IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:	Chapter 11
Stone Rose, LP,	No. 13-16410
Debtor.	Judge Eugene R. Wedoff

DISCLOSURE STATEMENT OF STONE ROSE, LP DATED AUGUST 16, 2013 PURSUANT TO CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE

TO: Creditors of and Holders of Equity Interests in Stone Rose, LP, Debtor and Debtor-in-Possession

Contained in the packet of documents that has been sent to you by Stone Rose, LP (the "**Debtor**"), is the *Disclosure Statement of Stone Rose, LP Dated August 16, 2013 Pursuant to Chapter 11 of the United States Bankruptcy Code* (the "**Disclosure Statement**"), the *Plan of Liquidation of Stone Rose, LP dated August 16, 2013* (the "**Plan**"), the *Ballot for Voting on the Plan* (the "**Ballot**") and the *Order Approving Debtor's Disclosure Statement, Setting Confirmation Hearing, and Fixing Time for Filing Acceptance or Rejection of Plan, Combined with Notice Thereof.* Please read all of these materials carefully. Please note that in order for your vote to be counted, you must (1) fill in, date, and sign the Ballot, (2) include your name and address, and (3) return it to the Debtor's attorney by the date and time specified on the Ballot.

I. Introduction

1.1 This is the Disclosure Statement in the Chapter 11 case of Stone Rose, LP. This Disclosure Statement contains information about the Debtor and describes the Debtor's Plan filed on August 16, 2013. A full copy of the Plan is included with this Disclosure Statement.

1.2 The proposed distributions under the Plan are summarized below and discussed in more detail beginning on page 10 of this Disclosure Statement. Generally, the Plan provides that all administrative creditors will be paid in full. The re-

maining creditors will receive payment based upon their priority status under § 507 of the Bankruptcy Code (11 U.S.C. § 101, *et seq.*) Metcalf Bank, the Debtor's only secured creditor, will be paid in full from the proceeds of the sale of its collateral, an 82-acre parcel of vacant land in Wyandotte County, Kansas. Any proceeds in excess of the amount required to pay Metcalf Bank will be added to the proceeds of the liquidation of the Debtor's remaining assets and, after payment of administrative expenses of the chapter 11 case and the costs of liquidating the Debtor's assets, used to pay the other claims against the Debtor in the following order of priority.

(a) Priority creditors will be paid on a *pro rata* basis until paid in full. The Debtor is not aware of any priority claims.

(b) After the payment of priority claims in full, general unsecured creditors will be paid on a *pro rata* basis until paid in full.

(c) After the payment of priority claims and the claims of general unsecured creditors, holders of equity interests in the Debtor will receive a *pro rata* distribution of any remaining funds as a return of capital.

1.3 **Disclaimers**

1.3.1 The Debtor has authorized only those representations set forth in this Disclosure Statement. In arriving at your decision, you should not rely on any representations or inducements made to secure your acceptance or rejection of the Plan other than as set forth in this Disclosure Statement.

1.3.2 The statements contained in this Disclosure Statement are made as of the date hereof unless another date is specified. The delivery of this Disclosure Statement does not under any circumstances create, nor it is intended to create, any implication that there has been no change in the facts set forth herein since the date hereof. The Debtor cannot guarantee that the information contained in the Plan and this Disclosure Statement is entirely without error, but all reasonable efforts have been made to be as accurate as possible.

1.3.3 The source of information contained in this Disclosure Statement is the Debtor or its agents and employees and has not been audited. The statements made likewise have not been verified by Debtor's counsel, although an attempt has been made to be conservative and realistic. Neither the Debtor nor its counsel represent or warrant the accuracy of the discussions contained in this Disclosure Statement regarding events.

1.3.4 You are urged to review the Plan and this Disclosure Statement in their entirety prior to voting to accept or reject the Plan to ensure a complete understanding of the transactions contemplated under the Plan and how those transactions will affect your claim against, or interest in the Debtor.

1.3.5 If any impaired class votes to accept the Plan, but not all classes

accept the Plan, the Debtor will seek confirmation under the cramdown provisions of § 1129(b) of the Bankruptcy Code and gives notice of its intent to invoke the cram down provisions of § 1129(b) in that event.

1.4 **Summary of Plan distribution.**

The plan payments are summarized in the table below. All claims are assumed to be "allowed" as defined further below.

Class	Description	Impaired	Treatment	Estimated Distribution
N/A	Administrative Claims Claims of professionals	No	Paid in full on the Effective Date or upon approval of the Bankruptcy Court, if required.	$30.000
N/A	Fees payable to the U. S. Trustee	No	Paid in full on the Effective Date and otherwise when due	$650
1	Secured claim of Metcalf Bank	No	Paid in full from proceeds of the sale of the 82-acre parcel	$2,117,758.52
N/A	Priority claims; priority tax claims	Yes	Paid *pro rata* after payment of administrative claims, the Class 1 claim, and the costs of liquidation, until paid in full. The Debtor is not aware of any priority claims	$0
2	General unsecured claims	Yes	Paid *pro rata* after payment of administrative claims, the Class 1 claim, the costs of liquidation, and any priority claims until paid in full.	Between $0 and $930,401.82
3	Equity interests	Yes	Equity interests will be canceled. Equity interests will not receive a distribution unless all unclassified and classified claims are paid in full	Between $0 and $3,000,000

1.5 **Brief explanation of Chapter 11.**

1.5.1 Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Upon the commencement of a chapter 11 case, § 362 of the Bankruptcy Code provides for an automatic stay of all attempts to collect any claim from a debtor which arose prior to the bankruptcy filing or otherwise interfere with a debtor's property or business. Under chapter 11, a debtor formulates a plan to reorganize its business, or as in this case, proposes a plan to liquidate

its assets for the benefit of its creditors and holders of equity interests. In the usual chapter 11 case, only the debtor may file a plan for the first 120 days after the filing of the bankruptcy petition. This period is generally referred to as "exclusivity." In the case of a small business debtor, the exclusivity period is 180 days after the filing of a bankruptcy petition. Once exclusivity ends, any party in interest may file a plan. The legal requirements for court approval, called "confirmation" of a plan are discussed on page5 of this Disclosure Statement.

1.6 **This Disclosure Statement.**

1.6.1 *Why you have received this Disclosure Statement.* You have received this Disclosure Statement because the Debtor has proposed a plan with the Bankruptcy Court in order to satisfy its debts by liquidating its assets. The Court held a hearing and approved this Disclosure Statement. A copy of the Plan is enclosed with the materials you have received. This Disclosure Statement, as required by § 1125 of the Bankruptcy Code, is being provided to all known creditors and other parties-in-interest in connection with the solicitation and acceptance of the Plan proposed by the Debtor.

1.6.2 *Purpose of this Disclosure Statement.* The purpose of this Disclosure Statement is to provide enough information to enable a hypothetical, reasonable investor typical of the holders of claims against the Debtor to make an informed judgment in exercising its rights either to accept or reject the Plan.

1.6.3 *Purpose of the Plan.* The purpose of the Debtor's Plan is to provide a mechanism for the liquidation of the Debtor's assets and for the payment of the Debtor's creditors. The Debtor developed the Plan, and believes that the Plan is more attractive than other alternatives, such as conversion to a Chapter 7 liquidation or a dismissal of the chapter 11 Case. ***Each creditor is urged to read the Plan prior to voting***.

1.6.4 *Court approval of this Disclosure Statement.* After a hearing, the Court approved this Disclosure Statement as containing sufficient information to enable a hypothetical reasonable investor typical of the classes being solicited, to make an informed judgment about the Plan.

1.6.5 *Sources of information.* Information contained in this Disclosure Statement has been submitted by the Debtor unless specifically stated to be from another source. Certain of the materials contained in this Disclosure Statement are taken directly from other, readily accessible instruments, or are digests of other instruments. While the Debtor has made every effort to retain the meaning of such other instruments or the portions transposed, the Debtor urges you to base your reliance on the contents of such other instruments on

a thorough review of the instruments themselves.

1.6.6 *Only authorized disclosure.* No representations concerning the Plan are authorized by the Debtor or the Court other than as set forth in this Disclosure Statement. Any representations or inducements made by any person to secure your vote that are not contained in this Disclosure Statement should not be relied upon, and such representations or inducements should be reported to counsel for the Debtor, who will deliver such information to the Court.

1.7 **Deadlines for voting and objections; date of confirmation hearing.**

1.7.1 *Voting on the Plan.* Your acceptance of the Plan is important. In order to vote on the Plan, determine which of the following facts applies to your claim or interest and take the action indicated:

1.7.1.1 Your claim or interest was scheduled by the Debtor and not shown as disputed, unliquidated, or contingent—you need not do anything. You are deemed to have filed a claim and, absent any objection, your claim is deemed allowed in the amount shown on the schedules. You may vote on the Plan.

1.7.1.2 Your claim was not scheduled by the Debtor—you must file a proof of claim on or before the deadline set by the Court (the "Bar Date") in order for your claim or interest to be allowed and to vote on the Plan.

1.7.1.3 Your claim was scheduled by the Debtor but was shown as disputed, unliquidated, or contingent—you must file a proof of claim on or before the Bar Date in order for your claim or interest to be allowed and to vote on the Plan.

1.7.1.4 A creditor or interest holder may vote to accept or reject the Plan by filling out and mailing to counsel for the Debtor the Ballot that has been provided in this package of information.

1.7.1.5 In order for the Plan to be accepted by a class of creditors, more than one-half of the number of members of the class must vote to accept the Plan and they must hold at least two-thirds of the total dollar amount of the claims held by the class. Only those claims that are actually voted are considered in the calculations. In order for the Plan to be accepted by interest holders, at least two-thirds in amount of interests must vote to accept the Plan. Again, only interests that are voted are considered in the calculation. You are, therefore, urged to fill in, date, sign, and promptly mail or fax the enclosed Ballot to counsel for the Debtor at the address shown at the end of this Disclosure Statement.

Please be sure to complete the form properly and identify legibly the name of the holder of the claim or interest.

The Court has fixed_____, 2013, as the last date by which Ballots must be served on counsel for the Debtor.

The Court has fixed_____, 2013, as the date for the hearing on the confirmation of the Plan.

1.7.1.6 Except to the extent allowed by the Court, ballots that are received after that time will not be counted. Ballots of holders of impaired claims received pursuant to this solicitation and which are signed but are not expressly voted for acceptance or rejection of the Plan will be counted as ballots for accepting the Plan. A ballot accepting the Plan may not be revoked, except by order of the Court.

II. Background Facts

2.1 **History of the Debtor.** The Debtor is a Delaware limited partnership. Its offices are located at 312 W. State Street, Geneva, Illinois. The Debtor was formed in 2005 to acquire, hold, manage, sell and otherwise deal with real estate, securities, and other assets for investment purposes, with primary emphasis on real estate, securities, and other assets offering the potential for superior capital appreciation and total return.

2.2 **Events leading up to bankruptcy.**

On April 19, 2013 (the "Petition Date"), the Debtor filed for bankruptcy protection under chapter 11 of the United States Bankruptcy Code. Pursuant to §§ 1107 and 1108 of the Bankruptcy Code, the Debtor has continued to manage its property as a debtor-in-possession.

When the Debtor was formed in 2005, its general partner was Driver1 Corp. The shareholders of Driver1 Corp. were Matthew Stoen, Meritage Real Estate Investments, LLC, a Nevada limited liability company, and the Capital Development Fund, an Illinois limited liability company. Meritage Real Estate Investments, LLC, in turn, was owned by Joel and Tracy Burns and the Capital Development Fund was owned by Darren Nieman. Stone Rose, LP initially had 55 limited partners collectively investing approximately $11 million. A few limited partners also made loans to the partnership totaling approximately $270,000. The partnership was closed to new investors in the fall of 2007.

The limited partnership's initial investments were three properties, a

building in Kansas City, Missouri (the Drink Building) acquired in August 2006 for $1,985,000, 82 acres of vacant land in Wyandotte County, Kansas acquired in November 2006 for $3 million, and 17 acres of vacant land in Edwardsville, Kansas acquired in May 2007 for $3,785,860. The partnership borrowed a portion of the purchase price of each of the three properties, $1,290,250 for the Drink Building, $2,200,000 for the 82-acre parcel, and $2,250,000 of the purchase price for the 17-acre parcel. Each of the loans was secured by a mortgage on the property purchased. In connection with the mortgages on the 17-acre and 82-acre parcels, a portion of the loan proceeds was held in reserve by the bank for the payment of interest on the loans.

Between February 2008 and August 2010, the Drink Building was allowed to go into foreclosure and a judgment of $1.1 million was entered against the partnership in favor of the Bank of Blue Valley. In February 2008, the 17-acre parcel was sold to Big House Investments, LLC, a California limited liability company ("Big House"), in a transaction whereby Big House acquired title to the property and Stone Rose, LP became a member of Big House with a 75% membership interest. BJP Properties, Inc. holds the remaining 25% interest. BJP Properties, Inc. is the sole manager of the company. Big House recently sold this property (see below) and Stone Rose, LP is still a 75% member of the company.

In 2010, a group of limited partners, the Sergi family, sued the partnership to remove Driver1 Corp. and Matthew Stoen as managing general partner and to obtain a full accounting of the partnership's assets, income, expenses and liabilities. The law firm of Denker and Muscarello, LLP represented the partnership in this and several other matters. As a result, Driver1 Corp. and Matthew Stoen resigned as general partner and a new entity, Stone Rose Management, Inc., an Illinois corporation ("Stone Rose Management"), was formed to assume management responsibilities for the Debtor.

Stone Rose Management made two capital calls in the form of loans to the partnership to extend the loans on the two remaining properties. In January 2011, Stone Rose Management issued a capital call of 4.5% of the limited partners' capital commitment for the purpose of extending the loans on the 17-acre and 82-acre properties by 18 months and to reduce capital on the 17-acre property by $150,000. In December 2011, Stone Rose Management issued a capital call of 2% of the limited partners' capital commitment to extend the loan on the 82-acre parcel to June 2014 by raising approximately $150,000. In total, $580,000 was raised in the two capital calls.

At the end of 2011, the partnership had approximately $104,000 in cash to pay for zoning changes on the 82-acre parcel and to contribute to a plan for

sewers for the 17-acre parcel.

Stone Rose Management is a management company and general partner only and has no ownership interest in the partnership. The initial board of directors of Stone Rose Management was composed of four of the limited partners of the Debtor plus Darren Nieman.

In July 2012, Denker and Muscarello, LLP withdrew as attorneys for Stone Rose Management and Stone Rose, LP and has since filed a lawsuit in state court for some $82,000 in claimed attorneys fees. In October 2012, $15,000 was contributed to Big House to fund a TIF program and to pay architectural, engineering, and application fees. Between September and December 2012, approximately $34,000 was paid to the law firm of Gaido and Fintzen to defend the partnership and Stone Rose Management against the suit brought by Denker and Muscarello and two other State court lawsuits, one brought by Bryan Murphy for approximately $150,000 and the other brought by the Sergi family.

On January 31, 2013, the board of directors of Stone Rose Management voted to remove Darren Niemann as president of Stone Rose Management due to his potential conflict of interest with Stone Rose Management regarding matters pending with Denker and Muscarello concerning the payment of legal fees. Joseph Dinges replaced Darren Niemann as president.

In early 2013, it was clear that the Debtor was in danger of losing control of its assets to the first creditor who obtained a judgment against it. Unless the two parcels of real estate could be sold at a fair and reasonable price soon, the 17-acre parcel owned by Big House in which the Debtor had a 75% interest, and the 82-acre parcel that the Debtor owned individually, the Debtor risked losing both of the parcels to the bank in foreclosure with the result that neither the creditors of the Debtor nor its limited partners would receive anything in satisfaction of their claims. Accordingly, in order to preserve the value of its assets and to prepare and implement a plan for an orderly liquidation of its assets that would treat all of the partnership's creditors and limited partners fairly and produce the maximum possible return, the board of directors of Stone Rose Management determined to file this proceeding under chapter 11 of the Bankruptcy Code.

2.3 **Assets and liabilities at the time of filing.** Attached as Exhibit A is a copy of a summary of the Debtor's schedules reflecting the Debtor's estimation of its assets and liabilities as of the Petition Date. You may obtain complete copies of the Debtor's schedules by requesting them from the Debtor's counsel at the address shown at the end of this Disclosure Statement. The Debtor does not believe there has been any material change during the pen-

dency of the Chapter 11 case, in the values of its assets from those set forth on its schedules.

In addition to its interest in Big House and the 82-acre parcel, the Debtor has scheduled several claims against individuals. The claims against Matthew Stoen and Haley Stoen, his wife, arise from what the Debtor believes were Stoen's unauthorized use of partnership funds for his own and his wife's benefit. The claims against Joel Burns and Darren Niemann arise from advances taken by Burns and Niemann against future profits on their equity in the partnership. The profits have never materialized. It is the Debtor's intention to pursue these claims fully with a portion of the funds generated by the sale of its real estate interests.

2.4 **Significant events in the chapter 11.**

2.4.1 *Employment of legal counsel.* On May 19, 2013, the Debtor filed a motion to employ G. Alexander McTavish and the law firm of Foote, Mielke, Chavez & O'Neil, LLC, as counsel for the Debtor. On May 28, 2013, the Court entered an order approving their employment.

2.4.2 Cash Collateral and adequate protection. Since the Debtor has no active business, the Debtor uses no cash collateral of any creditor. However, after the bankruptcy case was filed, the holder of the mortgage on the 82-acre parcel, Metcalf Bank, requested adequate protection of its interest by being allowed to continue to debit the interest reserve account each month for the interest due on the loan while the Debtor's bankruptcy case was pending. The Debtor agreed to Metcalf Bank's request and on June 3, 2013, filed a motion for the entry of an agreed order to that effect. On June 12, 2013, the agreed order was entered.

2.4.3 *Sale of 17-acre parcel by Big House.* Of major significance during the chapter 11 was Big House's sale of the 17-acre parcel in April 2013 for a purchase price of $6 million. Under the terms of the sale the buyer of the property assumed the first mortgage to Metcalf Bank in the amount of approximately $4 million. The balance of the purchase price of approximately $2 million is payable in three years with interest at the rate of 5% per annum. The buyer is paying Big House $5000 per month as a partial payment of the accrued interest. At the end of three years, the Buyer is obligated to pay the balance of the purchase price plus the accrued but unpaid interest. Even though the sale was not for cash, the buyer's assumption of the first mortgage benefits Big House (and consequently the Debtor) by providing someone who can pay the interest on the mortgage when the interest reserve runs out, something that neither Big House nor the Debtor can do. The contract does provide Big House with some cash payments, and given the time constraints created

by the dwindling interest reserve, gives Big House, and consequently the Debtor, the only available option for the realization of any gain on its investment in the property.

2.4.4 *Prepetition and postpetition operations of the Debtor.* Since the Debtor does not operate a business and its activities are solely related to its ownership of the 82-acre parcel, its financial activities both before and after the Petition Date have been minimal. However, redacted copies of the Debtor's bank statements for the last 6 months and monthly reports filed in the bankruptcy case are attached as Exhibits B and C.

III. Summary of the Plan

3.1 **Overview of the Plan.**

The following discussion is a general overview of the Plan only. It is not intended to modify the terms of the Plan in any way. The Plan is enclosed with this Disclosure Statement. Creditors are urged to read the Plan in its entirety before deciding whether to vote for or against the Plan.

The Plan provides for the transfer of the assets of the Debtor to a liquidation trust, the liquidation of those assets by the trustees (the "Trustees"), and the payment of the claims of creditors and a return of capital to the limited partners to the extent of the net proceeds of the liquidation.

3.2 **Classification and treatment of Claims and Interests.** The Plan classifies and treats various classes of creditors of the Debtor's bankruptcy estate. The following is a summary of the treatment of the claims of the creditors in each class:

3.2.1 *Unclassified Administrative Claims.* Administrative claims are claims for the payment of any cost or expense of administration of the Chapter 11 case entitled to priority under §§ 503(b) and 507(a)(l) of the Bankruptcy Code. Administrative claims include (a) any actual and necessary expenses of preserving the Debtor's bankruptcy estate and operating its business after the Petition Date through the confirmation date, (b) all allowances of compensation and reimbursement approved by the Court in accordance with the Bankruptcy Code, and (c) any fees due to the office of the United States Trustee assessed against the Debtor's bankruptcy estate under § 1930 of Title 28 of the United States Code. Except to the extent that the holder of an administrative claim may otherwise agree in writing, administrative claims allowed before the Effective Date of the Plan will be paid in full by the Debtor on the Effective Date of the Plan or as soon as reasonably practicable thereafter. Administrative claims allowed after the Effective Date of the Plan will be paid

by the Trustees in full in cash on or before 14 business days after the date on which such administrative claim is allowed. Administrative claims against the Debtor for professional fees approved pursuant to § 330 of the Bankruptcy Code will be paid by the Debtor upon the entry of an order allowing such claim. For purposes of the payment of administrative claims, any administrative claimant desiring to be paid under the Plan must file an application for the allowance of such administrative claim within 60 days of the Effective Date, or such holder will be barred from asserting an administrative claim.

3.2.2 *Allowed priority claims or priority tax claims.* Allowed priority claims consist of any allowed claim entitled to priority in payment under § 507 of the Bankruptcy Code including tax claims entitled to priority under § 507(a)(8). The Debtor is unaware of any priority claims or priority tax claims. However, to the extent that any such claims are filed and allowed, each holder of an allowed priority claim or priority tax claim due and payable on or before the Effective Date will receive on, or as soon as reasonably practicable after the Effective Date, (a) cash in the amount of the claim, (b) cash in an amount agreed to by the holder of the claim and the Debtor, or (c) in the case of a priority tax claim, regular monthly installment cash payments beginning on the first day of the first month after the Effective Date, totaling as of the Effective Date, the amount of the claim over a period ending not later than five years after the Petition Date as provided in § 1129(a)(9)(C) of the Bankruptcy Code.

3.3 **Classes and treatment of classes of creditors.** The remaining claims against and interests in the Debtor are divided into the following classes:

Class 1: Secured claim of Metcalf Bank (not impaired).

Class 2: General unsecured claims (impaired).

Class 3: Interests (impaired).

The treatment under the Plan of the classes of claimants is as follows:

3.3.1 *Class 1: Secured Claim of Metcalf Bank.* Class 1 consists of the allowed secured claim of Metcalf Bank. Metcalf Bank holds the mortgage on the 82-acre parcel. Class 1 is not impaired under the Plan and therefore is presumed to have accepted the Plan. The secured claim of Metcalf Bank will be allowed in the amount of $2,117,758.52 as of April 19, 2013. Any payments made by the Debtor after April 19, 2013 will be credited against the amount due. Metcalf Bank will maintain its existing mortgage on the 82-acre parcel and any other rights under its loan documents to secure its claim except as modified in the Plan. The claim of Metcalf Bank will be paid in full from the

proceeds of the sale of the property. Pursuant to § 506(c) of the Bankruptcy Code and by agreement with Metcalf Bank, the Trust may recover from the property the actual reasonable and necessary costs and expenses of preserving and selling the property, other than commissions, up to a maximum amount of $15,000 plus the payment of any *ad valorem* property taxes with respect to the property then due and payable.

3.3.2 *Class 2: General Unsecured Claims.* Class 2 consists of all general unsecured claims. Class 2 is impaired by the Plan. Each holder of an allowed claim in Class 2 is entitled to vote to accept or reject the Plan. After payment in full of all administrative claims in the bankruptcy case and all fees, costs and expenses incurred by the Trustees in the liquidation of the Debtor's assets, and after the Class 1 claim of Metcalf Bank has been paid (to the extent of the net proceeds of the sale of the 82-acre parcel), holders of Class 2 claims will receive a *pro rata* distribution from the liquidation of the Debtor's assets and the collection of any amounts due to the Debtor from third parties until paid in full. It is estimated that there are 52 claims in Class 2 totaling approximately $930,401.82.

3.3.3 *Class 3: Interests.* Class 3 consists of all equity interests in the Debtor. Class 3 is impaired under the Plan. Holders of allowed interests in Class 3 are entitled to vote to accept or reject the Plan. Holders of equity interests in the Debtor will not receive a distribution unless all unclassified and classified claims are paid in full. If all such claims are paid in full, holders of Class 3 claims will receive a *pro rata* distribution from the liquidation of the Debtor's assets and the collection of any amounts due to the Debtor from third parties. It is estimated that there are 54 holders of equity interests in the Debtor holding in the aggregate, interests amounting to $10,210,324.

IV. Implementation of the Plan

4.1 **Cancellation of equity interests.** All equity interests in the Debtor will be canceled as of the Effective Date.

4.2 **Creation of the Stone Rose, LP Liquidation Trust.** The Plan contemplates the creation of a liquidation trust under Illinois law and the transfer of all of the assets of the Debtor to the Trustees to be liquidated or collected as expeditiously as possible. The funds will be held in an interest-bearing account until distributed. The Trustees will distribute the proceeds of the sale of the 82-acre parcel to Metcalf Bank until its claim is paid in full. Any proceeds from the sale of the 82-acre parcel in excess of the amount required to pay the claim of Metcalf Bank plus the net proceeds of the liquidation and

collection of the Debtor's remaining assets, and after the payment of administrative expenses and the costs of liquidation, will be paid on a *pro rata* basis to the holders of claims in Class 2 until paid in full and then on a *pro rata* basis to the holders of claims in Class 3.

4.3 **Cramdown.** If any impaired class votes to accept the Plan, but not all classes accept the Plan, the Debtor will seek confirmation under the cramdown provisions of § 1129(b) of the Bankruptcy Code.

4.4 **Disposition of Causes of Action.** All causes of action owned by the Debtor, any cause of action that could have been brought by a creditor on behalf of the Debtor, and all causes of action created by the Bankruptcy Code, including those causes of action arising under chapter 5 of the Bankruptcy Code, will be transferred to and may be pursued by the Trustees for the benefit of the Debtor's creditors and holders of equity interests. The Debtor is, however, unaware of any claims or causes of action against third parties other than those set forth in its schedules and is unaware of any claims under chapter 5 of the Bankruptcy Code. The Trustees will have the exclusive right to settle or compromise all such causes of action subject to Court approval. Court approval is not required to settle or compromise any collection activities relating to any accounts receivable.

4.5 **Executory contracts and leases.**

4.5.1 *General rejection of executory contracts and unexpired leases.* The Debtor believes that the only executory contract or unexpired lease to which it is a party is the farm lease described on schedule G of the schedules filed by the Debtor in the bankruptcy case. Confirmation of the Plan will constitute the Debtor's assumption of the farm lease. Other than the farm lease, all executory contracts or unexpired leases to which the Debtor may be a party will be deemed to have been rejected on the confirmation date.

4.5.2 *Claims for damages.* The Plan provides that any claims based upon the rejection of an executory contract or unexpired lease must be filed and served on the Debtor within 30 days of the Effective Date of the Plan. Objections to any such claim must be filed within 30 days after the date the claim is filed. The Court will decide any objection unless it is otherwise resolved. Any allowed claim for rejection damages will be treated as a general unsecured claim. Any claim not filed within the time allowed in this paragraph is forever barred.

4.5.3 Claims based upon rejection of an executory contract or unexpired lease where such rejection occurred prior to the bar date are subject to the bar date order and are not revived by the Plan.

4.6 **Resolution of disputed claims.** Only allowed claims will be paid by the Trustees according to the Plan.

4.6.1 Within 90 days from the Effective Date, unless extended by the Court after notice and a hearing, the Trustees may file objections to claims and interests and shall serve a copy of the objection upon the holder of the claim or interest to which the objection pertains. Thereafter, the Trustees will litigate the objection to a resolution.

4.6.2 At the time, and to the extent that a claim to which an objection has been filed becomes an allowed claim, such allowed claim will be entitled to the distribution otherwise provided for that claim under the Plan. Such distribution will be made as provided for in the Plan and the terms of any order of the Court. Until a disputed claim becomes an allowed claim, no holder of such a claim will have any claim against the distribution with respect to such claim in the hands of the Debtor or the Trustees.

V. Conditions Precedent to Confirmation of the Plan

5.1 **Conditions to Confirmation.** Confirmation of the Plan cannot occur unless each of the following conditions has occurred—

(a) the Court has approved this Disclosure Statement; and

(b) the Court has entered the confirmation order.

VI. Modification of the Plan

6.1 Section 1127(a) of the Bankruptcy Code permits the Debtor to amend or modify a plan at any time prior to confirmation. Post-confirmation modifications of a plan are allowed under § 1127(b) if the proposed modification is offered before a plan has been substantially consummated or pursuant to an article of the confirmed plan authorizing the intended modification. The Debtor reserves the right to amend or modify the Plan at any time at which such amendment or modification is permitted under the Bankruptcy Code.

6.2 If the Debtor proposes to modify the Plan before the entry of the confirmation order, further disclosures pertaining to the proposed modification will be required only if the Court finds, after a hearing, that the pre-confirmation modification adversely change the treatment of any creditor or equity interest holder who has previously accepted the Plan. If the proposed pre-confirmation modification is material and adverse, or if a post-confirmation modification is sought, the Debtor may supplement this Disclosure Statement as necessary to describe the changes made in the Plan and the reasons for any

proposed modifications.

VII. Considerations in Voting on the Plan

7.1 **Alternatives to the Plan.** Although the Disclosure Statement is intended to provide information to assist in the formation of a judgment as to whether to vote for or against the Plan, a brief discussion of alternatives to the Plan may be useful. The Debtor believes the proposed Plan to be in the best interests of creditors and the Debtor, and does not favor any alternative to the proposed Plan. In arriving at that conclusion, the Debtor assesses the alternatives as follows:

7.1.1 *Dismissal of the Case.* Dismissal of the Chapter 11 case would put the Debtor into the same position it found itself prior to the bankruptcy filing. The pending State court cases would be allowed to proceed using up the Debtor's available funds without addressing the major need to sell the 82-acre parcel on the most advantageous basis possible. Dismissal would not provide the time necessary to realize upon the Debtor's 75% interest in Big House, nor would it provide any assurance that creditors of the same rank would be treated equally.

7.1.2 *Chapter 7 liquidation analysis.* The Debtor could convert the Chapter 11 case to Chapter 7 and allow a bankruptcy trustee to be appointed to liquidate and distribute its assets. If the Court does not confirm a plan of reorganization in this case, conversion to Chapter 7 may ultimately result. The conversion of the case to Chapter 7 would also result in the liquidation of the Debtor's assets. Although there are no guarantees, the Debtor believes that the Trustees' familiarity with the assets and the history of the Debtor argue in favor of the plan of liquidation offered by the Debtor and that the Plan offers creditors and holders of equity interests a better chance of receiving a greater percentage of payment on their claims. Moreover, Metcalf Bank has agreed to contribute $15,000 to the cost of advertising and other expenses incurred in the sale of the 82-acre Parcel, something that it would not be obliged to do if the case were converted to a chapter 7. A description of the liquidation values ascribed by the Debtor to each of the assets scheduled in the bankruptcy case is included as part of Exhibit A. Because any recovery on the Debtor's claims against third parties is speculative, the Debtor has not assigned any liquidation value to those claims. However, the Trustees fully intend to vigorously pursue the claims if the Plan is confirmed. The Debtor has not retained a professional, third-party accounting, bank, or brokerage firm, or appraiser to assist it with its liquidation analysis. Rather, the Debtor and its principals have set forth in Exhibit A their best, educated, and good faith view

of what that analysis would be.

7.2 **Disclosures required by the Bankruptcy Code.** The Bankruptcy Code requires disclosure of certain facts:

7.2.1 There are no payments made or promises of the kind specified in § 1129(a)(4) of the Bankruptcy Code which have not been disclosed to the Court.

7.2.2 Counsel for the Debtor has advised the Debtor that the Debtor will require legal services in connection with this chapter 11 case after confirmation which will require payment. The Debtor may, but is not required to, continue to use Foote, Mielke, Chavez & O'Neil, LLC as counsel after confirmation.

7.3 **Description of management and control persons of the Debtor.**

7.3.1 The general partner of the Debtor is Stone Rose Management, Inc., an Illinois corporation. The board of directors of Stone Rose Management, Inc. consists of Joseph Dinges, Phillip Cunningham, and Jordan Chalmers. The officers of Stone Rose Management, Inc. are Joseph Dinges, president, and Phillip Cunningham, secretary and treasurer. The Debtor and Stone Rose Management will have no real ongoing operations after confirmation of the Plan. The Debtor and Stone Rose Management, however, will maintain their legal existence while the liquidation is carried out by the Trustees, primarily for tax and reporting purposes. The Plan provides for the cancellation of all equity interests in the Debtor as of the Effective Date. And, as of the Effective Date Joseph Dinges, one of the Trustees, will become the sole shareholder and sole officer of Stone Rose Management, Inc. No compensation will be paid to Joseph Dinges for his services as sole officer and director.

VIII. Retention of Jurisdiction

8.1 **Purposes.** Notwithstanding the entry of the confirmation order, the Court will retain jurisdiction in the following matters after confirmation of the Plan:

(1) To determine any objections to the allowance of claims or interests, both before and after the confirmation date, including any objections to the classification of any claim or interest;

(2) To determine any applications for fees and expenses authorized to be paid or reimbursed in accordance with § 503(b) of the Bankruptcy Code or the Plan;

(3) To determine any pending applications for the assumption or rejection

of executory contracts or for the assumption or rejection or assumption and assignment, as the case may be, of unexpired leases to which the Debtor is a party or with respect to which the Debtor may be liable; to hear and determine any actions to avoid or terminate unexpired executory contracts or leases; and to hear and determine and, if need be, to liquidate any claims arising therefrom;

(4) To hear and determine any actions initiated by the Debtor, whether by motion, complaint, or otherwise;

(5 To determine any applications, motions, adversary proceedings and contested matters pending before the Court on the confirmation date or filed or instituted after the confirmation date;

(6) To modify the Plan, the Disclosure Statement, or any document created in connection with the Plan, or remedy any defect or omission or reconcile any inconsistency in any order of the Court, the Plan, the Disclosure Statement, or any document created in connection with the Plan, in such manner as may be necessary to carry out the purposes and intent of the Plan to the extent authorized by the Bankruptcy Code;

(7) To ensure that the distribution is accomplished in accordance with the provisions of the Plan;

(8) To allow, disallow, determine, liquidate, or estimate any claim or interest and to enter or enforce any order requiring the filing of any such claim or interest before a particular date;

(9) To enter such orders as may be necessary to interpret, enforce, administer, consummate, implement, and effectuate the operative provisions of the Plan, the confirmation order, and all documents and agreements provided for in this Disclosure Statement or in the Plan, or executed pursuant hereto or thereto including entering appropriate orders to protect the Debtor from actions by creditors;

(10) To hear any other matter not inconsistent with Chapter 11 of the Bankruptcy Code;

(11) To enter and implement such orders as may be appropriate in the event the confirmation order is for any reason stayed, reversed, revoked, or vacated;

(12) To determine such other matters as may arise in connection with the Plan, this Disclosure Statement, or the confirmation order;

(13) To enforce all orders, judgments, injunctions, and rulings entered in connection with the chapter 11 case;

(14) To determine all issues relating to the claims of any taxing au-

thorities, State or Federal;

(15) To determine any avoidance actions brought pursuant to the provisions of the Bankruptcy Code; and

(16) To enter a final order and final decree closing the Chapter 11 case.

8.2 **Exclusive jurisdiction.** The Court will have exclusive jurisdiction to resolve all controversies, suits, and disputes that may arise in connection with the interpretation, enforcement, consummation, implementation, or administration of the Plan, the confirmation order, or the Disclosure Statement, and all entities are enjoined from commencing any legal or equitable action or proceeding with respect to such matters in any other court or administrative or regulatory body.

8.3 **Abstention.** If the Court abstains from exercising jurisdiction or is otherwise without jurisdiction over any matter arising out of the bankruptcy case, the Plan will have no effect upon and will not control, prohibit, or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

8.4 **Closing of the Case.** The Debtor shall file an application for a final decree and to close the bankruptcy case and promptly set a hearing no later than 12 months after the Effective Date, or show cause to the Court within such period why the Court should not enter a final decree. Any adversary proceeding that is a cause of action shall survive the entry of a final decree and closing of the bankruptcy case, and jurisdiction will be retained over any such proceeding.

IX. Miscellaneous Provisions

9.1 **Certain rights unaffected.** Except as otherwise provided in the Plan, any rights or obligations which the Debtor's creditors and may have between them as to their respective claims or the relative priority or subordination thereof are unaffected.

9.2 **Binding effect.** As of the Effective Date, the Plan is binding upon and inures to the benefit of the Debtor, the holders of claims or interests, and their respective successors and assigns.

9.3 **Discharge of Claims.** Pursuant to § 1141(d)(3) of the Bankruptcy Coat, the Debtor will not receive a discharge.

9.4 **Exculpations.** The Debtor's professionals will not have or incur any liability to any holder of a claim for any act, event, or omission in connection with, or arising out of, the confirmation of the Plan, the consummation of the

Plan, or the administration of the Plan, or the property to be distributed under the Plan, except for willful misconduct or gross negligence.

9.5 **Notices.** All notices, requests, or demands in connection with the Plan must be in writing and will be deemed to have been given when received or, if mailed, 5 days after the date of mailing, provided such writing is sent by registered or certified mail, postage prepaid, return receipt requested, and sent to the following parties at the addresses set forth below:

If to the Debtor:

Stone Rose, LP
c/o G. Alexander McTavish
Foote, Mielke, Chavez
& O'Neil, LLC
10 W. Main St., Suite 200
Geneva, IL 60134

If to the Trust:

Stone Rose Liquidation Trust
Attn: Joseph Dinges, Trustee
36W670 Andrea Ct.
St. Charles, IL 60175

All notices and requests to holders of claims and interests must be sent to them at the address listed on the last proof of claim filed with the Court, and if no proof of claim has been filed, at the address listed in the Debtor's schedules.

X. Certain Income Tax Consequences of the Plan

10.1 **Tax treatment of the Trust.** The Trust will be treated for all purposes as a grantor trust and shall file such tax returns as are required. To the extent that the operation or liquidation of the assets creates any tax liability for the Trust or the Debtor, the Trustees shall pay any tax liability prior to any distribution to any creditor or equity interest holder.

10.2 **Tax treatment of the transfer of assets to the Trust.** The transfer of the Debtor's assets to the Trust should not constitute a taxable transaction if the Debtor is treated as the owner of the Trust for federal income tax purposes. If any taxing authority successfully asserts that the transfer is a taxable event, any taxes imposed upon the Debtor or the Trust will be paid from the liquidation of the assets prior to any distribution to any creditor or equity interest holder.

10.3 **No advice.** Creditors are urged to consult their own tax advisors as to the consequences of the Plan to them under federal and applicable state, local, and other tax laws. Nothing in this Disclosure Statement or in the Plan is meant to provide any tax advice to any creditor.

XI. Plan Injunction

The Plan proposes the following injunctive relief:

11.1 **Injunctive Relief.** Except as provided herein, after the confirmation date, all creditors and persons acting in concert with them are enjoined and restrained pursuant to § 105 of the Bankruptcy Code from taking any action to collect or enforce any claim directly or indirectly against the Debtor's assets or properties in the hands of the Trustees in any manner inconsistent with the terms contained in the Plan.

11.2 **Pending Litigation.** On the Effective Date all lawsuits, litigation, administrative actions, or other proceedings, judicial or administrative, that were pending on the Petition Date, must be dismissed as to the Debtor. Such dismissal must be with prejudice to the assertion of any such claims in any manner.

XII. Conclusion

The Debtor respectfully submits that the Plan satisfies all of the statutory requirements of chapter 11 of the Bankruptcy Code and that it should be confirmed even in the event a class of claims does not vote for acceptance of the Plan. The Debtor believes the Plan is "fair and equitable" and "does not discriminate unfairly." Additionally, the Debtor believes the Plan has been proposed in good faith.

The Debtor respectfully requests that this Disclosure Statement be approved for circulation to the Debtor's creditors and that it be permitted to solicit votes for acceptance of the Plan.

[Signature page follows immediately.]

Stone Rose, LP

By: Stone Rose Management, Inc., an Illinois corporation

By: s/ Joseph Dinges
Its authorized officer

Submitted by:

G. Alexander McTavish
ARDC No. 1871013
Foote, Mielke, Chavez & O'Neil, LLC
10 W. State Street, Suite 200
Geneva, IL 60134
630-232-7450
630-232-7452 (fax)