

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

IN RE:)	
)	
THE I3 GROUP, LLC,)	Case No. 16-12824-BFK
)	Chapter 11
Debtor.)	
_____)	

DISCLOSURE STATEMENT

Debtor-In-Possession, The I3 Group, LLC (“I3 Group” or the “Debtor”) filed its voluntary petition for reorganization under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia, Alexandria Division on August 16, 2016.

I.
INTRODUCTION

Debtor now seeks, with the aid of this document, to have its creditors accept, and the Court confirm, the Debtor’s Plan of Reorganization (the “Plan”) filed contemporaneously herewith in the case, which you will receive with this Disclosure Statement (the “Disclosure Statement”).

II.
PREPARATION AND PURPOSE
OF THIS STATEMENT AND DISCLAIMER

This Disclosure Statement has been prepared and submitted by Debtor in compliance with § 1125 of the Bankruptcy Code, and Fed. R. Bankr. P. 3016 and 3017. The purpose of this Disclosure Statement is to supply Debtor’s creditors with material information sufficient to enable them to make an informed judgment as to whether they should vote for or against the Plan. The Disclosure Statement may not be used for any other purpose. No representations concerning the

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Counsel for The I3 Group, LLC

Debtor, particularly as to future income, business affairs, or values of property, other than as set forth in this Disclosure Statement, are authorized by the Debtor. Any representations or inducements made to secure acceptance of the plan which are not contained in this Disclosure Statement should not be relied upon by any creditor, and should be reported to the undersigned counsel for Debtor. The information contained in this Disclosure Statement has been supplied by the Debtor but has not been subjected to a certified audit. Nevertheless, reasonable efforts have been made by the Debtor to present accurate information.

In addition to reading this Disclosure Statement, you should also read the Plan of Reorganization itself. The Court's approval of this Disclosure Statement is not a decision by the Court on the merits of the Plan. After this Disclosure Statement has been approved by the Court, you will receive with this Disclosure Statement, the Plan and a Ballot on which you should indicate your acceptance or rejection of the Plan, based upon the terms of the Plan and the information contained in this Disclosure Statement. All terms not specifically defined in this Disclosure Statement shall have the same meanings as they do in the Plan.

III.

VOTING REQUIREMENTS FOR PLAN CONFIRMATION

In general, in order for the Plan to be confirmed, i.e. approved, by the Court, after which it becomes binding on the Debtor and its creditors and shareholders, it must first be accepted by creditors holding at least two thirds ($2/3$) in amount and more than one half ($1/2$) in number of the allowed claims that actually vote in each impaired class of claims. However, even if the Plan is not accepted by all of the impaired classes of claims but is accepted by at least one such impaired class, then the Court may nevertheless confirm the Plan by way of a "cram-down" if the Court finds that it does not discriminate unfairly and is fair and equitable with respect to each impaired

class that did not accept the Plan. The availability of a cram-down is a legal matter to be resolved in the context of a hearing on confirmation of the Plan.

Only creditors whose claims are not listed as disputed, contingent, or unliquidated in the Schedules that the Debtor filed, or creditors who have timely filed a proof of claim with the Court that was not disallowed as of the date of the confirmation hearing on the Plan, have the right to vote, except that if an objection to a claim is pending at the time that the Debtor solicits acceptance of the Plan, then the holder of such claim may vote on the Plan only if the Court after notice and a hearing temporarily allows the claim in an amount which the Court deems proper for the purpose of accepting or rejecting the Plan.

IV. **DESCRIPTION OF DEBTOR AND BUSINESS HISTORY**

A. Description of the Debtor

The I3 Group is a limited liability company that owns and intends to develop of plot of land located at 981 Annapolis Way, Woodbridge, VA 22191 in Prince William County, Virginia (the “Property”). The Property is approximately 7.4 acres and is zoned as B-1 commercial.

The I3 Group is managed by Richard Allen Ochsner and the company’s ownership consists of the following parties:

Richard Allen Ochsner – 51% membership interest

Richard Ochsner Living Trust – 8.16666%

Bonnie Ochsner – 8.16666% membership interest

Dawn G. Anthony – 8.16666% membership interest

Matthew Clary – 8.16666% membership interest

McAllister Holdings, LLC – 16.3333% financial interest

B. Business History

The I3 Group was established in 2001 as a service disabled veteran owned small business (“SDVOSB”) Real-Estate Investment Group, founded by Richard Allen Ochsner, a Ret. USAF Sgt. and Service Disabled Veteran, along with other owners and officers of Ichiban, Inc. The I3 Group’s first objective was to purchase and develop the Property. The Property was to serve as headquarters for Ichiban, Inc., a company also owned and founded by Richard Allen Ochsner. Ichiban, Inc. was a SDVOSB Computer Repair Company and provided world-wide support for the US Government. The I3 Group’s second objective was to design two commercial buildings and maximize existing B-1 zoning, after which the I3 Group would use its SDVOSB status to attracting a government agency or contractor to lease part of its buildings.

Approximately three or four (4) years after the I3 Group purchased the Property and prepared site plans to submit to Prince William County, Ichiban, Inc. went out of business and filed Chapter 7 bankruptcy. As a result, the I3 Group’s development of the Property was put on hold.

This changed in 2006 when the I3 Group obtained an offer and contract on the Property from Centex Homes, a Nevada general partnership, for a minimum of \$15 million and a maximum of \$60 million. In connection with this deal, the I3 Group submitted plans to Prince William County for a change in zoning and a plan containing 800+ units including 20,000 square feet of office retail and two 15-story high rise buildings. The I3 Group/Centex’s Site Plan and Design Plan had been approved by a majority of the County’s Planners and Board Members, and the I3 Group was awaiting Final Site Plan approval.

During this same period of time the I3 Group refinanced its Property with Virginia Commerce Bank/United Bank. However, in 2008 Centex did not follow through with its contractual obligation to the I3 Group to purchase the land. Instead Centex filed bankruptcy.

The I3 Group did retain an approximate \$1.5 million deposit from the transaction. The majority of these funds were used to pay the bank loan, taxes and other bills for a period of time. Unfortunately in 2015, the I3 Group ultimately defaulted on payments to the Bank. The Bank initiated foreclosure proceedings in 2016 which led I3 Group to file the instant bankruptcy case.

V. CHAPTER 11 OPERATIONS

Since its bankruptcy filing on August 16, 2016, Debtor has conducted its business affairs as Debtor in Possession.

A. Assets and Liabilities

The only assets contained in the Debtor's bankruptcy estate are real property located at 981 Annapolis Way, Woodbridge, VA 22191, the debtor in possession account and claims for repayment of loans made by The I3 Group to various members and/or former members.

VI. BASIS FOR PLAN

Debtor filed its Chapter 11 case to restructure its debt because I3 Group was insolvent and could not make payments to creditors as they came due.

A. Post-Petition Performance

The following orders have been entered in Debtor's bankruptcy case.

1. On September 30, 2016, the Court entered an Order Granting the United States Trustee's Motion to Condition Rights of Debtor in Possession.

2. On October 25, 2016, the Court entered an Order authorizing the employment of Jonathan B. Vivona, Esquire as counsel for the Debtor.

3. On September 23, 2016, United Bank filed a motion for relief from stay.

4. On November 2, 2016, the Court entered an Order for the Debtor to show cause why a Chapter 11 Trustee should not be appointed or the case be converted to a case under Chapter 7.

5. Debtor has filed all monthly operating reports as of this date.

6. Debtor does not have any unpaid federal or state taxes post-petition.

VII. **EFFECT OF CHAPTER 7 LIQUIDATION**

A. General

The requirements for confirmation of the Plan by the Court are contained in §1129 of the Bankruptcy Code. Section 1129(a)(7) therein provides that the holders of general claims must either have accepted the Plan, or will receive under the Plan at least as much as they would receive if the Debtor's assets were liquidated as of the Effective Date of the Plan and the liquidation proceeds were distributed to them as if this were a Chapter 7 liquidation case. Accordingly, the following analysis is provided to enable creditors to compare the treatment of their claims under the Plan with the probable treatment that would be obtained in a hypothetical liquidation under Chapter 7 of the Bankruptcy Code.

B. Liquidation Analysis

The Plan provides for sale of the Property for \$600,000.00 which will pay administrative claims, United Bank's claim in the amount of \$520,039.53 and property taxes owed to Prince William County in the amount of \$55,623.01. The payoff of the Bank's claim will provide the Debtor with an exclusive and irrevocable first right to develop and/or sell the raw land

located on the Property. This right provides the I3 Group with three years to develop the Property and obtain potential buyers without having to make monthly loan payments. Debtor will have the option to extend this period to a fourth year for a payment of \$50,000.00 and a separate option to extend this period to a fifth year for an additional payment of \$50,000.00.

The Plan provides the Debtor ample time and the best opportunity to add value to the Property so it can obtain a substantial return from the raw land. In the event of a sale or repurchase of the Property, the first \$1.2 million of any funds will go to Delta Capital, with excess amounts to be paid to unsecured creditors and the remainder going to the Debtor. With a three (3) to five (5) year window to develop and sell the Property, the Debtor will be assured of getting the most possible value out of the land which will allow for all claims to be paid in full under the Plan.

If the Property is sold in a Chapter 7, there will be a significant reduction in the return on the Property than if the Debtor has three (3) to five (5) years to develop, market and sell the Property. The tax-assessed value of the Property is \$1.4 million, which means unsecured creditors would receive less than 100% of their claims especially if the Property is sold for less than this amount. In a Chapter 7 liquidation, administrative expenses, United Bank's claim and tax claims will be paid ahead of unsecured creditors but the proceeds of sale will not cover all unsecured claims.

Under the Debtor's Plan of Reorganization, all allowed administrative expenses and priority tax claims, with applicable interest, shall be paid in full. The Plan proposes payment to allowed unsecured claimants of one-hundred percent (100%) of their claims, which exceeds the amount that they would receive in a Chapter 7 liquidation.

VII.
SUMMARY OF PROPOSED PLAN OF REORGANIZATION

A brief summary of the Plan is provided below. This Plan Summary should not be relied upon for voting purposes. Creditors are urged to read the entire Plan, and to consult with counsel or each other in order to fully understand the Plan. A copy of the Plan will be filed with the Clerk, United States Bankruptcy Court for the Eastern District of Virginia at 200 South Washington Street, Alexandria, Virginia 22314, and is available for inspection and review. The Plan represents a proposed legally binding agreement between the Debtor and its creditors.

A. Classification and Treatment of Claims

The Plan, in Article III, classifies and treats the allowed claims of creditors and holders of interests as follows:

1. Class 1 consists of (i) Allowed Claims for costs and expenses of the administration of the Estate, as defined in § 503(b) of the Bankruptcy Code, including fees of Professional Persons approved by the Court and other post-petition operating expenses and Liquidation Expenses, and (ii) fees payable to the United States Trustee by the Debtor under 28 U.S.C. § 1930(a)(6). All unpaid Class 1 administrative claims shall be paid in full, in cash, from the Disbursing Account, on or before the Effective Date of the Plan.

This class of claims is unimpaired.

Type	Estimated Amount Owed	Proposed Treatment
Expenses Arising in the Ordinary Course of Business after the Petition Date	N/A	Payment in the ordinary course of business
The Value of Goods Received in the Ordinary Course of Business within 20 Days Before the Petition Date	N/A	
Professional Fees, as Approved by the Court	\$15,000.00	Payment in full within 150 days of Effective

		Date from proceeds of sale of the Property
Clerk's Office Fees	N/A	
Office of the U.S. Trustee Fees	TBA	Payment in full when due
Other Administrative Expenses	N/A	
Total Class 1 Administrative Expenses	\$15,000.00	

2. Class 2 consists of United Bank's claim in the amount of \$520,039.53. Debtor disputes the amount of the Bank's claim and the validity of its security interest. However, the claim will be treated as allowed for the purposes of the Plan. This claim shall be paid in full within 150 days of the Effective Date of the Plan from the proceeds of sale of the Property to Delta Capital.

This class of claims is unimpaired.

3. Class 3 consists of the claim of the Prince William County Tax Administration Division in the amount of \$55,623.01 for unsecured property taxes on the Property entitled to priority under § 507(a)(8). This claim shall be paid in full within 150 days of the Effective Date of the Plan from the proceeds of sale of the Property to Delta Capital.

This class of claims is unimpaired.

4. Class 4 consists of the tax claim of the Internal Revenue Service in the amount of \$6,915.42 which is disputed by the Debtor. Should the claim be allowed, the Plan proposes to pay the Internal Revenue Service's claim in full, plus interest with income generated from development of the Property or proceeds from Debtor's sale of the Property after repurchase from Delta Capital.

This class of claims is impaired.

5. Class 5 of the Plan contains allowed general unsecured claims against the Estate which are not insider claims contained in the table set forth below. The Plan proposes to pay Class 5 claims in full with income generated from development of the Property or proceeds from Debtor's sale of the Property after repurchase from Delta Capital. Class 5 claims shall be entitled to payment after all prior classes have been paid in full but shall be paid ahead of claims contained in Class 6 of the Plan.

This class of claims is impaired.

Claimant	Amount of Unsecured Claim
Richard Camp	\$22,808.22
Robert B. Baumgartner, Esquire	\$150.00
Walsh Colucci Lubeley & Walsh PC	\$16,314.70
Total Class 5 Nonpriority Unsecured Non-Insider Claims	\$39,272.92

6. Class 6 of the Plan contains allowed general unsecured claims against the Estate which are insider claims contained in the table set forth below. The Plan proposes to pay Class 6 claims in full with income generated from development of the Property or proceeds from Debtor's sale of the Property after repurchase from Delta Capital. Debtor shall reserve the right to dispute any of the claims contained in Class 6. To the extent that such claims are allowed Class 6 claims shall be entitled to payment after all prior classes have been paid in full.

This class of claims is impaired.

Claimant	Amount of Unsecured Claims
McAllister Holdings, LLC	\$635,000.00
Richard Allen Ochsner	\$800,000.00

Bonnie Ochnser	\$150,000.00
Dawn Anthony	\$50,000.00
Total Class 6 Nonpriority Unsecured Insider Claims	\$1,635,000.00

Summary of Liabilities and Proposed Plan Payments		
Type	Amount	Percentage
Administrative Expenses (Class 1)	\$15,000.00	100%
United Bank Claim (Class 2)	\$520,039.53	100%
Priority Claims (Class 3)	\$55,623.01	100%
Internal Revenue Service (Class 4)	\$6,915.42	100%
Unsecured Non-Insider Claims (Class 4)	\$39,272.92	100%
General Unsecured Claims (Class 5)	\$1,635,000.00	100%
Total Claims	\$2,271,850.88	100%

B. Means for Implementation of the Plan

The source of funds to be distributed pursuant to the Plan will be Debtor's sale of the real property located at 981 Annapolis Way, Woodbridge, VA 22191 to Delta Capital for \$600,000.00. Debtor will retain the right to develop the Property for a period of three (3) years after the sale and shall have the right to repurchase the Property for \$1.2 million at any time within this three year period. Should the Debtor find another buyer for the Property within this three year period, Delta Capital shall execute any documents necessary to sell the Property, provided it will allow the Debtor to pay the contract repurchase price of \$1.2 million to Delta Capital.

The Debtor will have an option to extend the period in which it can develop and repurchase the Property for an additional year to four (4) years by paying \$50,000.00 to Delta Capital on or

before the expiration of the three-year period from the date of sale. If the Debtor elects the option provided above, the Debtor will have a second option to extend the period in which it can develop and repurchase the Property for an additional year to five (5) years by paying \$50,000.00 to Delta Capital on or before the expiration of the four-year period from the date of sale. Debtor shall have the exclusive right to sell the Property to another buyer within the three (3) to five (5) year period described above. Any sale of the Property to Delta Capital will be subject to Delta Capital's obtaining financing and conducting due diligence with respect to the Property.

C. Description of Delta Capital Group and its President Brad Mead

Delta Capital is one of the largest New England investment banking firms dealing with small companies on their debt, equity, and operational needs for over 25 years. Delta Capital provides equity, debt and mortgage financing, mezzanine financing and bridge financing for companies in need of capital. Delta Capital has a large network of buyers who are active in purchasing companies for all cash or cash and equity in the new entity. Delta Capital specializes in debt restructure for companies with a mix of loans and equity utilizing its network of note buyers, equity investors, and first, second, and credit line lenders.

Its President, Brad Mead has extensive experience in executing corporate turnarounds and restructure and has served as Board advisor or interim CFO for over 150 manufacturing and service companies. These activities have included taking over as CEO of a major ski resort in Idaho, restructuring a Slovakian Bank, negotiation with Middle East governments for border security equipment and acting as an expert witness in numerous bankruptcies.

Additionally, Mr. Mead is a frequent speaker to many business organizations and is formerly an instructor for Lorman Educational Services for their Merger and Acquisitions

Program. Mr. Mead is also an infrequent columnist for INC Magazine. Mr. Mead founded Delta Capital Group in 1993 after selling his founding share of Baron Capital Group, a nationwide consulting and hospitality real estate firm he founded in 1984. Baron owned and/or operated 25 hotels, inns and restaurants and employed over 1200 people.

D. Factors Bearing on the Success or Failure of the Plan

For Debtor's Plan to be successful, Debtor must be able to develop and sell the Property for an amount significantly in excess of \$1.2 million to pay all remaining claims. The total claims as contained in the Plan are \$2,271,850.88. However, United Bank's claim and Prince William County's tax claims will have been paid from sale of Property to Delta Capital.

Debtor thus must obtain net proceeds from development and sale of the Property of \$2,896,188.34 to pay 100% of claims. In order to pay 100% of non-insider claims, the Debtor would need to obtain net proceeds in the amount of \$1,261,188.34. Debtor is confident that this goal will be accomplished given the growing development surrounding the Property and the advantage afforded by the Plan of a three (3) to five (5) year timetable to sell the Property. Payment of claims in full becomes far less certain if the property is sold in a Chapter 7 or other liquidation proceeding based on the current tax assessed value of the Property.

E. Litigation

The I3 Group, LLC is a Defendant in a lawsuit before the Circuit Court of Fairfax County, Case No. 2016-09385 filed by Matthew A Clary, III, to have a receiver appointed to hold funds obtained from a foreclosure sale of the Property. There is no other pending litigation, although the Plan contemplates that the Plan Administrator may commence causes of action, as necessary to liquidate the remaining assets of the Debtor.

F. Executory Contracts

The Plan proposes to assume all unexpired leases and executory contracts that have not previously been rejected in this bankruptcy case.

G. Tax Consequences

The Federal, State, Local, and other tax consequences that may arise as a result of the Plan to the holders of claims and interests may vary based upon the individual circumstances of each holder. Therefore, each creditor and interest holder should consult their own tax advisor to determine the treatment afforded their respective claims and interests by the Plan under federal tax law, the tax law of the various states and local jurisdictions of the United States, and the laws of foreign jurisdictions. No statement in this Disclosure Statement should be construed as legal or tax advice. The Debtor and its counsel do not assume any responsibility or liability for the tax consequences that a creditor or interest holder may incur or experience as a result of the treatment of its claim or interest under the Plan.

H. 11 U.S.C. §1129(a)(15)

Under 11 U.S.C. §1129(a)(15) the court shall confirm a Plan only if all of the following requirements are met:

(15) In a case in which the debtor is an individual and in which the holder of an allowed unsecured claim objects to the confirmation of the Plan –

(A) the value, as of the effective date of the Plan, of the property to be distributed under the Plan on account of such claim is not less than the amount of such claim; or

(B) the value of the property to be distributed under the Plan is not less than the projected disposable income of the debtor (as defined in section 1325(b)(2) to be received

during the 5-year period beginning on the date that the first payment is due under the Plan, or during the period for which the Plan provides payments, whichever is longer.

For the purpose of this subsection, 11 U.S.C. §1129(b)(2), the condition that a Plan be fair and equitable with respect to a class includes the following requirements:

(B) With respect to a class of unsecured claims—

(i) the Plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the Plan, equal to the allowed amount of such claim; or

(ii) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the Plan on account of such junior claim or interest any property, except that in a case in which the debtor is an individual, the debtor may retain property included in the estate under section 1115, subject to the requirements of subsection (a)(14) of this section.

I. Absolute Priority Rule

In individual Chapter 11 cases, creditors get to vote to accept or reject the debtor's Plan. If the Plan is not accepted by all impaired classes, the Court can still confirm it provided at least one class of impaired claims has accepted the Plan and it (1) does not discriminate unfairly and (2) is fair and equitable with respect to each class of claims that is impaired under, and has not accepted, the Plan. As to unsecured creditors, the fair and equitable standard is met if the unsecured creditors receive payment in the full amount of their claims or, if they receive less than full payment, then no junior class retains any interest in property of the debtor. This standard is known as the absolute priority rule.

J. Section 1129(b) Election.

In order to confirm the Plan, and to the extent necessary, the Debtor invokes the entitlement of § 1129(b) of the Bankruptcy Code, such that, as long as the Plan does not discriminate unfairly, and is fair and equitable, with respect to any Class of Claims that is impaired under and has not accepted the Plan, the Plan may be confirmed by the Court.

K. Recommendation and Conclusion

The Plan provides full payment of the claims of United Bank and past due taxes to Prince William County within 150 days of the Effective Date of the Plan. The Debtor proposes to pay unsecured claims one-hundred percent (100%) of the claims upon repurchase and sale of the Property within the three to five year period provide in its agreement with Delta Capital. The only alternative to Debtor's proposed Plan is a liquidation of the Property which is at present undeveloped. A far greater price can be achieved if the Debtor is afforded an additional period of time to obtain approval of a site plan to develop the Property and to market the Property for sale.

The proposed Plan provides a larger return to The I3 Group's creditors than liquidation. The Debtor believes that the Plan is in the best interests of all creditors and the Estate and urges the holders of claims entitled to vote to accept the Plan and to evidence such acceptance by properly voting and timely returning their ballots. It is recommended that creditors accept the Plan of Reorganization because it will maximize the value of the Estate and provide the greatest return to all creditors.

THE I3 GROUP, LLC
By Counsel

JONATHAN B. VIVONA, PLC

/s/ Jonathan B. Vivona
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Counsel for The I3 Group, LLC

CERTIFICATE OF SERVICE

I hereby certify that on the 14th day of November, 2016 a true copy of the foregoing Disclosure Statement was served electronically pursuant to this Court's CM/ECF procedures on: Bradley David Jones, Esq. 115 South Union Street Room 210 Alexandria, VA 22314; Judy A. Robbins, Trustee, 115 South Union Street, Room 210, Alexandria, VA 22314; and John Bernard Connor, Esquire, 1033 N. Fairfax St. Suite 310, Alexandria, VA 22314; Bernard Joseph DiMuro, Esquire, 1101 King Street, Suite 610, Alexandria, Virginia 22314 and was sent first class mail, postage prepaid, to:

Internal Revenue Service
Centralized Insolvency Operations
PO Box 7346
Philadelphia, PA 19101-7346

Prince William County
Attn: Real Estate Tax Administration Div
PO Box 2467
Woodbridge, VA 22195-2467

United Bank
Attn: Thomas E. Williams
Executive Vice President
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