

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION**

IN RE:

VAN ZANDT HOLDING CO., LLC

DEBTOR

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CASE NO: 16-60061

CHAPTER 11

**DISCLOSURE STATEMENT OF VAN ZANDT HOLDING COMPANY, LLC,
PURSUANT TO 11 U.S.C. § 1125**

This is the disclosure statement (the "Disclosure Statement") in the small business chapter 11 case of Van Zandt Holding Company, LLC (the "Debtor"). The Disclosure Statement contains information about the Debtor and describes the Chapter 11 Plan (the "Plan") filed by the Debtor on November 28, 2016. A full copy of the Plan is attached to this Disclosure Statement an exhibit. *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.*

PURPOSE OF THIS DOCUMENT

This Disclosure Statement Describes:

1. The Debtor and significant events that resulted in the bankruptcy case being filed.
2. How the Plan proposes to treat claims or equity interests of the type you hold
(What you will receive on your claim if the Plan is confirmed).
3. Who can vote or object to the Plan.
4. What factors the Bankruptcy Court will consider when deciding whether to confirm the Plan.
5. Why Debtor believes the Plan is feasible, and how the treatment of your Claim under the Plan compares to what you would receive on your claim in liquidation.
6. The effect of confirmation of the Plan.

Be sure and read the Plan as well as the Disclosure Statement. The Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

OVERVIEW OF THE PLAN

The Plan provides for two sources of funding from the Debtor. A portion of the Debtor's net monthly income which will be dedicated to ad valorem tax claims and the I.R.S. and State Comptroller tax claims. The much larger portion of the Plan funding will be provided by the sale of real estate interests owned by the Debtor. All of the real estate located in Van Zandt County, Texas is subject to a judicial lien, abstracted by Tod and Tommie White in the amount of \$185,897.83.

The Debtor believes that the Plan provides for the treatment of all classes of claims that is in the best interests of creditors of the Debtor and is fair and equitable to those creditors. The Plan provides of outstanding claims as follows.

CLASSIFICATION	TREATMENT
<p>CLASS 1 Allowed Administrative Expense Claims Total Estimated amount: \$ 15,300.00*</p> <ul style="list-style-type: none"> • Certain claims subject to filing of a fee application to be approved by the Bankruptcy Court 	<p>Unimpaired</p> <p>Will receive payment in full on or before the Effective Date.</p> <p>Estimated Recovery: 100%</p>
<p>CLASS 2 Allowed Secured Property Tax Claims Total Estimated amount: \$28,955.04</p>	<p>Impaired</p> <p>If applicable, will be paid in full through the plan installments of principal and interest of 12% per annum.</p> <p>Estimated Recovery: 100%</p>
<p>CLASS 3 Allowed Priority IRS and State Comptroller tax claims Total Estimated Amount: \$2,100.00</p>	<p>Impaired</p> <p>If applicable, will be paid in full on the Distribution Date plus applicable statutory post-petition interest as provided by law.</p> <p>Estimated Recovery: 100%</p>

<p>CLASS 4 Allowed Secured Claim for Judgment Creditors: Tommie and Tod White Total Estimated Amount: \$185,897.83</p>	<p>Impaired</p> <p>If applicable, will be paid in full through sale(s) of Debtor’s real property located in Van Zandt County, Texas. Sales must be completed within 24 months after Confirmation of Plan.</p> <p>Estimated recovery: 100%</p>
<p>CLASS 4 Allowed Unsecured Claim of I.R.S. Total Estimated Amount: \$1,500.00</p>	<p>Impaired</p> <p>If applicable, will be paid pro-rata through the Plan following starting on the Distribution Date and the same day of each successive 60 months.</p> <p>Estimated Recovery: 100%</p>

CLASSIFICATION AND TREATMENT OF CLAIMS

Section 1123 of the Bankruptcy Code requires that a plan of reorganization classify the Claims of a Debtor’s creditors. The Plan divides claims into classes and sets forth the treatment afforded to each class. Under the Plan, each claim is either unimpaired or impaired.

A claim is unimpaired under the Plan if the Plan provides for any of the following methods of treatment with respect to the claim: (1) the rights of the creditor under its claims are unaltered by the Plan; (2) any defaults by the Debtor are cured, the original maturity date is reinstated, the creditor under its claim are thereafter unaltered, or (3) the creditor is paid in full amount its allowed claim on the effective date of the Plan. 11 U.S.C § 1124.

The only claims that are or may be impaired under the Plan, and therefore may be entitled to vote to accept or reject the Plan are Classes 2, 3, 4, and 5.

For a holder of a claim to participate in the Plan and receive the treatment afforded to the applicable class, the holder’s claim must be “allowed.” A claim will be allowed if it is filed or deemed filed, unless it is listed as disputed, contingent, or unliquidated.

Generally, for a claim to be filed, a proof of claim must be timely filed on behalf of the holder of the claim with the Bankruptcy Court. A claim will also be deemed to be filed if it is listed on the Schedules of Assets and Liabilities filed with the Bankruptcy Court, as amended unless it is listed as disputed, contingent, or unliquidated.

If an objection to a claim is made, the Bankruptcy Court must make a determination with respect to allowance of that claim or interest. Only holders of allowed claims are entitled to participate in and receive distributions in accordance with the Plan.

EXPLANATION OF CHAPTER 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to Chapter 11, a Debtor is authorized to reorganize its business for its own benefit and that of its creditors. Formulation of a Plan is the primary purpose of a chapter 11 case. A Plan sets forth the means for satisfying claims against and interests in the Debtor. After a Plan has been filed, it must be accepted by holders of claims against, or interests in, the Debtor. Section 1125 of the Bankruptcy Code requires full disclosure before solicitation of acceptance of a Plan. This Disclosure Statement is presented to Claimants to satisfy the requirements of Section 1125 of the Bankruptcy Code.

MEANS FOR EXECUTION OF THE PLAN

The Plan contemplates that Debtor will meet the obligation of the Plan by the continued operation of the rental of real estate properties. This amount will be sufficient to fund the monthly disbursements to Classes 2, 3, and 5. The **Sale of Assets** will be required to fully provide for the Class 4 Claimant. The sale of assets shall be completed by 2 years (or 24 months) after the Plan is confirmed by the Bankruptcy Court. The failure to complete the sale of assets necessary to provide for 100% of the Class 4 Claimant will result in the conversion of this Chapter 11 Case to Chapter 7.

CONFIRMATION OF THE PLAN

The Plan must meet the requirements listed in Section 1129 of the Bankruptcy Code. Even if all Classes of Claims accepts the Plan, the Court may deny the confirmation of the Plan. The Court must determine that the Plan of Reorganization is in the best interest

of the Claimants. This rule requires that the value to be distributed to Claimants may not be less than such parties would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

BACKGROUND OF THE CASE

Debtor is a Texas Limited Liability Company that was organized on November 18, 1999, by Michael J. Goggans of Edgewood, Texas. Mr. Goggans is the sole Member of the LLC, and has managed it from its inception. The Debtor owns multiple real estate holding throughout Van Zandt County and at least one holding in Kaufman County, Texas. Debtor filed for relief under Chapter 11 of the Bankruptcy Code on February 1, 2016. No trustee or examiner has been appointed in this case. The Debtors is in possession of his assets and is managing the same as Debtor-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

FACTORS PRECIPITATING COMMENCEMENT OF THE CASE

Mr. Goggans has suffered from declining health in recent years. In his capacity as the Registered Agent for the Debtor, he was served notice of a lawsuit to which Van Zandt Holding Co., LLC was a defendant. Mr. Goggans set the citation aside and forgot about it. This resulted in a Default Judgment being entered against the Debtor.

The Judgment Creditors proceeded under state law to collect their judgment via a Sheriff's Sale on the first Tuesday of February of 2016. Debtor filed for relief on that day to avoid a possibly loss of all real estate holdings in Van Zandt County.

PROCEEDINGS IN THE CASE

On or about January 15, 2016, Debtor sought Gordon Mosley to act as his bankruptcy counsel. An order approving the employment of counsel for Debtor was entered on march 17, 2016. Counsel will file a fee application with the Bankruptcy Court for services rendered and expenses incurred.

FEASIBILITY

As a condition to confirmation of the Plan, Section 1129 of the Bankruptcy Code requires that the Bankruptcy Court determine that confirmation is not likely to be followed the liquidation or need further financial reorganization of the Debtor. Debtor

believes that confirmation of the Plan is not likely to be followed by the liquidation of its assets or the need for further financial reorganization. Debtor's real estate holding are listed in the table below.

Location	Description	Appraised Value*
815 W. State Terrell, Texas	Residential	\$72,440.00
759 T.J. Shaw Survey Edgewood, Texas	Non-residential	\$ 4,330.00
402 W. Pine St. Edgewood, Texas	Commercial	\$29,750.00
6983 FM 1504 Edgewood, Texas	Residential	\$ 46,980.00
T.J. Shaw Survey	Unimproved	\$ 2,070.00
803 Pine Edgewood, Texas	Residential	\$ 34,760.00
206 Austin St. Edgewood, Texas	Residential	\$ 65,860.00
M Dewberry Survey Van Zandt County	Agricultural 11.00 acres	\$ 24,020.00
M Dewberry Survey Van Zandt County	Unimproved 13.00 acres	\$ 16,810.00
Zion Roberts Survey Van Zandt County	Non-residential structure 3.50 acres	\$ 29,970.00
N. Main Edgewood, Texas	unimproved	\$ 4,700.00
122 Ball St. Grand Saline, Texas	Residential	\$ 15,150.00
316 Second Ave. Fruitvale, Texas	Residential 1.00 acre	\$ 77,880.00
1631 FM 1256 Van Zandt County	Unimproved	\$ 2,500.00

Edgewood, Texas	Unimproved	\$ 840.00
Edgewood, Texas	Unimproved	\$ 390.00
W Ferrell Survey, Abst. 861 Van Zandt County	Commercial 1.7 acres	\$ 28,700.00
Furh Oak Ridge Addition Van Zandt County	Improved 1.36 acres	\$ 23,100.00
Willow Lake Estates Van Zandt County	Residential lot	\$ 3,240.00
CR 3106 Grand Saline, Texas	Residential	\$ 73,460.00
Edgewood, Texas	unimproved	\$ 4,550.00
QC Nugent Survey Canton, Texas	Residential	\$ 79,310.00
Wills Point, Texas	Mobile home 2007	\$ 30,270.00
Edgewood, Texas	Mobile Home 1989	\$ 4,320.00
TOTAL		\$675,400.00*

- **VALUES BASED ON AVAILABLE COUNTY PROPERTY TAX DATA**

The above properties comprise the bulk of the Debtor's bankruptcy estate. The value of the group will allow a non-rushed targeted sales approach that should maximize the return to all Claims of the Plan and allow the Debtor to reorganize as a smaller, but functioning business. The estimated gross value of these properties is approximately three times the amount of all outstanding claims in this Chapter 11 case.

LIQUIDATION UNDER CHAPTER 7

If no plan can be confirmed, the Debtor's Chapter 11 case may be converted to a case under chapter 7 of the Bankruptcy Code. In a hypothetical Chapter 7 proceeding, a trustee would be appointed to liquidate the assets of the Debtor. The liquidation under Chapter 7 would likely result in substantial diminution of the value of the property to be distributed to Creditors.

FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

Claimants are urged to consult with their own tax advisors as to the specific tax consequences (foreign, Federal, State, or Local) to them of the Plan. The Debtor is not making any representations regarding the particular tax consequences of the confirmation and consummation of the Plan as to any holders of claims or shareholders, nor is the Debtor rendering any form of legal opinion as to such tax consequences.

RIGHT TO AMEND

Notwithstanding any provision of this Disclosure Statement, Debtor reserves the right pursuant to 11 U.S.C. § 1125, to amend the Plan following the approval of this Disclosure Statement. Notice of any Plan amendments so made will be given in accordance with the application provisions of the Bankruptcy Code.

Respectfully submitted,

/s/ Michael J. Goggans
Michael J. Goggans
Van Zandt Holding Co., LLC
Managing member

/S/ Gordon Mosley
GORDON MOSLEY
SBN: 00791311
4411 Old Bullard Road, Suite 700
Tyler, Texas 75703
(903) 534-5395
(903) 581-4038 FAX
COUNSEL FOR THE DEBTOR