by the Court. You will receive further notice of this date.**

**4. *Identity of Person to Contact for More Information***

**If you want additional information about the Plan, you should contact Debtor's counsel, the undersigned.**

**C. Disclaimer**

***The Court has not approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted.***

*The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. There is no current deadline set for Objections to be filed with the Court regarding these documents.*

## **II. BACKGROUND**

### **Description and History of the Debtor's Business**

#### **A. The Debtor's Business - History**

Bedrock Holdings, Inc. was formed in November, 2001 in Nevada by Robert Koch, upon the advice of his then accountant. The only asset is Mr. and Mrs. Koch's residence. (Mrs. Koch has no interest in the Debtor.) It is hoped that Mr. Koch will obtain financing to convert the property into a bed and breakfast to be operated by he and his wife.

The Debtor's real estate has a (conservative) value of \$550,000. There are no mortgages on the real estate. The property is subject only to real estate tax claims, which the Koches neglected to pay for various reasons over the years.

As a result of this non-payment, Northwestern Lehigh moved forward with foreclosure proceedings in Lehigh County Court. Despite the payment of fairly substantial amounts of past due taxes, Debtor was still too far behind for NLSD to agree to further delays in payment, or a payment plan.

A Sheriff's Sale was scheduled for September 15, 2017. Debtor filed this case to stop the sale.

#### **B. Insiders of the Debtor**

Robert Koch is the sole owner and shareholder of the Debtor.

#### **C. Management of the Debtor Before and During the Bankruptcy**

There has been no change in the management of the Debtor.

#### **D. Events Leading to Chapter 11 Filing**

Debtor filed this case to obtain a stay of foreclosure of the real estate.

#### **E. Significant Events During the Bankruptcy Case**

Debtor continues in possession of its property. Debtor NLSD have entered into a Stipulation regarding current adequate protection payments toward the past due taxes. Mr. Koch continues to pursue funding, which funding he believes is imminent. No other significant events have affected the current status of the case.

No adversary proceedings have been filed, nor have any such causes of action been identified for prosecution.

**F. Projected Recovery of Avoidable Transfers**

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions. Debtor does not believe that any such claims exist.

**G. 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. The procedures for resolving disputed claims are set forth in Article V of the Plan.

**H. Current and Historical Financial Conditions**

The Debtor owns the substantial real estate at Narris Road in New Tripoli, Pennsylvania. It is roughly valued at \$580,000 based on a Zillow report but Mr. Koch believes it may be worth more. Based on that even rough valuation, Mr. Koch (a former mortgage banker), firmly believes he will be able to secure sufficient financing to convert the real estate into a bed and breakfast.

In the interim, Mr. and Mrs. Koch have sufficient income on a monthly basis to make plan payments and to set aside money for current real estate taxes. Mr. Koch has \$1,550 in monthly income (Social Security and pension) and Mrs. Koch has about \$1,230 in monthly benefit income (Social Security and pension) plus a full-time job at Amazon where she nets about \$2,400 per month.

No financial statements were prepared by the Debtor pre-petition, nor have any been prepared since. There is no current cash flow. Debtor has not file, nor been required to file, tax returns for the prior years of the Debtor's existence. No cash flow statements or financial statements have been prepared for the Debtor for any years.

Debtor will filed Monthly Operating Reports as soon as possible, which will show virtually no activity.

### **III. SUMMARY OF THE 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.

#### **B. Unclassified Claims**

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 Plan Proponent has *not* placed the following claims in any class:

##### ***1. Administrative Expenses***

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment. The following lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

**Counsel fees:** Approximately \$5,000.00 will be owed to Debtor's counsel at the time of confirmation. Debtor and his attorney will most likely enter into an arrangement to pay the fees over time.

##### ***2. Priority Tax Claims***

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan: None.

#### **C. Classes of Claims and Equity Interests**

**The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:**

***1. Classes of Secured Claims***

**Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim.**

**The following lists all classes containing Debtor's secured pre-petition claims and their proposed treatment under the Plan: There is one category of claims, the real estate taxing authorities.**

**Class 1: Real estate tax claims (NLSD, \$85,000 and Lehigh County Tax Claim Bureau, \$5,600):**

**Treatment: To be paid in full with applicable interest within 60 month of the Effective Date of the Plan. Creditor NLSD will give credit to Debtor for pre-Confirmation adequate protection payments made pursuant to a Stipulation between the parties.**

**Approximate amounts: \$90,000.00**

***2. Classes of Priority Unsecured Claims***

**Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.**

**The following classes contain claims under §§ 507(a)(1), (4), (5), (6), and (7) of the Code and their proposed treatment under the Plan: There are no such claims and therefore these claims are not classified in the Plan.**

***3. Classes of General Unsecured Claims***

**General unsecured claims are not secured by property of the estate and are not**

entitled to priority under § 507(a) of the Code.

The following identifies the Plan's proposed treatment of Classes 3 and 4, which are the general unsecured claims against the Debtor: None.

**4. *Class of Equity Interest Holders***

Equity interest holders are parties who hold an ownership interest (*i.e.*, equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

The following sets forth the Plan's proposed treatment of the class of equity interest holders:

**Class 2: The sole owner and shareholder of the Debtor, Robert Koch:**

**D. *Means of Implementing the Plan***

**1. *Source of Payments***

Payments and distributions under the Plan will be funded initially by contributions from Mr. and Mrs. Koch. These amounts should be approximately \$1,500 per month. These payments will be made directly to the affected creditors over a 60 month period from the Effective Date and the two tax claims will be paid in full, with applicable interest.

Debtor and his wife generate the following monthly income: Mr. and Mrs. Koch: \$2,760 per month, from Social Security and pensions; and Mrs. Koch, \$2,400 per month, on average, from full-time employment at Amazon. Debtor and his wife live, otherwise, very modestly. There is no mortgage on the Debtor's real estate, and no car payments, and so, other than utilities, food and gas, there are no recurring monthly expenses.

## **2. Post-confirmation Management**

**There is no change in management proposed by the Plan.**

### **E. Risk Factors**

**The proposed Plan has the following risks: Debtor does not believe that the plan contains any risk to any tax creditors. If Debtor cannot get funding, there is still sufficient income to pay the real estate taxes. If Debtor does get funding, the taxing authorities will be paid in full at the loan settlement. If Debtor does not pay, the taxing authorities can proceed back to foreclosure, where they are sure to be paid in full, with applicable interest.**

### **F. Executory Contracts and Unexpired Leases**

**None.**

### **G. Tax Consequences of Plan**

***Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.***

**The following are the anticipated tax consequences of the Plan: None offered by Debtor.**

## **IV. 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 Plan Proponent believes that no classes are impaired. If those classes, i.e. classes 1 and 2, are unimpaired, then the holders of these claims do not have the right 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.

*No deadline was set for filing Proofs of Claim. Counsel has solicited Proofs of Claim and believes they will be filed shortly. If not, Debtor will file claims on behalf of the creditors.*

***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 cram down on non-accepting classes, as discussed later in Section [B.2.].

**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.

**3. *Intention to seek cramdown***

There is no necessity to seek a cramdown since all creditors will be paid in full.

**C. *Liquidation Analysis***

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a Chapter 7 liquidation. Debtor believes that, based on the rough valuation provided by Zillow, that the value of the real estate is significantly higher than the claims against it. Accordingly, in a liquidation scenario, the taxing authorities would be paid in full. The plan proposes payment in full, with applicable interest.

**D. Feasibility**

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

**1. *Ability to Initially Fund Plan***

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. This consists of only the administrative expenses. Debtor will fund the plan initially with the contributions of Mr. and Mrs. Koch and hopefully obtain appropriate financing to convert the property into a bed and breakfast and generate significant cash flow to service both tax debt and whatever financed debt will be obtained.

**2. *Ability to Make Future Plan Payments And Operate Without Further Reorganization***

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent's very simple projections will provide the basis for success. These are currently based on the Koch's income.

*You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.*

**V. EFFECT OF CONFIRMATION OF PLAN**

**A. Discharge of Debtor**

**Discharge.** 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. However, the Debtor shall not be discharged from any debt imposed by the Plan. After the effective date of the

**Plan your claims against the Debtor will be limited to the debts imposed by the Plan.**

**B. Modification of Plan**

**The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or re-voting on the Plan.**

**The Plan Proponent 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 Plan Proponent, 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.**

**VI. OTHER PLAN PROVISIONS**

**A. Absolute Priority Rule. Debtor does not believe that the absolute priority rule is implicated in this case.**

**B. Injunction. Confirmation of this Plan shall permanently enjoin any parties in interest from executing upon assets of the Debtor.**

  
\_\_\_\_\_  
Robert Koch,  
Pres., Sole Shareholder and Owner

1/24/18

  
\_\_\_\_\_  
Kevin K. Kercher, Esquire  
Attorney for Debtor

1/24/18