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7 Attorneys for Debtor

10 UNITED STATES BANKRUPTCY COURT

11 DISTRICT OF OREGON

12 In re

Case No. 14-30394-rld11

13 Bay Club Partners-472, LLC,

**DEBTOR'S DISCLOSURE
STATEMENT**

14 Debtor.

(April 11, 2014)

16 **1. INTRODUCTION**

17 On January 28, 2014 (the "Petition Date"), Bay Club Partners-472, LLC
18 ("Debtor") filed a voluntary petition under Chapter 11 of Title 11 of the United States Code
19 (the "Bankruptcy Code"). This Disclosure Statement ("Disclosure Statement") describes
20 various transactions contemplated under the Plan, including the manner in which Claims and
21 interests will be satisfied. A copy of the Plan is attached hereto as **Exhibit 1**. You are urged
22 to review the Plan and, if appropriate, consult with counsel about the Plan and its impact
23 upon your legal rights before voting on the Plan. Capitalized terms used but not defined in
24 this Disclosure Statement shall have the meanings assigned to such terms in the Plan or the
25 Bankruptcy Code.

1 This Disclosure Statement has been prepared by Debtor based on information
2 contained in its books and records. The information contained herein has been prepared in
3 good faith, based upon information available to it. The information concerning the Plan has
4 not been subject to a verified audit. Debtor believes this Disclosure Statement complies with
5 the requirements of the Bankruptcy Code.

6 The statements contained in this Disclosure Statement are made as of the date
7 hereof, unless another time is specified herein, and the delivery of this Disclosure Statement
8 shall not imply there has been no change in the facts set forth herein since the date of this
9 Disclosure Statement and the date of the material relied on in preparation of this Disclosure
10 Statement was compiled. The description of the Plan contained in this Disclosure Statement
11 is intended as a summary only and is qualified in its entirety by reference to the Plan itself. If
12 any inconsistency exists between the Plan and this Disclosure Statement, the terms of the
13 Plan are controlling. Each holder of a Claim is encouraged to read, consider, and carefully
14 analyze the terms and provisions of the Plan. This Disclosure Statement may not be relied on
15 for any purpose other than to determine how to vote on the Plan. Nothing contained herein
16 shall constitute an admission of any fact or liability by any party, or be admissible in any
17 proceeding involving Debtor or any other party, or be deemed conclusive advice on the tax or
18 other legal effects of the reorganization on the holders of Claims or interests.

19 This Disclosure Statement is submitted in accordance with Section 1125 of
20 the Bankruptcy Code and Bankruptcy Rule 3016. The Bankruptcy Court has scheduled a
21 hearing on confirmation of the Plan to commence on _____, 2014 at _____. That
22 hearing will be held at the United States Bankruptcy Court for the District of Oregon,
23 Courtroom 3, 1001 SW Fifth Avenue, Portland, Oregon 97204 before the Honorable
24 Randall L. Dunn. The hearing on confirmation may be adjourned from time to time by the
25 Bankruptcy Court without further notice, except for an announcement made at the hearing or
26 any adjournment thereof.

1 A ballot has been enclosed with this Disclosure Statement for use in voting on
2 the Plan. In order to be tabulated for purposes of determining whether the Plan has been
3 accepted or rejected, ballots must be received at the address indicated on the ballot no later
4 than 4:00 p.m. Pacific Time on _____, 2014.

5 **2. SUMMARY OF PLAN**

6 A copy of the Plan is attached hereto as **Exhibit 1** and discussed in detail later
7 in this Disclosure Statement. The following description of the Plan is intended as a summary
8 only and is qualified in its entirety by reference to the Plan. Debtor urges each holder of a
9 Claim to carefully review the entire Plan, together with this Disclosure Statement, before
10 voting on the Plan.

11 **2.1 GENERAL**

12 Generally, the Plan provides that (a) CDO will be repaid in full with interest
13 by the third anniversary of the Effective Date; (b) General Unsecured creditors will be paid
14 60% of their Allowed Claim within 90 days of the Effective Date unless any such creditor
15 elects to be repaid in full with interest within three years of the Effective Date; (c) all
16 membership interests in Debtor will be retained; and (d) Debtor will operate in the ordinary
17 course and pay all Creditors pursuant to the Plan.

18 **2.2 SECURED CREDITORS**

19 Reorganized Debtor will pay its Secured Creditor, Legg Mason Real Estate
20 CDO I, Ltd. as follows.

21 2.2.1 CDO's Allowed Secured Claim will be paid in full as follows: CDO
22 will be paid monthly payments of interest only for 12 months at an interest rate of 4.50%, or
23 at such other rate fixed by the Court at confirmation. Commencing on first anniversary of
24 the Effective Date and continuing until the third anniversary of the Effective Date, CDO will
25 be paid equal, monthly amortizing payments of principal and interest at a fixed rate of 4.50%,
26 or at such other rate fixed by the Court at confirmation, based upon a 30-year amortization

1 schedule with a balloon payment of the unpaid principal plus accrued interest due on the
2 third anniversary of the Effective Date. Reorganized Debtor will maintain and insure
3 Midtown on Main and promptly pay all real property taxes as they come due.

4 **2.3 UNSECURED CREDITORS**

5 2.3.1 Each holder of an Allowed Class 4 General Unsecured Claim shall
6 be paid 60% of its Claim in Cash within 90 days of the Effective Date in full satisfaction of
7 its Claim. Alternatively, a holder of an Allowed Class 4 General Unsecured Claim may elect
8 at the time of balloting to be paid in full in Cash with interest at a fixed rate of 3.0% within
9 three years of the Effective Date.

10 **2.4 EQUITY INTERESTS**

11 The Plan provides that existing equity interests in Debtor will be retained.

12 **2.5 LEASES AND EXECUTORY CONTRACTS**

13 All unexpired leases and executory contracts will be treated as set out in
14 Section 8.1 below.

15 **2.6 MISCELLANEOUS**

16 The Effective Date of the Plan shall be the first day of the first month
17 following the date that the Confirmation Order becomes a Final Order.

18 In the event any Class does not accept the Plan, Debtor reserves the right to
19 request that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the
20 Bankruptcy Code or otherwise modify the Plan.

21 **3. BRIEF EXPLANATION OF CHAPTER 11**

22 Chapter 11 of the Bankruptcy Code is the principal reorganization provision
23 of the Bankruptcy Code. Pursuant to Chapter 11, a debtor attempts to reorganize its business
24 for the benefit of the debtor, its creditors, and other parties in interest.

25 The formulation and confirmation of a plan of reorganization is the principal
26 purpose of a Chapter 11 case. A plan of reorganization sets forth a proposed method for

1 compensating the holders of claims and interests in the debtor. A claim or interest is
2 impaired under a plan of reorganization if the plan provides that the legal, equitable, or
3 contractual rights of the holder of such claim or interest are altered. A holder of an impaired
4 claim or interest is entitled to vote to accept or reject the plan. Chapter 11 does not require
5 all holders of claims and interests to vote in favor of a plan in order for the Bankruptcy Court
6 to confirm it. However, the Bankruptcy Court must find that the plan meets a number of
7 statutory tests before it may approve the plan. These tests are designed to protect the
8 interests of holders of claims or interests who do not vote to accept the plan, but who will
9 nonetheless be bound by the plan's provisions if it is confirmed by the Bankruptcy Court.

10 An official committee of unsecured creditors may be appointed by the trustee
11 in Chapter 11 cases to, among other things, negotiate the plan of reorganization on behalf of
12 the unsecured creditors of the debtor. A committee of unsecured creditors has not yet been
13 appointed by the United States Trustee in this case.

14 **4. VOTING PROCEDURES AND CONFIRMATION OF A PLAN**

15 **4.1 BALLOTS AND VOTING DEADLINE**

16 A ballot to be used for voting to accept or reject the Plan is enclosed with each
17 copy of this Disclosure Statement mailed to all Creditors entitled to vote. After carefully
18 reviewing this Disclosure Statement and its exhibits, including the Plan, please indicate your
19 acceptance or rejection of the Plan by voting in favor or against the Plan on the enclosed
20 ballot as directed below.

21 The Bankruptcy Court has directed that, to be counted for voting purposes,
22 ballots for the acceptance or rejection of the Plan must be received no later than 4:00 p.m.
23 Pacific Time, on _____, 2014 by Debtor at the following address:

24 Tonkon Torp LLP
25 Attention: Ava L. Schoen
26 1600 Pioneer Tower
888 S.W. Fifth Avenue
Portland, OR 97204-2099

1 Holders of each Claim scheduled by Debtor or with respect to which a Proof
2 of Claim has been filed will receive ballots and are permitted to vote based on the amount of
3 the Proof of Claim. If no Proof of Claim has been filed, then the vote will be based on the
4 amount scheduled by Debtor in its Schedules. Holders of disputed Claims who have settled
5 their dispute with Debtor are entitled to vote the settled amount of their Claim. The
6 Bankruptcy Code provides that such votes will be counted unless the Claim has been
7 disputed, disallowed, disqualified or suspended prior to computation of the vote on the Plan.
8 The Claim to which an objection has been filed is not allowed to vote unless and until the
9 Bankruptcy Court rules on the objection. The Bankruptcy Code provides that the Bankruptcy
10 Court may, if requested to do so by the holder of such claim, estimate or temporarily allow a
11 disputed claim for the purposes of voting on the Plan.

12 If a person holds claims in more than one class entitled to vote on the Plan,
13 such person will be entitled to complete and return a ballot for each Class. If you do not
14 receive a ballot or if a ballot is damaged or lost, please contact:

15 Tonkon Torp LLP
16 Attention: Ava L. Schoen
17 1600 Pioneer Tower
888 S.W. Fifth Avenue
Portland, OR 97204-2099

18 All persons entitled to vote on the Plan may cast their vote for or against the
19 Plan by completing, dating and signing the ballot accompanying this Disclosure Statement
20 and returning it, by First Class Mail or hand delivery, to Debtor at the address indicated
21 above. In order to be counted, all ballots must be executed and received at the above address
22 no later than 4:00 p.m. Pacific Time on _____, 2014. Any ballots received after 4:00 p.m.
23 Pacific Time on _____, 2014 will not be included in any calculation to determine whether
24 the parties entitled to vote on the Plan have voted to accept or reject the Plan.

25 When a ballot is signed and returned without further instruction regarding
26 acceptance or rejection of the Plan, the signed ballot shall be counted as a vote accepting the

1 Plan. When a ballot is returned indicating acceptance or rejection of the Plan but is unsigned,
2 the unsigned ballot will not be included in any calculation to determine whether parties
3 entitled to vote on the Plan have voted to accept or reject the Plan. When a ballot is returned
4 without indicating the amount of the Claim, the amount shall be as set forth on Debtor's
5 Schedules or any Proof of Claim filed with respect to such Claim.

6 **4.2 PARTIES ENTITLED TO VOTE**

7 Pursuant to Section 1126 of the Bankruptcy Code, each class of impaired
8 claims or interests that is not deemed to reject the Plan is entitled to vote to accept or reject
9 the Plan. Any holder of an Allowed Claim that is in an impaired class under the Plan, and
10 whose Class is not deemed to reject the Plan, is entitled to vote. A Class is "impaired" unless
11 the legal, equitable and contractual rights of the holders of claims in that Class are left
12 unaltered by the Plan or if the Plan reinstates the Claims held by members of such Class by
13 (1) curing any defaults, (2) reinstating the maturity of such claim, (3) compensating the
14 holder of such claim for damages that result from the reasonable reliance on any contractual
15 provision of law that allows acceleration of such claim and (4) otherwise leaving unaltered
16 any legal, equitable or contractual right of which the Claim entitles the holder of such claim.
17 Because of their favorable treatment, classes that are not impaired are conclusively presumed
18 to accept the Plan. Accordingly, it is not necessary to solicit votes from the holders of claims
19 in classes that are not impaired.

20 Classes of Claims or interests that will not receive or retain any money or
21 property under a Plan on account of such Claims or interests are deemed, as a matter of law
22 under Section 1126(g) of the Bankruptcy Code, to have rejected the Plan and are likewise not
23 entitled to vote on the Plan.

24 Class 1 (Other Priority Claims) and Class 2 (Equity Security Holders) are not
25 impaired and therefore are deemed to have accepted the Plan. Classes 3 (CDO) and Class 4
26

1 (General Unsecured Claims) are impaired under the Plan and those holding Class 3 and
2 Class 4 Claims are entitled to vote to accept or reject the Plan.

3 **4.3 VOTES REQUIRED FOR CLASS ACCEPTANCE OF THE PLAN**

4 As a condition to confirmation, the Bankruptcy Code requires that each
5 impaired Class of Claims or interests accept the Plan, subject to the exceptions described
6 below in the section entitled "Cram Down of the Plan." At least one impaired Class of
7 Claims must accept the Plan in order for the Plan to be confirmed.

8 For a Class of Claims to accept a plan, Section 1126 of the Bankruptcy Code
9 requires acceptance by Creditors that hold at least two-thirds in dollar amount and a majority
10 in number of the Allowed Claims of such Class, in both cases counting only those claims
11 actually voting to accept or reject the plan. The holders of Claims who fail to vote are not
12 counted as either accepting or rejecting the Plan. If the Plan is confirmed, the Plan will be
13 binding with respect to all holders of Claims and interests in each Class, including Classes
14 and members of Classes that did not vote or that voted to reject the Plan.

15 **4.4 "CRAM DOWN" OF THE PLAN**

16 If the Plan is not accepted by all the impaired Classes of Claims, the Plan may
17 still be confirmed by the Bankruptcy Court pursuant to Section 1129(b) of the Bankruptcy
18 Code's "Cram Down" provision if the Plan has been accepted by at least one Impaired Class
19 of Claims, without counting the acceptances of any insiders of Debtor, and the Bankruptcy
20 Court determines, among other things, that the Plan "does not discriminate unfairly" and is
21 "fair and equitable" with respect to each non-accepting Impaired Class of Claims or interest.

22 **4.5 CONFIRMATION HEARING**

23 The Bankruptcy Court has scheduled a hearing on confirmation of the Plan to
24 take place on _____, 2014 at _____ Pacific Time. The Confirmation Hearing will be held at
25 the United States Bankruptcy Court for the District of Oregon, Courtroom 3, 1001 SW Fifth
26 Avenue, 8th Floor, Portland, Oregon, before the Honorable Randall L. Dunn, United States

1 Bankruptcy Judge. At the hearing, the Bankruptcy Court will consider whether the Plan
2 satisfies the various requirements of the Bankruptcy Code, including whether it is feasible
3 and whether it is in the best interest of the creditors of Debtor. At that time, Debtor will
4 submit a report to the Bankruptcy Court concerning the votes for acceptance or rejection of
5 the Plan by the persons entitled to vote thereon.

6 Section 1128(b) of the Bankruptcy Code provides that any party in interest
7 may object to confirmation of the Plan. Any objections to confirmation of the Plan must be
8 made in writing and filed with the Bankruptcy Court and received by counsel for Debtor no
9 later than _____, by _____ Pacific Time. Unless an objection to confirmation is
10 timely filed and received, it may not be considered by the Bankruptcy Court.

11 **5. BACKGROUND AND GENERAL INFORMATION**

12 **5.1 DEBTOR**

13 Debtor is an Oregon limited liability company formed in 2005 with its
14 principal place of business in Beaverton, Oregon. Debtor was formed to acquire, renovate
15 and operate multifamily residential property located at 2121 W. Main St., Mesa, Arizona
16 85201 known as Midtown on Main Street ("Midtown on Main" or the "Property"). Midtown
17 on Main has approximately 472 rental units and offers residents amenities including a fitness
18 center, spa, clubhouse, three swimming pools, a covered play area, assigned parking, and 24-
19 hour emergency maintenance services. Each unit has a dishwasher, refrigerator, air
20 conditioner, and full-sized washer/dryer. As of the Petition date, Midtown on Main has
21 leased approximately 91% of the Property's apartments to residential tenants.

22 **5.2 DEBTOR'S BUSINESS STRATEGY**

23 Debtor's strategy was and is to lease residential units in a well-managed
24 apartment complex at competitive rental rates. Midtown on Main offers desirable space to
25 tenants and potential tenants. It is located directly on the METRO Light Rail line and near
26 Interstate 10 and Highway 101, and is within easy access to Tempe, Arizona State

1 University, and the greater Phoenix metropolitan area. As described above, the Property
2 provides extensive amenities to tenants.

3 **5.3 MANAGEMENT**

4 Debtor is a limited liability company made up of four members: Red River
5 Holdings, LLC; Residential Equity Partners, LLC; Trail Ranch Partners, LLC; and DRMMC
6 Midtown, LLC. Bay Club Management, LLC is the manager of Debtor. Reorganized Debtor
7 will continue to be managed by Bay Club Management, LLC.

8 Bay Club Management, LLC, managed by Residential Equity Partners, LLC
9 or its successor manager will be entitled to reimbursement of expenses (including travel) not
10 to exceed \$4,000 per month. All members of Debtor will be entitled to distributions
11 necessary to pay any federal, state, or local income taxes arising from taxable income of the
12 Reorganized Debtor. No other distributions will be made to members until all creditors have
13 been paid in full pursuant to the Plan.

14 Debtor is party to an agreement with MEB Management ("MEB"), which
15 provides third-party property management services for Midtown on Main. MEB was formed
16 in 1998 and is currently the largest fee management company in Arizona. It manages over
17 90 apartment communities throughout Arizona and the Southwest. Its services include asset
18 and facility management for large apartment communities. Debtor has no ownership interest
19 in MEB and MEB has no ownership interest in Debtor. MEB acts as Debtor's exclusive
20 agent for purposes of managing and operating the Property. MEB's responsibilities include
21 providing 24-hour emergency maintenance services, ensuring that repairs are made; entering
22 into service contracts; collecting and segregating rent; and paying expenses, taxes and
23 insurance. MEB renders comprehensive monthly statements to Debtor; these statements
24 reflect income, expenses, details of rent payments received, and details of payments made,
25 among other things. For its services, MEB is paid a fee of 2.75% of Midtown on Main's
26 gross revenues each month and an administration fee of 2% of MEB's gross payroll to cover

1 the cost of employers liability insurance and other related administrative costs. As of the
2 Effective Date, MEB will continue to carry out its work as property manager of Midtown on
3 Main.

4 Bay Club Management, LLC and MEB have in-depth experience in the
5 residential real estate industry and with the rental market in Mesa, Arizona.

6 **5.4 FINANCIAL PERFORMANCE**

7 Attached as **Exhibit 2** is a spreadsheet that presents in summary fashion the
8 projected operating results for Debtor for three years from the anticipated Effective Date on a
9 monthly basis. **Exhibit 2** reflects that Debtor has had financial success leasing units in
10 Midtown on Main and that Debtor projects that it will have adequate funds with which to
11 repay its creditors.

12 Debtor's projections are based on the following assumptions:

- 13 • The projections are based on the historical operating performance of
14 Midtown on Main.
- 15 • The rental income projections are based upon market reports and operating
16 history indicating projected annual rent increases in Year 1 of 3.38%; in
17 Year 2 of 4.10%; and in Year 3 of 3.50%.
- 18 • Vacancy is projected to be approximately 6.9% per year.
- 19 • An annual increase in property taxes in Year 2 and Year 3 of 5%.
- 20 • An annual increase in insurance in Year 1 of 10%; in Year 2 of 5%; and in
21 Year 3 of 5%.
- 22 • An overall 3% annual increase in other expenses.
- 23 • The CDO secured claim is assumed to be \$27,000,000.
- 24 • The CDO's secured claim will accrue interest at 4.50% per annum.
- 25
- 26

1 Debtor believes the projections are reasonable and achievable, but there are
2 many variables that can and will affect the actual financial results that are achieved by
3 Reorganized Debtor.

4 **6. THE BANKRUPTCY CASE**

5 **6.1 THE FILING**

6 On or about November 15, 2005, Legg Mason CDO Real Estate Capital II,
7 Inc. made a loan in the original amount of \$23,600,000 to Debtor, as reflected by the
8 promissory note of that same date (the "Note"). The Note is secured by a Deed of Trust,
9 Security Agreement and Financing Statement (the "Deed of Trust") and Assignment of
10 Leases and Rents. The Note and related loan documents were subsequently assigned to the
11 CDO. The Deed of Trust encumbers real property and improvements referred to herein as
12 Midtown on Main. The Note, Deed of Trust and all related documents are referred to
13 collectively herein as the "Loan Documents."

14 The terms of the Loan Documents were modified four times. As a result of
15 these modifications, the principal balance on the Note was increased to \$24,000,000, the
16 maturity date of the Note was extended to March 1, 2014, and Debtor accrued an exit fee of
17 almost \$3,000,000.

18 On or about January 17, 2014, Debtor received a notice of default on the Note
19 from CDO. On that same day, CDO offset Debtor's reserve accounts (including taxes,
20 insurance, and capital expenses) in the total amount of \$345,006.68.

21 In order to keep Debtor operating, and protect Debtor's creditors, Debtor
22 resolved to seek the protection of Chapter 11 Bankruptcy.

23 **6.2 MOTION TO DISMISS**

24 The CDO filed a motion to dismiss the bankruptcy case on March 6, 2014,
25 based on whether Debtor had authority to file for bankruptcy. Debtor opposes the motion to
26

1 dismiss and believes it had the legal authority to file for bankruptcy protection. A hearing on
2 the motion to dismiss is set for April 23, 2014.

3 **7. ASSETS AND LIABILITIES**

4 **7.1 ASSETS**

5 Debtor's principal asset is the multifamily residential property, Midtown on
6 Main located at 2121 W. Main Street, Mesa, Arizona 85201.

7 Debtor generates revenue from the leasing residential units to tenants.
8 Currently, Debtor has 472 residential units available to lease; approximately 94% of the units
9 are currently leased. Debtor generates approximately \$311,000 per month in operating
10 revenue.

11 **7.2 LIABILITIES**

12 7.2.1 Legg Mason Real Estate CDO I, Ltd. Debtor scheduled CDO's
13 secured claim for \$26,913,000. The obligations of Debtor to the CDO are secured by a
14 perfected security interest in Midtown on Main and rents. The CDO is a secured creditor of
15 Debtor up to the value of the collateral.

16 7.2.2 Unsecured Creditors. Debtor owes approximately \$285,000 to
17 unsecured creditors, excluding security deposits that may become owing pursuant to Tenant
18 Leases.

19 **8. ADMINISTRATIVE EXPENSES**

20 Debtor has retained Tonkon Torp LLP as its counsel in this case. Debtor has
21 retained Maginnis & Carey LLP to provide accounting and tax services. Debtor anticipates it
22 will incur approximately \$131,000 in professional fees and expenses through confirmation of
23 the Plan. In addition, Debtor's manager continues to incur out-of-pocket expenses totaling
24 approximately \$10,000.

1 **8.1 EXECUTORY CONTRACTS**

2 Debtor is a party to (a) a contract with MEB Management for property
3 management services and (b) leases with the tenants in Midtown on Main.

4 Debtor will assume its contract with MEB Management and cure any default
5 of that contract on the Effective Date.

6 On the Effective Date, Debtor will assume all Tenant Leases.

7 **9. DESCRIPTION OF PLAN OF REORGANIZATION**

8 **9.1 BRIEF EXPLANATION OF CHAPTER 11**

9 Chapter 11 is the principal business reorganization chapter of the Bankruptcy
10 Code. Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of
11 itself, its creditors and equity holders. In addition to permitting rehabilitation of the debtor,
12 another goal of Chapter 11 is to promote equality of treatment of creditors and equity holders
13 of equal rank with respect to the distribution of a debtor's assets. In furtherance of these two
14 goals, upon the filing of the reorganization under Chapter 11, Section 362 of the Bankruptcy
15 Code generally provides for an automatic stay of substantially all acts and proceedings
16 against the debtor and its property, including all attempts to collect debts or enforce liens that
17 arose prior to commencement of the debtor's case under Chapter 11.

18 The confirmation of a plan of reorganization is the principal objective of a
19 Chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying
20 claims against, and interests in, a debtor. Confirmation of a plan of reorganization by a
21 bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the
22 plan, any person acquiring property under the plan, and any creditor and any equity holder of
23 the debtor. Subject to certain limited exceptions provided by the Bankruptcy Code and
24 except as specifically provided in the plan of reorganization, the confirmation order
25 discharges the debtor from any debt that arose prior to the date of such confirmation and
26 order and substitutes therefor the obligations specified in the plan.

1 **9.2 SOLICITATION AND CLASSIFICATION AND TREATMENT OF**
2 **CLAIMS AND INTERESTS**

3 9.2.1 General. Pursuant to Section 1123(a)(1) of the Bankruptcy Code, a
4 plan of reorganization must designate classes of claims and classes of interest. The plan
5 classifies all Claims and interests into four classes. The classification of Claims and interests
6 is made for the purpose of voting on the plan and making distributions thereunder, and for
7 ease of administration of the Plan. A Claim or interest is classified in a particular Class only
8 to the extent that the Claim or Interest qualifies within the description of that Class and is
9 classified in a different Class to the extent that the Claim or interest qualifies within the
10 description of such different Class. A Claim or interest is entitled to vote in a particular
11 Class and to receive distribution in such Class only to the extent that such Claim or interest is
12 an Allowed Claim or Allowed interest in that Class and has not been paid prior to the
13 Effective Date. Under the Plan, a Claim or interest is an Allowed Claim against or an
14 Allowed interest in Debtor to the extent that (a) proof of the Claim or interest was (a) timely
15 filed or (b) deemed filed under applicable law by reason of an order of the Bankruptcy Court;
16 or (c) scheduled by Debtor on its Schedules of Liabilities as neither contingent, unliquidated
17 or disputed; and (b) (a) no party in interest has filed an objection within the time fixed by the
18 Bankruptcy Court; or (b) the Claim or interest is allowed by Final Order; and (c) with respect
19 to an application for compensation or reimbursement of an Administrative Expense Claim,
20 the amount of Administrative Expense Claim of which has been approved by the Bankruptcy
21 Court.

22 9.2.2 Unclassified Claims. Administrative Expense Claims and Priority
23 Tax Claims are not classified. An Administrative Expense Claim is a claim against Debtor
24 constituting an expense of administration of the Bankruptcy Case allowed under
25 Section 503(b) of the Bankruptcy Code, including, without limitation, the actual and
26 necessary costs and expenses of preserving the estate and operating the business of Debtor

1 during the case, any indebtedness or obligations incurred by Debtor during the pendency of
2 the case in connection with the conduct of, the acquisition or lease of property by, or the
3 rendition of services to, Debtor and compensation for legal and other professional services
4 and reimbursement of expenses and statutory fees payable to the United States Trustee.

5 A "Priority Tax Claim" is a claim of a governmental unit of the kind entitled
6 to priority under Section 507(a)(8) of the Bankruptcy Code. Debtor does not believe it owes
7 any significant amount of Priority Tax Claims.

8 Pursuant to the Plan, Administrative Expense Claims will be paid in full on
9 the later of the Effective Date or the date on which any such Administrative Expense Claim
10 becomes an Allowed Claim; provided, however, that the Administrative Expense Claim
11 representing liabilities incurred in the ordinary course of business (including amounts owed
12 to vendors and suppliers that have sold products or furnished services to Debtor after the
13 Petition Date) will be paid in accordance with the terms and conditions of the particular
14 transactions and any other agreements relating thereto.

15 Priority Tax Claims will be paid as allowed by Section 1129(a)(9) on the
16 Effective Date or the date the claim is Allowed, whichever first occurs.

17 9.2.3 Classified Claims. The following summary of distributions under
18 the Plan to Classified Claims does not purport to be complete and is subject to, and is
19 qualified in its entirety by reference to, the Plan attached hereto as **Exhibit 1**.

20 9.2.3.1. Class 1 - Allowed Other Priority Claims. An "Other
21 Priority Claim" is a claim against Debtor entitled to priority under Section 507(a) of the
22 Bankruptcy Code (other than an Administrative Expense Claim or Priority Tax Claim).
23 Debtor is unaware of any unpaid Other Priority Claim. However, pursuant to the Plan, unless
24 otherwise agreed by any holder of an Allowed Other Priority Claim, any such holder shall be
25 paid in full on the latest to occur of (1) the Effective Date, (2) the date such claim becomes
26 an Allowed Claim and (3) the date that the such claim becomes due and owing.

1 9.2.3.2. Class 2 – Equity Security Holders. The Plan provides
2 that holders of Debtor's Equity Securities will retain their Equity Securities.

3 Class 2 is unimpaired and is not entitled to vote on the Plan.

4 9.2.3.3. Class 3 - Legg Mason Real Estate CDO I, Ltd. 's Secured
5 Claim. Class 3 consists of the Allowed Secured Claim of the CDO. The CDO's Allowed
6 Secured Claim is secured by a perfected security interest in substantially all of Debtor's
7 assets, including rents. The CDO will retain its interests in its Collateral with the same
8 priority that it had as of the Petition Date. The CDO's claim will be an Allowed Secured
9 Claim up to the value of the property securing the claim as agreed by the parties or set by the
10 Court. CDO's Allowed Secured Claim will be paid in full as follows: CDO will be paid
11 monthly payments of interest only for 12 months at an interest rate of 4.50%, or at such other
12 rate fixed by the Court at confirmation. Commencing on first anniversary of the Effective
13 Date and continuing until the third anniversary of the Effective Date, CDO will be paid
14 equal, monthly amortizing payments of principal and interest at a fixed rate of 4.50%, or at
15 such other rate fixed by the Court at confirmation, based upon a 30-year amortization
16 schedule with a balloon payment of the unpaid principal plus accrued interest due on the
17 third anniversary of the Effective Date. Reorganized Debtor will maintain and insure
18 Midtown on Main and promptly pay all real property taxes as they come due.

19 Class 3 is impaired and the CDO is entitled to vote on the Plan.

20 9.2.3.4. Class 4 – General Unsecured Claims. Each holder of an
21 Allowed Class 4 General Unsecured Claim shall be paid 60% of its Claim in Cash within 90
22 days of the Effective Date in full satisfaction of its Claim. Alternatively, a holder of an
23 Allowed Class 4 General Unsecured Claim may elect at the time of balloting to be paid in
24 full in Cash with interest at a fixed rate of 3.0% within three years of the Effective Date.
25 Debtor believes that General Unsecured Claims total approximately \$285,000 (or
26

1 approximately \$171,000 at 60%) excluding any security deposits that may become owing
2 pursuant to Tenant Leases.

3 Class 4 is impaired and General Unsecured Creditors are entitled to vote on
4 the Plan.

5 **10. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

6 The Bankruptcy Code gives debtors the right, after commencement of their
7 Chapter 11 Cases, subject to the approval of the Bankruptcy Court, to assume or reject
8 executory contracts and unexpired leases. Generally, an "executory contract" is a contract
9 under which material performance (other than the payment of money) is still due by each
10 party. The Plan provides for the assumption by the Debtor of all executory contracts and
11 unexpired leases that are not expressly rejected or subject to a motion for rejection filed on or
12 before the Confirmation Date.

13 If an executory contract or unexpired lease is or has been rejected, the other
14 party to the agreement may file a Proof of Claim for damages resulting from such rejection.
15 The Plan provides that a Proof of Claim with respect to any such Claim must be filed within
16 30 days of approval of the Bankruptcy Court of the rejection of the relevant executory
17 contract or unexpired lease. Any such Claim shall constitute a Class 4 Claim to the extent
18 that such Claim is finally treated as an Allowed Claim. To the extent Debtor rejects an
19 unexpired lease of nonresidential real property, the Claim for damages resulting from such
20 rejection will be limited to the amount allowed under the Bankruptcy Code.

21 Upon assumption of an executory contract or unexpired lease, Debtor must
22 cure or provide adequate assurance of prompt cure of any monetary defaults. The Plan
23 provides that Reorganized Debtor will promptly cure all monetary defaults.

24 **11. EFFECT OF CONFIRMATION**

25 11.1.1 Discharge. The treatment of, and consideration received by, holders
26 of Allowed Claims and Allowed interests pursuant to the Plan of Reorganization will be in

1 full satisfaction, release and discharge of their respective Claims against or interests in the
2 Debtor. The Confirmation will discharge Debtor from any liability that arose before the
3 Effective Date as provided in Sections 524 and 1141 of the Bankruptcy Code and any debt
4 and liability of a kind specified in Sections 502(g), 502(h) or 502(i) of the Bankruptcy Code,
5 whether or not: (a) a Proof of Claim based on such debt or liability is filed or deemed filed
6 under Section 501 of the Bankruptcy Code; (b) a Claim based on such debt or liability is
7 Allowed; or (c) the holder of the Claim based on such debt or liability has accepted the Plan.

8 11.1.2 Revesting, Operation of Business. All property of the estate shall
9 revest in the Reorganized Debtor on the Effective Date free and clear of all rights, claims,
10 liens, charges, encumbrances and interests, except as otherwise provided in the Plan.

11 11.1.3 Injunction. Except as otherwise expressly provided in the Plan, all
12 persons who have held, hold, or may hold Claims or who may have held, hold or may hold
13 any interest are permanently enjoined from and after the Effective Date from
14 (a) commencing or continuing in any manner any action or other proceedings of any kind
15 with respect to any Claims or interests against Reorganized Debtor; (b) enforcing, attaching,
16 collecting or recovering by any manner or any means any judgment, award, decree or order
17 against Reorganized Debtor; (c) creating, perfecting or enforcing any encumbrances of any
18 kind against Reorganized Debtor with respect to any such Claim except as specifically set
19 forth in the Plan; (d) asserting any setoff, right of subrogation, or recoupment of any kind
20 against any obligation due to Debtor, Reorganized Debtor or their property; and
21 (e) proceeding in any manner in any place whatsoever that does not conform to, does not
22 comply with, or is inconsistent with the provisions of the Plan or the order confirming the
23 Plan.

24 11.1.4 Event of Default. Upon the occurrence of an Event of Default, the
25 holder of an Allowed Claim to whom performance is due shall have all rights and remedies
26

1 granted by law (namely, state law breach of contract rights), this Plan, or any agreement
2 between the holder of such Claim and Debtor or Reorganized Debtor.

3 11.1.5 Utility Deposits. The Plan provides that all utilities holding a Utility
4 Deposit shall immediately after the Effective Date return or refund such Utility Deposit to
5 Reorganized Debtor. At the sole option of Reorganized Debtor, Reorganized Debtor may
6 apply any Utility Deposit that has not been refunded to Reorganized Debtor in satisfaction of
7 any payments due or to become due from Reorganized Debtor to a utility holding such a
8 Utility Deposit.

9 11.1.6 Modification of the Plan; Revocation or Withdrawal of the Plan.

10 Subject to Section 1127 of the Bankruptcy Code, Debtor reserves the right to
11 alter, amend or modify the Plan before its substantial consummation so long as the treatment
12 of holders of Claims and interests under the Plan is not adversely affected.

13 11.1.7 Retention of Jurisdiction. Notwithstanding the entry of the

14 Confirmation Order or the Effective Date having occurred, the Bankruptcy Court shall retain
15 exclusive jurisdiction over all matters arising out of or relating to the Chapter 11 Case,
16 including but not limited to the following matters to: (a) hear and determine any pending
17 applications for the rejection of executory contracts or unexpired leases, and the allowance of
18 Claims resulting therefrom; (b) determine any adversary proceedings, applications, contested
19 matters or other litigation matters pending on the Effective Date; (c) insure that distributions
20 to holders of Allowed Claims are accomplished; (d) hear and determine objections to or
21 requests for estimations of Claims, including any objections to the classification of any Claim
22 and to allow, disallow and/or estimate any Claim in whole or in part; (e) enter and implement
23 such orders as may be appropriate in the event the Confirmation Order is for any reason
24 stayed, revoked, modified or vacated; (f) issue any appropriate orders in aid of execution of
25 the Plan or to enforce the Confirmation Order and/or the discharge, or the effect of such
26 discharge, provided to Debtor; (g) hear and determine any applications to modify the Plan, to

1 cure any defective or omission or to reconcile any inconsistency in the Plan or in any order of
2 the Bankruptcy Court, including, without limitation, the Confirmation Order; (h) hear and
3 determine all applications for compensation and reimbursement of expenses of professionals
4 under the Bankruptcy Code; (a) hear and determine disputes arising in connection with the
5 interpretation, implementation or enforcement of the Plan; (j) hear and determine other issues
6 presented or arising under the Plan; (k) hear and determine any other matters related hereto
7 and not inconsistent with Chapter 11 of the Bankruptcy Code; and (l) enter a final decree
8 closing the Chapter 11 Case.

9 11.1.8 U.S. Trustee Fees. Reorganized Debtor shall be responsible for
10 timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a)(6) until the case is closed,
11 converted or dismissed. After confirmation, Reorganized Debtor shall serve on the United
12 States Trustee a financial report for each quarter, or portion thereof, that the case remains
13 open. The quarterly financial report shall include a statement of all disbursements made
14 during the course of the quarter, whether or not pursuant to the Plan.

15 **12. LIQUIDATION ANALYSIS**

16 A Plan of Reorganization cannot be confirmed unless the Bankruptcy Court
17 finds the Plan is in the best interests of each holder of a Claim in an impaired Class that has
18 not voted to accept the Plan. The best interest test is satisfied if the plan provides each
19 dissenting or non-voting member of each impaired Class with a recovery not less than the
20 recovery such member would receive if the debtor was liquidated in a hypothetical case
21 under Chapter 7 of the Bankruptcy Code by a Chapter 7 Trustee. Debtor believes the holders
22 of impaired Claims will receive more than they would receive under a Chapter 7 liquidation.
23 In applying the "best interest" test, the Bankruptcy Court would ascertain the hypothetical
24 recovery in a Chapter 7 proceeding to secured creditors, priority claimants, general unsecured
25 creditors and equity interest holders. The hypothetical Chapter 7 recoveries would then be
26

1 compared with the distribution offered to each Class of Claims or interests under the Plan to
 2 determine that the Plan satisfied the "best interest" test set forth in the Bankruptcy Code.

3 In a liquidation, it is likely that the CDO's secured claim (Class 3) would be
 4 paid a little less than in full and General Unsecured Claims (Class 4) would receive nothing.

5 The following chart demonstrates this:

6	Total Assets (Liquidation Value of Building)	\$27,000,000
7	Less Selling Expenses (5%)	\$1,350,000
8	Net Available to Creditors	\$25,650,000
9	Less CDO's Secured Claims	\$26,913,000
10	Net Available After Payment of Secured Claim	(\$1,263,000)
11	Less Other Claimants:	
12	Administrative Expenses	\$141,000
12	Unsecured Claims	\$285,314
13	Projected Distributions Other Than To Secured Creditors:	0%

14 **13. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

15 Internal Revenue Service Circular 230 Notice

16 TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY

17 THE INTERNAL REVENUE SERVICE, EACH CREDITOR AND EACH MEMBER IS
 18 HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN
 19 THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED
 20 UPON, AND CANNOT BE RELIED UPON BY ANY CREDITOR OR MEMBER, FOR
 21 PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH
 22 CREDITOR OR MEMBER UNDER THE INTERNAL REVENUE CODE OF 1986, AS
 23 AMENDED; (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION
 24 OF THE PLAN; AND (C) EACH CREDITOR AND EACH MEMBER SHOULD SEEK
 25 ADVICE BASED ON SUCH CREDITOR'S OR MEMBER'S PARTICULAR
 26 CIRCUMSTANCE FROM AN INDEPENDENT TAX ADVISOR.

13.1 INTRODUCTION

Implementation of the Plan may have federal, state, local and foreign tax consequences to the Debtor, Creditors and Members. No tax opinion or ruling has been sought or will be obtained with respect to any tax consequences of the Plan, and the following discussion does not constitute and is not intended to constitute either a tax opinion or tax advice to any person.

The following discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), the Treasury regulations promulgated thereunder, and published rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly retroactively, and such changes could modify or adversely affect the federal income tax consequences summarized below. There can be no assurance that the Internal Revenue Service will agree with the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex. Each Creditor and each Member is strongly urged to consult its own tax advisors as to the particular federal, state, local and foreign income and other tax consequences of the transactions contemplated by the Plan.

13.2 CANCELLATION OF DEBT INCOME: GENERAL RULE

Subject to certain exceptions, a debtor realizes income (referred to herein as "cancellation of debt" or "COD" income) upon the discharge or cancellation of its outstanding indebtedness in an amount equal to the excess (if any) of (a) the amount of the indebtedness discharged over (b) the amount of cash plus the issue price of any new indebtedness issued plus the fair market value of any other consideration given in satisfaction of the indebtedness.

One of the exceptions to this general rule provides that a debtor is not required to include COD income in gross income if the debtor is under the jurisdiction of the court in

1 a Title 11 case and the discharge is granted by the court or the discharge is pursuant to a plan
2 approved by the court (the "Bankruptcy Exception"). Instead, the amount excluded from
3 gross income is applied to reduce certain tax attributes of the debtor in a specified order. Tax
4 attributes generally are reduced by one dollar for each dollar excluded from gross income,
5 except that tax credits are reduced by one-third of the amount excluded from gross income.
6 Notwithstanding the general order of attribute reduction, the IRC provides a debtor with an
7 election to reduce its tax basis in depreciable assets prior to reducing net operating losses.
8 The reduction in tax attributes generally takes place after the federal income tax is
9 determined for the tax year in which the debt discharge occurs. As Debtor is a partnership
10 for federal income tax purposes, the COD rules will apply at the Member level only.

11 **13.3 GENERAL DISCUSSION AND CANCELLATION OF DEBT**
12 **INCOME: DEBTOR AND MEMBERS**

13 The Debtor is classified as a partnership for federal income tax purposes.
14 Section 1399 of the IRC provides that no separate taxable entity is created as a result of a
15 partnership in bankruptcy. Therefore, the commencement of a bankruptcy proceeding by or
16 against the Debtor will not result in the creation of a new taxable entity, nor will the
17 commencement of the proceedings result in the recognition of any income, gain or loss to the
18 Debtor, or result in the acceleration of any income or recapture of any tax benefits to the
19 Debtor or its Members.

20 Under the IRC, any cancellation of debt income recognized by the Debtor
21 flows through to the ultimate beneficial owners of membership interests in the Debtor.
22 Because the IRC exclusions from cancellation of debt income for discharge of debt in a Title
23 11 bankruptcy case or with respect to an insolvent taxpayer are applied at the ultimate
24 beneficial owner level, they are not available with respect to a Member's allocable share of
25 cancellation of debt income of the Debtor, unless that ultimate beneficial owner is itself the
26 subject of a Title 11 bankruptcy case or is insolvent.

13.4 INFORMATION REPORTING AND BACKUP WITHHOLDING

Certain payments, including the payments with respect to Claims pursuant to the Plan, are generally subject to information reporting by the payor to the IRS. Moreover, under certain circumstances, a holder of a Claim may be subject to "backup withholding" with respect to payments made pursuant to the Plan, unless such holder either (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact, or (b) provides a correct United States taxpayer identification number and certifies under penalty of perjury that the holder is a United States person, the taxpayer identification number is correct, and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against the holder's United States federal income tax liability, and the holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

13.5 GENERAL DISCLAIMER

The federal income tax consequences of the Plan are complex. The foregoing discussion is not intended to be a substitute for careful tax planning, particularly since certain of the federal income tax consequences of the Plan will not be the same for all Creditors or Members due to their individual circumstances. Each Creditor and each Member is strongly urged to consult with its own tax advisors in determining the federal, state, local, and foreign income and other tax consequences of the transactions contemplated by the Plan.

14. ACCEPTANCE AND CONFIRMATION OF THE PLAN**14.1 CONFIRMATION HEARING**

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan on _____ at _____ Pacific Time. The hearing will be held at the United States Bankruptcy Court for the District of Oregon, Courtroom 3, 1001 SW Fifth Avenue, Portland,

1 Oregon 97204, before the Honorable Randall L. Dunn, United States Bankruptcy Judge. At
2 that hearing, the Bankruptcy Court will consider whether the Plan satisfies the various
3 requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the
4 best interest of Creditors and interest holders of Debtor. Debtor will submit a report to the
5 Bankruptcy Court at that time concerning the votes for acceptance or rejection of the Plan by
6 the parties entitled to vote thereon. Any objection to confirmation of the Plan must be timely
7 filed as stated above.

8 **14.2 REQUIREMENTS OF CONFIRMATION**

9 At the hearing on confirmation, the Bankruptcy Court will determine whether
10 the provisions of Section 1129 of the Bankruptcy Code have been satisfied. If all of the
11 provisions of Section 1129 are met, the Bankruptcy Court may enter an order confirming the
12 Plan. Debtor believes the Plan satisfies all of the requirements of Chapter 11 of the
13 Bankruptcy Code, that it has complied or will have complied with all of the requirements of
14 Chapter 11, and that the Plan has been proposed and is made in good faith.

15 **14.2.1 The Best Interests of Creditors - Liquidation Alternative.**

16 Notwithstanding acceptance of the Plan by each impaired Class, to confirm the Plan the
17 Bankruptcy Court must determine that the Plan meets the requirements of Section 1129(a)(7)
18 of the Bankruptcy Code; that is, that the Plan is in the best interests of each holder of a Claim
19 or interest in an impaired Class that has not voted to accept the Plan. Accordingly, if an
20 impaired Class does not unanimously accept the Plan, the "best interests" test requires that
21 the Bankruptcy Court find that the Plan provides to each holder of a Claim or interest in such
22 impaired Class a recovery on account of the holder's Claim or interest that has a value at least
23 equal to the value of the distribution that each such holder would receive if the debtor was
24 liquidated under Chapter 7 of the Bankruptcy Code. In the opinion of Debtor, confirmation
25 of the Plan is in the best interests of the holders of Claims and interests because it provides to
26 holders of impaired Claims a distribution having a present value as of the Effective Date of

1 not less than the value such holders would likely receive if Debtor were liquidated under
2 Chapter 7 of the Bankruptcy Code.

3 Debtor believes that Chapter 7 liquidation would result in a diminution in the
4 value to be realized by holders of Claims and interests due to, among other factors, (a) the
5 loss of the going concern value of Debtor's assets; (b) additional costs and expenses in the
6 appointment of a Chapter 7 trustee and attorneys, accountants and other professionals to
7 assist such trustee in the Chapter 7 case; and (c) additional expenses and Claims, some of
8 which would be entitled to priority in payment, which would arise by reason of the
9 liquidation, including Claims resulting from the breach of Debtor's real estate leases and in
10 connection with cessation of the Debtor's business. Consequently, Debtor believes the Plan,
11 which provides for the continuation of Debtor's business, will provide a greater ultimate
12 return to the holders of Claims and interests than would a Chapter 7 liquidation.

13 At the confirmation hearing, the Bankruptcy Court will determine whether the
14 holders of impaired Claims and interests receive a distribution under the Plan that is at least
15 as great as the distribution that such holders would receive upon liquidation of Debtor
16 pursuant to Chapter 7 of the Bankruptcy Code.

17 14.2.2 Feasibility of the Plan. Debtor believes that confirmation of the Plan
18 is not likely to be followed by the liquidation of Reorganized Debtor or a need for a further
19 financial reorganization of Reorganized Debtor. The projections of Debtor's post-
20 confirmation business, attached hereto as **Exhibit 2**, show sufficient earnings and cash flow
21 from operations to support and meet the ongoing financial needs of Reorganized Debtor.
22 The projections indicate that the Plan as proposed by Debtor is feasible and that Reorganized
23 Debtor will be financially viable after confirmation of the Plan.

24 **14.3 CRAM DOWN**

25 A Court may confirm a Plan, even if it is not accepted by all impaired classes
26 if the Plan has been accepted by at least one impaired class of claims and the Plan meets the

1 cram down requirements set forth in Section 1129(b) of the Bankruptcy Code. In the event
2 any impaired Class of Claims does not accept the Plan, Debtor hereby requests the
3 Bankruptcy Court to confirm the Plan in accordance with Section 1129(b) of the Bankruptcy
4 Code or otherwise permit Debtor to modify the Plan.

5 **14.4 RISK FACTORS**

6 There are a number of risks associated with Debtor's proposed Plan. Each
7 Creditor should carefully consider those risks in evaluating its vote on Debtor's Plan. All of
8 the risks associated with Debtor's Plan are too numerous to identify, however, a few of those
9 risks are set forth below.

10 14.4.1 General Financial Market Conditions. The recent disruption with
11 numerous major financial institutions and the resulting crisis in the financial markets has
12 rippled through the economy, and has impacted the real estate industry in particular. While
13 the ultimate effects of this crisis on the owners and operators of buildings, such as Debtor,
14 are as yet unclear, it is possible that this financial market will prevent even qualified
15 borrowers from being able to obtain mortgages on affordable terms, if at all. A continued
16 freeze of the credit markets could have a significant adverse impact on the Debtor.

17 14.4.2 Projected Financial Results. The Debtor's projected financial results
18 reflect management's best estimate of Reorganized Debtor's future financial performance
19 based on currently known facts and hypothetical assumptions about, among other matters, the
20 timing, confirmation and consummation of the Plan in accordance with its terms, the
21 anticipated future performance of the Reorganized Debtor, and the real estate market. Many
22 of these factors are beyond the control of the Reorganized Debtor. As a consequence, the
23 actual financial results may differ significantly from the projections. Specifically, the
24 Reorganized Debtor may not be able to meet the projected financial results or achieve the
25 revenue or cash flow that it has assumed in projecting future leases and lease rates. Further,
26 in the event that the Court fixes an interest rate on the Class 3 Claim substantially higher than

1 4.50% per annum, then Debtor's ability to meet the projected financial results will be
2 jeopardized.

3 **15. ALTERNATIVES TO CONFIRMATION OF THE PLAN**

4 If a Plan is not confirmed, Debtor or another party in interest may attempt to
5 formulate or propose a different Plan or Plans of Reorganization. Such Plans might involve a
6 reorganization and continuation of Debtor's business, a sale of Debtor's business as a going
7 concern, an orderly liquidation of Debtor's assets or any combination thereof. If no Plan of
8 Reorganization is determined by the Bankruptcy Court to be confirmable, the Chapter 11
9 case may be converted to a liquidation proceeding under Chapter 7 of the Bankruptcy Code.

10 In a liquidation, a Chapter 7 Trustee would be appointed with the purpose of
11 liquidating the assets of Debtor. Typically, in a liquidation, assets are sold for less than their
12 going concern value and, accordingly, the return to Creditors and interest holders is less than
13 the return in a reorganization, which derives the value to be distributed in a Plan from the
14 business as a going concern. Proceeds from liquidation would be distributed to Creditors and
15 Equity Security Holders in accordance with the priorities set forth in the Bankruptcy Code.

16 Debtor believes there is no currently available alternative that would offer
17 holders of Claims and interests in Debtor greater than the Plan. In fact, the likely alternative
18 to confirmation of the Plan is that CDO will foreclose on the Property and no unsecured
19 creditor will be paid anything. Debtor urges all parties entitled to vote on the Plan to vote to
20 accept the Plan.

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16. CONCLUSION

Please read this Disclosure Statement and the Plan carefully. After reviewing all the information and making an informed decision, please vote by using the enclosed ballot.

DATED this 11th day of April, 2014.

Bay Club Partners-472, LLC

By: Bay Club Management, LLC, Its Manager

By: Residential Equity Partners, LLC, Its
Managing Member

By: /s/ David Butler
David Butler, Manager

Presented by:

TONKON TORP LLP

By: /s/ Ava L. Schoen
Albert N. Kennedy, OSB No. 821429
Ava L. Schoen, OSB No. 044072
Attorneys for Debtor

**DEBTOR'S DISCLOSURE
STATEMENT
EXHIBIT 1**

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Portland, OR 97204

7 Attorneys for Debtor

8

9

10 UNITED STATES BANKRUPTCY COURT

11 DISTRICT OF OREGON

12 In re

Case No. 14-30394-rld11

13 Bay Club Partners-472, LLC,

**DEBTOR'S PLAN OF
REORGANIZATION
(April 11, 2014)**

14 Debtor.

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DEBTOR'S PLAN OF REORGANIZATION (April 11, 2014)

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1 Bay Club Partners-472, LLC, as debtor and debtor in possession, proposes
2 this Plan of Reorganization (the "Plan") pursuant to Section 1121(a) of Title 11 of the United
3 States Code:

4 This Plan provides for the repayment of Debtor's obligations to its Creditors.
5 The Plan provides for payment to all Creditors over time as set forth below. A Disclosure
6 Statement is enclosed herewith to assist you in understanding this Plan and making an
7 informed judgment concerning its terms.

8 **ARTICLE 1**

9 **DEFINITIONS**

10 Definitions of certain terms used in this Plan are set forth below. Other terms
11 are defined in the text of this Plan or the text of the Disclosure Statement. In either case,
12 when a defined term is used, the first letter of each word in the defined term is capitalized.
13 Terms used and not defined in this Plan or the Disclosure Statement shall have the meanings
14 given in the Bankruptcy Code or Bankruptcy Rules, or otherwise as the context requires.
15 The meanings of all terms shall be equally applicable to both the singular and plural, and
16 masculine and feminine, forms of the terms defined. The words "herein," "hereof," "hereto,"
17 "hereunder," and others of similar import, refer to the Plan as a whole and not to any
18 particular section, subsection or clause contained in the Plan. Captions and headings to
19 articles, sections and exhibits are inserted for convenience of reference only and are not
20 intended to be part of or to affect the interpretation of the Plan. The rules of construction set
21 forth in Section 102 of the Bankruptcy Code shall apply. In computing any period of time
22 prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.
23 Any capitalized term that is not defined herein but is defined in the Bankruptcy Code shall
24 have the meaning ascribed to such term in the Bankruptcy Code.

25 1.1. "Administrative Expense Claim" means any Claim entitled to the priority
26 afforded by Sections 503(b) and 507(a)(1) of the Bankruptcy Code.

1 1.2. "Allowed" means, with respect to any Claim, proof of which has been
2 properly Filed or, if no Proof of Claim was so Filed, which was or hereafter is listed on
3 the Schedules as liquidated in amount and not disputed or contingent, and, in either case,
4 a Claim as to which no objection to the allowance thereof, or motion to estimate for
5 purposes of allowance, shall have been Filed on or before any applicable period of
6 limitation that may be fixed by the Bankruptcy Code, the Bankruptcy Rules and/or the
7 Bankruptcy Court, or as to which any objection, or any motion to estimate for purposes
8 of allowance, shall have been so Filed, to the extent allowed by a Final Order.

9 1.3. "Allowed Secured Claim" means an Allowed Claim that is secured by a
10 lien, security interest or other charge against or interest in property in which Debtor has
11 an interest or that is subject to setoff under Section 553 of the Bankruptcy Code, to the
12 extent of the value (as set forth in the Plan, or if no value is specified, as determined in
13 accordance with Section 506(a) of the Bankruptcy Code or, if applicable, Section 1111(b)
14 of the Bankruptcy Code) of the interest of the holder of such Claim in Debtor's interest in
15 such property or to the extent of the amount subject to setoff, as the case may be.

16 1.4. "Allowed Unsecured Claim" means an Allowed Claim that is not an
17 Allowed Secured Claim.

18 1.5. "Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as
19 amended from time to time, set forth in Sections 101 et seq. of Title 11 of the United
20 States Code.

21 1.6. "Bankruptcy Court" means the United States Bankruptcy Court for the
22 District of Oregon, or such other court that exercises jurisdiction over the Bankruptcy
23 Case or any proceeding therein, including the United States District Court for the District
24 of Oregon, to the extent that the reference to the Bankruptcy Case or any proceeding
25 therein is withdrawn.
26

1 1.7. "Bankruptcy Rules" means, collectively, the Federal Rules of Bankruptcy
2 Procedure, as amended and promulgated under Section 2075, Title 28, of the United
3 States Code, and the local rules and standing orders of the Bankruptcy Court.

4 1.8. "Business Day" means a day other than a Saturday, Sunday or other day
5 on which banks in Portland, Oregon are authorized or required by law to be closed.

6 1.9. "CDO" means Legg Mason Real Estate CDO I, Ltd.

7 1.10. "Cash" means lawful currency of the United States of America.

8 1.11. "Chapter 11 Case" means the case under Chapter 11 of the Bankruptcy
9 Code with respect to the Debtor, pending in the District of Oregon, administered as *In re*
10 *Bay Club Partners—472, LLC*, Case No. 14-30394-rld11.

11 1.12. "Claim" means (a) any right to payment from Debtor arising before the
12 Effective Date, whether or not such right is reduced to judgment, liquidated, unliquidated,
13 fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or
14 unsecured; or (b) any right to an equitable remedy against Debtor arising before the
15 Effective Date for breach of performance if such breach gives rise to a right of payment
16 from Debtor, whether or not such right to an equitable remedy is reduced to judgment,
17 fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

18 1.13. "Class" means one of the classes of Claims defined in Article 3 hereof.

19 1.14. "Collateral" means any property in which Debtor has an interest that is
20 subject to a lien or security interest securing the payment of an Allowed Secured Claim.

21 1.15. "Confirmation Date" means the date on which the Confirmation Order is
22 entered on the docket by the Clerk of the Bankruptcy Court.

23 1.16. "Confirmation Order" means the order of the Bankruptcy Court
24 confirming the Plan in accordance with the provisions of Chapter 11 of the Bankruptcy
25 Code.

26 1.17. "Creditor" means any entity holding a Claim against Debtor.

1 1.18. "Debtor" means Bay Club Partners—472, LLC, as Debtor and Debtor-in-
2 Possession in the Bankruptcy Case.

3 1.19. "Disclosure Statement" means Debtor's Disclosure Statement as amended,
4 modified, restated or supplemented from time to time, pertaining to the Plan.

5 1.20. "Disputed Claim" means a Claim with respect to which a Proof of Claim
6 has been timely Filed or deemed timely Filed under applicable law, and as to which an
7 objection, timely Filed, has not been withdrawn on or before the Effective Date or any
8 date fixed for filing such objections by order of the Bankruptcy Court, and has not been
9 denied by a Final Order and which Claim has not been estimated or temporarily allowed
10 by the Bankruptcy Court on timely motion by the holder of such Claim. If an objection
11 related to the allowance of only a part of a Claim has been timely Filed or deemed timely
12 Filed, such Claim shall be a Disputed Claim only to the extent of the objection.

13 1.21. "Effective Date" means the first day of the first month following the date
14 that the Confirmation Order becomes a Final Order.

15 1.22. "Equity Security" shall have the meaning ascribed to it by Section 101(16)
16 of the Bankruptcy Code.

17 1.23. "Equity Security Holders" means a holder of an Equity Security of Debtor.

18 1.24. "Filed" means filed with the Bankruptcy Court in the Bankruptcy Case.

19 1.25. "Final Order" means an order or judgment entered on the docket by the
20 Clerk of the Bankruptcy Court or any other court exercising jurisdiction over the subject
21 matter and the parties that has not been reversed, stayed, modified or amended and as to
22 which the time for filing a notice of appeal, petition for certiorari, request for certiorari,
23 or request for rehearing shall have expired.

24 1.26. "Insider" shall have the meaning ascribed to it by Section 101(31) of the
25 Bankruptcy Code.

1 1.27. "Midtown on Main" means the building and real property located at 2121
2 W. Main St., Mesa, Arizona 85201.

3 1.28. "Other Priority Claim" means any Claim for an amount entitled to priority
4 in right of payment under Section 507(a)(3), (4), (5), (6), or (7) of the Bankruptcy Code.

5 1.29. "Petition Date" means January 28, 2014, the date on which the petition
6 commencing the Chapter 11 Case was Filed.

7 1.30. "Plan" means this Plan of Reorganization, as amended, modified, restated
8 or supplemented from time to time.

9 1.31. "Priority Tax Claim" means a Claim of a governmental unit of the kind
10 entitled to priority under Section 507(a)(8) of the Bankruptcy Code or that would
11 otherwise be entitled to priority but for the secured status of the Claim.

12 1.32. "Reorganized Debtor" means the Debtor from and after the Effective Date.

13 1.33. "Restated Articles of Organization" means the restated articles of
14 organization and restated operating agreement ("Organizational Document") of Debtor,
15 which shall modify and amend Debtor's Organizational Documents to prohibit the
16 issuance of non-voting equity securities to the extent required by Section 1123(a)(6) of
17 the Bankruptcy Code.

18 1.34. "Scheduled Amounts" means the Claim amounts as set forth in Debtor's
19 Bankruptcy Schedules.

20 1.35. "Schedules" means the Schedules of Assets and Liabilities and the
21 Statement of Financial Affairs Filed by Debtor pursuant to Section 521 of the Bankruptcy
22 Code, as amended, modified, restated or supplemented from time to time.

23 1.36. "Secured Claim" means any Claim against Debtor held by any entity,
24 including, without limitation, an Affiliate or judgment creditor of Debtor, to the extent
25 such Claim constitutes a secured Claim under Sections 506(a) or 1111(b) of the
26 Bankruptcy Code.

1 1.37. "Tenant Leases" means all leases between Debtor and tenants of units in
2 Midtown on Main.

3 1.38. "Unsecured Claim" means an unsecured Claim that is not an
4 Administrative Claim, a Secured Claim, a Tax Claim, or an Other Priority Claim.

5 1.39. "Unsecured Creditor" means a holder of an Allowable Unsecured Claim.

6 1.40. "Utility Deposits" means deposits with utilities made by Debtor after the
7 Petition Date pursuant to Section 366(b) of the Bankruptcy Code.

8 **ARTICLE 2**

9 **UNCLASSIFIED CLAIMS**

10 2.1. Administrative Expense Claims. Each holder of an Allowed
11 Administrative Expense Claim shall be paid by Debtor in full in Cash on the later of
12 (a) the Effective Date or (b) the date on which such Claim becomes Allowed, unless such
13 holder shall agree in writing to a different treatment of such Claim (including, without
14 limitation, any different treatment that may be provided for in any documentation, statute
15 or regulation governing such Claim); provided, however, that Administrative Expense
16 Claims representing obligations incurred in the ordinary course of business by Debtor
17 during the Bankruptcy Case shall be paid by Debtor or Reorganized Debtor in the
18 ordinary course of business and in accordance with any terms and conditions of the
19 particular transaction, and any agreements relating thereto.

20 2.2. Priority Tax Claims. Each holder of an Allowed Priority Tax Claim shall
21 be paid by Debtor the full amount of its Allowed Priority Tax Claim on the Effective
22 Date or the date the claim is Allowed, whichever first occurs.

23 2.3. Bankruptcy Fees. Fees payable by Debtor under 28 USC § 1930, or to the
24 Clerk of the Bankruptcy Court, will be paid in full in Cash on the Effective Date. After
25 confirmation, Reorganized Debtor shall continue to pay quarterly fees of the Office of the
26 United States Trustee and to file quarterly reports with the Office of the United States

1 Trustee until this case is closed by the Court, dismissed or converted. This requirement is
2 subject to any amendments to 28 USC § 1930(a)(6) that Congress makes retroactively
3 applicable to confirmed Chapter 11 cases.

4 **ARTICLE 3**

5 **CLASSIFICATION**

6 For purposes of this Plan, Claims and interests are classified as provided
7 below. A Claim is classified in a particular Class only to the extent that such Claim qualifies
8 within the description of such Class, and is classified in a different Class to the extent that
9 such Claim qualifies within the description of such different Class.

10 3.1. Class 1 - Other Priority Claims. Class 1 consists of Allowed Other
11 Priority Claims.

12 3.2. Class 2 – Equity Security Holders. Class 2 consists of the Equity Security
13 interests or claims of the Equity Security Holders.

14 3.3. Class 3 – Legg Mason Real Estate CDO I Ltd.'s Secured Claim. Class 3
15 consists of the Allowed Secured Claim of CDO.

16 3.4. Class 4 – General Unsecured Claims. Class 4 consists of all Allowed
17 Unsecured Claims other than Administrative Expense Claims, Priority Tax Claims, and
18 Other Priority Tax Claims.

19 **ARTICLE 4**

20 **TREATMENT OF UNIMPAIRED CLASSES**

21 4.1. Class 1 (Other Priority Claims). Each holder of an Allowed Class 1 Claim
22 shall be paid in full in Cash the amount of its Allowed Class 1 Claim on the latest to
23 occur of (1) the Effective Date, (2) the date such claim becomes an Allowed Claim, or
24 (3) the date that the such claim becomes due and owing, unless such holder shall agree in
25 writing or has agreed to a different treatment of such Claim (including, without
26

1 limitation, any different treatment that may be provided for in any documentation,
2 agreement, contract, statute, law or regulation creating and governing such Claim).

3 4.2. Class 2 (Equity Security Holders). Class 2 Equity Security Holders will
4 retain their Equity Securities in the Debtor.

5 **ARTICLE 5**

6 **TREATMENT OF IMPAIRED CLASSES**

7 5.1. Class 3 (CDO's Secured Claim). CDO's Allowed Secured Claim is
8 secured by a perfected security interest in substantially all of Debtor's assets, including
9 rents. CDO will retain its interests in its Collateral with the same priority that it had as of
10 the Petition Date. CDO's Claim will be an Allowed Secured Claim (including interest
11 and fees as provided in section 506(b) of the Bankruptcy Code) up to the value of CDO's
12 interest in the estate's interest in the Collateral securing the Claim as agreed by the parties
13 or determined by the Court. CDO's Allowed Secured Claim will be paid in full as
14 follows: CDO will be paid monthly payments of interest only for 12 months at an
15 interest rate of 4.50%, or at such other rate fixed by the Court at confirmation.

16 Commencing on first anniversary of the Effective Date and continuing until the third
17 anniversary of the Effective Date, CDO will be paid equal, monthly amortizing payments
18 of principal and interest at a fixed rate of 4.50%, or at such other rate fixed by the Court
19 at confirmation, based upon a 30-year amortization schedule with a balloon payment of
20 the unpaid principal plus accrued interest due on the third anniversary of the Effective
21 Date. Reorganized Debtor will maintain and insure Midtown on Main and promptly pay
22 all real property taxes as they come due.

23 5.2. Class 4 –General Unsecured Claims. Each holder of an Allowed Class 4
24 General Unsecured Claim shall be paid 60% of its Claim in Cash within 90 days of the
25 Effective Date in full satisfaction of its Claim. Alternatively, a holder of an Allowed
26 Class 4 General Unsecured Claim may elect at the time of balloting to be paid in full in

1 Cash together with interest accruing from the Effective Date to the date of payment at a
2 fixed rate of 3.0% within three years of the Effective Date.

3 **ARTICLE 6**

4 **DISPUTED CLAIMS; OBJECTIONS TO CLAIMS**

5 Disputed Claims; Objections to Claims. Only Claims that are Allowed shall
6 be entitled to distributions under the Plan. Debtor reserves the right to contest and object to
7 any Claims and previously Scheduled Amounts, including, without limitation, those Claims
8 and Scheduled Amounts that are specifically referenced herein, are not listed in the
9 Schedules, are listed therein as disputed, contingent and/or unliquidated in amount, or are
10 listed therein at a different amount than the Debtor currently believes is validly due and
11 owing. Unless otherwise ordered by the Bankruptcy Court, all objections to Claims and
12 Scheduled Amounts (other than Administrative Expense Claims) shall be Filed and served
13 upon counsel for Debtor and the holder of the Claim objected to on or before the later of
14 (a) thirty (30) days after the Effective Date or (b) sixty (60) days after the date (if any) on
15 which a Proof of Claim is Filed in respect of a Rejection Claim. The last day for filing
16 objections to Administrative Expense Claims shall be set pursuant to an order of the
17 Bankruptcy Court. All Disputed Claims shall be resolved by the Bankruptcy Court, except to
18 the extent that (a) Debtor may otherwise elect consistent with the Plan and the Bankruptcy
19 Code or (b) the Bankruptcy Court may otherwise order.

20 **ARTICLE 7**

21 **IMPLEMENTATION OF THE PLAN**

22 7.1. General.

23 7.1.1. Reorganized Debtor will pay Allowed Claims pursuant to the Plan.

24 7.1.2. All Equity Securities in Debtor will be retained.

25 7.1.3. Upon the Effective Date, all reserves held by CDO for the benefit of
26 Debtor shall be transferred to Reorganized Debtor.

1 7.2. Member Compensation and Distributions.

2 The manager of Reorganized Debtor shall be entitled to reimbursement of
3 expenses (including travel) in an amount not to exceed \$4,000 per month. All members of
4 Debtor will be entitled to distributions necessary to pay any federal, state, or local income
5 taxes arising from taxable income of the Reorganized Debtor. Except for the forgoing
6 Reorganized Debtor will not make any payments or distributions to any members of
7 Reorganized Debtor until the Class 3 and Class 4 Claims have been paid and satisfied in full
8 as provided in this Plan.

9 7.3. Restated Articles of Organization. Reorganized Debtor shall be deemed to

10 have adopted the Restated Articles of Organization on the Effective Date and shall
11 promptly thereafter cause the same to be filed with the Secretary of State of the State of
12 Oregon. After the Effective Date, Reorganized Debtor may amend the Restated
13 Organizational Documents and may amend its bylaws in accordance with the Restated
14 Articles of Organization, such bylaws and applicable state law.

15 7.4. Setoffs. Debtor may, but shall not be required to, set off against any

16 Claim and the distributions to be made pursuant to the Plan in respect of such Claim, any
17 claims of any nature whatsoever which Debtor may have against the holder of such
18 Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall
19 constitute a waiver or release of any such claim Debtor may have against such holder.

20 7.5. Corporate Action. Upon entry of the Confirmation Order by the Clerk of

21 the Bankruptcy Court, all actions contemplated by the Plan shall be authorized and
22 approved in all respects (subject to the provisions of the Plan), including, without
23 limitation, the following: (a) the adoption and filing with the Secretary of State of the
24 State of Oregon the Restated Articles of Organization, and (b) the execution, delivery and
25 performance of all documents and agreements relating to the Plan and any of the
26 foregoing. On the Effective Date, the manager of Reorganized Debtor is authorized and

1 directed to execute and deliver the agreements, documents and instruments contemplated
2 by the Plan and the Disclosure Statement in the name of and on behalf of Reorganized
3 Debtor.

4 7.6. Saturday, Sunday or Legal Holiday. If any payment or act under the Plan
5 is required to be made or performed on a date that is not a Business Day, then the making
6 of such payment or the performance of such act may be completed on the next
7 succeeding Business Day, but shall be deemed to have been completed as of the required
8 date.

9 7.7. Utility Deposit. All utilities holding a Utility Deposit shall immediately
10 after the Effective Date return or refund such Utility Deposit to Reorganized Debtor. At
11 the sole option of Reorganized Debtor, Reorganized Debtor may apply any Utility
12 Deposit that has not been refunded to Reorganized Debtor in satisfaction of any payments
13 due or to become due from Reorganized Debtor to a utility holding such a Utility
14 Deposit.

15 7.8. Event of Default; Remedy. Any material failure by Reorganized Debtor to
16 perform any term of this Plan, which failure continues for a period of five Business Days
17 following receipt by Reorganized Debtor of written notice of such default from the holder
18 of an Allowed Claim to whom performance is due, shall constitute an event of Default.
19 Upon the occurrence of an Event of Default, the holder of an Allowed Claim to whom
20 performance is due shall have all rights and remedies granted by law, this Plan or any
21 agreement between the holder of such Claim and Debtor or Reorganized Debtor. An
22 Event of Default with respect to one Claim shall not be an Event of Default with respect
23 to any other Claim.
24
25
26

1 **ARTICLE 8**

2 **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

3 8.1. Assumption. Except as may otherwise be provided, all executory
4 contracts and unexpired leases of Debtor, which are not otherwise subject to a prior
5 Bankruptcy Court order or pending motion before the Bankruptcy Court are assumed by
6 Reorganized Debtor on the Effective Date. The Confirmation Order shall constitute an
7 order authorizing assumption of all executory contracts and unexpired leases except those
8 otherwise specifically rejected or otherwise provided for or subject to other Court Order
9 or pending motion. Reorganized Debtor shall promptly pay all amounts required under
10 Section 365 of the Bankruptcy Code to cure any defaults and assume the executory
11 contracts.

12 8.2. Assignment. To the extent necessary and except as may otherwise be
13 provided, all executory contracts and unexpired leases shall be deemed assigned to
14 Reorganized Debtor as of the Effective Date. The Confirmation Order shall constitute an
15 order authorizing such assignment of executory contracts and unexpired leases, and no
16 further assignment documentation shall be necessary to effectuate such assignment.

17 8.3. Rejection Claims. Rejection Claims must be Filed no later than 30 days
18 after the entry of the order rejecting the executory contract or unexpired lease or 30 days
19 after the Effective Date, whichever is sooner. Any such Rejection Claim not Filed within
20 such time shall be forever barred from assertion against Debtor, Reorganized Debtor, and
21 its property and estates. Each Rejection Claim resulting from such rejection shall
22 constitute a Class 4 Claim.

23 **ARTICLE 9**

24 **EFFECT OF CONFIRMATION**

25 9.1. Injunction. The effect of confirmation shall be as set forth in Section 1141
26 of the Bankruptcy Code. Except as otherwise provided in the Plan or in the Confirmation

1 Order, confirmation of the Plan shall act as a permanent injunction applicable to entities
2 against (a) the commencement or continuation, including the issuance or employment of
3 process, of a judicial, administrative, or other action or proceeding against Reorganized
4 Debtor that was or could have been commenced before the entry of the Confirmation
5 Order, (b) the enforcement against Reorganized Debtor or its assets of a judgment
6 obtained before the Petition Date, and (c) any act to obtain possession of or to exercise
7 control over, or to create, perfect or enforce a lien upon all or any part of the assets.

8 9.2. Discharge. Except as otherwise expressly provided herein, the
9 confirmation of the Plan shall, provided that the Effective Date shall have occurred,
10 discharge all Claims, and the distributions and rights provided in this Plan and the
11 Confirmation Order shall be in complete satisfaction of all Claims, whether known or
12 unknown, against Debtor that arose prior to the Effective Date.

13 **ARTICLE 10**

14 **RETENTION OF JURISDICTION**

15 10.1. Jurisdiction of the Bankruptcy Court. Notwithstanding the entry of the
16 Confirmation Order, the Court shall retain jurisdiction of this Chapter 11 Case pursuant
17 to and for the purposes set forth in Section 1127(b) of the Bankruptcy Code and

18 10.1.1. to classify the Claim or interest of any Creditor or stockholder,
19 reexamine Claims or interests which have been owed for voting purposes and determine any
20 objections that may be Filed to Claims or interests,

21 10.1.2. to determine requests for payment of Claims entitled to priority
22 under Section 507(a)(1) of the Bankruptcy Code, including compensation and reimbursement
23 of expenses in favor of professionals employed at the expense of the Estate,

24 10.1.3. to avoid transfers or obligations to subordinate Claims under
25 Chapter 5 of the Bankruptcy Code,
26

1 11.2. Revocation or Withdrawal of Plan.

2 11.2.1. Right to Revoke. Debtor reserves the right to revoke or
3 withdraw the Plan at any time prior to the Effective Date.

4 11.2.2. Effect of Withdrawal or Revocation. If Debtor revokes or
5 withdraws the Plan prior to the Effective Date, then the Plan shall be deemed null and void.
6 In such event, nothing contained herein shall be deemed to constitute a waiver or release of
7 any claims by or against Debtor or any other Entity or to prejudice in any manner the rights
8 of Debtor or any Entity in any further proceeding involving Debtor.

9 11.3. Nonconsensual Confirmation. Debtor shall request that the Bankruptcy
10 Court confirm the Plan pursuant to Section 1129(b) of the Bankruptcy Code if the
11 requirements of all provisions of Section 1129(a) of the Bankruptcy Code, except
12 subsection 1129(a)(8), are met.

13 **ARTICLE 12**

14 **MISCELLANEOUS PROVISIONS**

15 12.1. Revesting. Except as otherwise expressly provided herein, on the
16 Effective Date, all property and assets of the estate of Debtor shall revest in Reorganized
17 Debtor, free and clear of all claims, liens, encumbrances, charges and other interests of
18 Creditors arising on or before the Effective Date, and Reorganized Debtor may operate,
19 from and after the Effective Date, free of any restrictions imposed by the Bankruptcy
20 Code or the Bankruptcy Court.

21 12.2. Rights of Action. Except as otherwise expressly provided herein, any
22 rights or causes of action (including, without limitation, any and all avoidance actions)
23 accruing to Debtor shall remain assets of Reorganized Debtor. Reorganized Debtor may
24 pursue such rights of action, as appropriate, in accordance with what is in its best
25 interests and for its benefit.

1 12.3. Governing Law. Except to the extent the Bankruptcy Code, the
2 Bankruptcy Rules or other federal laws are applicable, the laws of the State of Oregon
3 shall govern the construction and implementation of the Plan, and all rights and
4 obligations arising under the Plan.

5 12.4. Withholding and Reporting Requirements. In connection with the Plan
6 and all instruments issued in connection therewith and distributions thereon, Debtor and
7 Reorganized Debtor shall comply with all withholding, reporting, certification and
8 information requirements imposed by any federal, state, local or foreign taxing
9 authorities and all distributions hereunder shall, to the extent applicable, be subject to any
10 such withholding, reporting, certification and information requirements. Entities entitled
11 to receive distributions hereunder shall, as a condition to receiving such distributions,
12 provide such information and take such steps as Reorganized Debtor may reasonably
13 require to ensure compliance with such withholding and reporting requirements, and to
14 enable Reorganized Debtor to obtain the certifications and information as may be
15 necessary or appropriate to satisfy the provisions of any tax law.

16 12.5. Time. Unless otherwise specified herein, in computing any period of time
17 prescribed or allowed by the Plan, the day of the act or event from which the designated
18 period begins to run shall not be included. The last day of the period so computed shall
19 be included, unless it is not a Business Day, in which event the period runs until the end
20 of the next succeeding day which is a Business Day.

21 12.6. Section 1146(c) Exemption. Pursuant to Section 1146(a) of the
22 Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan, or
23 the execution, delivery or recording of an instrument of transfer pursuant to, in
24 implementation of or as contemplated by the Plan, or the revesting, transfer or sale of any
25 real property of Debtor or Reorganized Debtor pursuant to, in implementation of or as
26 contemplated by the Plan, shall not be taxed under any state or local law imposing a

1 stamp tax, transfer tax, or similar tax or fee. Consistent with the foregoing, each recorder
2 of deeds or similar official for any city, county or governmental unit in which any
3 instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be
4 ordered and directed to accept such instrument without requiring the payment of any
5 documentary stamp tax, deed stamps, transfer tax, intangible tax or similar tax.

6 12.7. Severability. In the event that any provision of the Plan is determined to
7 be unenforceable, such determination shall not limit or affect the enforceability and
8 operative effect of any other provisions of the Plan. To the extent that any provision of
9 the Plan would, by its inclusion in the Plan, prevent or preclude the Bankruptcy Court
10 from entering the Confirmation Order, the Bankruptcy Court, on the request of Debtor,
11 may modify or amend such provision, in whole or in part, as necessary to cure any defect
12 or remove any impediment to the confirmation of the Plan existing by reason of such
13 provision.

14 12.8. Binding Effect. The provisions of the Plan shall bind Debtor, Reorganized
15 Debtor and all holders of Claims and Equity Securities, and their respective successors,
16 heirs and assigns. Any note, agreement, instrument, judgment or other document
17 evidencing a Claim in any Class shall be deemed cancelled, null and void, provided that
18 nothing in this Plan will affect the liability of any entity other than the Debtor for any
19 such Claim.

20 12.9. Recordable Order. The Confirmation Order shall be deemed to be in
21 recordable form, and shall be accepted by any recording officer for filing and recording
22 purposes without further or additional orders, certifications or other supporting
23 documents.

24 12.10. Plan Controls. In the event and to the extent that any provision of the Plan
25 is inconsistent with the provisions of the Disclosure Statement, or any other instrument or
26

1 agreement contemplated to be executed pursuant to the Plan, the provisions of the Plan
2 shall control and take precedence.

3 12.11. Effectuating Documents and Further Transactions. Debtor and
4 Reorganized Debtor shall execute, deliver, file or record such contracts, instruments,
5 assignments, and other agreements or documents, and take or direct such actions, as may
6 be necessary or appropriate to effectuate and further evidence the terms and conditions of
7 this Plan.

8 DATED this 11th day of April, 2014.

9 Bay Club Partners-472, LLC

10 By: Bay Club Management, LLC, Its Manager

11 By: Residential Equity Partners, LLC, Its
12 Managing Member

13 By: /s/ David Butler
14 David Butler, Manager

15 Presented by:

16 TONKON TORP LLP

17
18 By: /s/ Ava L. Schoen
19 Albert N. Kennedy, OSB No. 821429
20 Ava L. Schoen, OSB No. 044072
21 Attorneys for Debtor
22
23
24
25
26

**DEBTOR'S DISCLOSURE
STATEMENT
EXHIBIT 2**

Bay Club Partners-472, LLC dba Midtown on Main Apartments
Plan of Reorganization August 2014 - July 2015

	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Total
TOTAL RENTAL INCOME	285,000.00	286,000.00	286,000.00	284,000.00	283,000.00	283,000.00	286,000.00	287,000.00	289,000.00	290,000.00	295,000.00	298,000.00	3,452,000.00
TOTAL OTHER REVENUE	32,872.00	32,872.00	32,872.00	32,872.00	32,872.00	32,872.00	32,872.00	32,872.00	32,872.00	32,872.00	32,872.00	32,872.00	394,464.00
TOTAL INCOME	317,872.00	318,872.00	318,872.00	316,872.00	315,872.00	315,872.00	318,872.00	319,872.00	321,872.00	322,872.00	327,872.00	330,872.00	3,846,464.00
TOTAL GENERAL & ADMIN	10,213.00	10,213.00	10,213.00	10,213.00	10,213.00	10,213.00	10,213.00	10,213.00	10,213.00	10,213.00	10,213.00	10,213.00	122,556.00
TOTAL PAYROLL	47,809.00	47,809.00	47,809.00	47,809.00	47,809.00	47,809.00	47,809.00	47,809.00	47,809.00	47,809.00	47,809.00	47,809.00	573,708.00
TOTAL LEASING & MARKETING	8,436.00	8,436.00	8,436.00	8,436.00	8,436.00	8,436.00	8,436.00	8,436.00	8,436.00	8,436.00	8,436.00	8,436.00	101,232.00
TOTAL UTILITIES	25,406.00	25,406.00	25,406.00	25,406.00	25,406.00	25,406.00	25,406.00	25,406.00	25,406.00	25,406.00	25,406.00	25,406.00	304,872.00
TOTAL REPAIRS & MAINTENANC	16,777.00	16,777.00	16,777.00	16,777.00	16,777.00	16,777.00	16,777.00	16,777.00	16,777.00	16,777.00	16,777.00	16,777.00	201,324.00
TOTAL SUPPLY EXPENSE	20,978.00	20,978.00	20,978.00	20,978.00	20,978.00	20,978.00	20,978.00	20,978.00	20,978.00	20,978.00	20,978.00	20,978.00	251,736.00
TOTAL CONTRACT SERVICES	18,791.48	18,818.98	18,818.98	18,763.98	18,736.48	18,736.48	18,818.98	18,846.48	18,901.48	18,928.98	19,066.48	19,148.98	226,377.76
INSURANCE-PROPERTY & CASUALTY	6,016.00	6,016.00	6,016.00	6,016.00	6,016.00	6,016.00	6,016.00	6,016.00	6,016.00	6,016.00	6,016.00	6,016.00	67,680.00
REAL PROPERTY TAXES	10,374.00	10,374.00	16,791.00	16,791.00	16,791.00	16,791.00	16,791.00	16,791.00	17,631.00	17,631.00	17,631.00	17,631.00	192,018.00
TOTAL OPERATING EXPENSES	164,800.48	164,827.98	171,244.98	171,189.98	171,162.48	171,162.48	170,492.98	170,520.48	171,442.98	171,442.98	171,580.48	171,662.98	2,041,503.76
NET OPERATING INCOME	153,071.52	154,044.02	147,627.02	145,682.02	144,709.52	144,709.52	148,379.02	149,351.52	150,456.52	151,429.02	156,291.52	159,209.02	1,804,960.24
Secured Creditor Payment - Interest	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	1,215,000.00
Unsecured Creditors	0.00	0.00	171,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	171,000.00
TOTAL DEBT SERVICE	101,250.00	101,250.00	272,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	1,386,000.00
CAPITAL EXPENSES													
APPLIANCES	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	168,000.00
WATER HEATER	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	18,000.00
CARPET/VINYL REPLACEMENT	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	138,000.00
HVAC	8,000.00	7,000.00	3,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	3,000.00	4,000.00	32,000.00
PERSONAL PROPERTY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
POOL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PARKING LOT RESURFACING	0.00	0.00	0.00	0.00	0.00	48,000.00	0.00	0.00	0.00	48,000.00	0.00	0.00	96,000.00
BALCONY AND HANDRAILS	15,000.00	15,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30,000.00
LANDING POLES AND BEAMS	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	48,000.00
ROOF REPAIRS	20,000.00	20,000.00	20,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	60,000.00
TOTAL CAPITAL EXPENSES	74,000.00	73,000.00	54,000.00	32,000.00	32,000.00	80,000.00	32,000.00	32,000.00	32,000.00	80,000.00	34,000.00	35,000.00	590,000.00
US TRUSTEE FEES	0.00	0.00	4,875.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,875.00
ADMIN FEES/Legal	125,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	125,000.00
ADMIN FEES/CPA	6,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,000.00	0.00	0.00	0.00	12,000.00
ADMIN FEES/ REP	10,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,000.00
Total Cash Flow	-163,178.48	-20,205.98	-183,497.98	12,432.02	11,459.52	-36,540.48	15,129.02	16,101.52	11,206.52	-29,820.98	21,041.52	22,959.02	-322,914.76
Beginning Cash for August 2014	\$ 589,503.00												
Total Cash Including Security Deposits	\$ 426,324.52 \$ 406,118.54 \$ 222,620.56 \$ 235,052.58 \$ 246,512.10 \$ 209,971.62 \$ 225,100.64 \$ 241,202.16 \$ 252,408.68 \$ 222,587.70 \$ 243,629.22 \$ 266,588.24												

Bay Club Partners-472, LLC dba Midtown on Main Apartments
Plan of Reorganization August 2015 - July 2016

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Total
TOTAL RENTAL INCOME	299,018.17	300,036.33	301,054.50	302,072.67	303,090.83	304,109.00	305,127.17	306,145.33	307,163.50	308,181.67	309,199.83	310,218.00	3,655,417.00
TOTAL OTHER REVENUE	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	398,400.00
TOTAL INCOME	332,218.17	333,236.33	334,254.50	335,272.67	336,290.83	337,309.00	338,327.17	339,345.33	340,363.50	341,381.67	342,399.83	343,418.00	4,053,817.00
TOTAL GENERAL & ADMIN	10,519.00	10,519.00	10,519.00	10,519.00	10,519.00	10,519.00	10,519.00	10,519.00	10,519.00	10,519.00	10,519.00	10,519.00	126,228.00
TOTAL PAYROLL	49,243.00	49,243.00	49,243.00	49,243.00	49,243.00	49,243.00	49,243.00	49,243.00	49,243.00	49,243.00	49,243.00	49,243.00	590,916.00
TOTAL LEASING & MARKETING	8,689.00	8,689.00	8,689.00	8,689.00	8,689.00	8,689.00	8,689.00	8,689.00	8,689.00	8,689.00	8,689.00	8,689.00	104,268.00
TOTAL UTILITIES	26,168.00	26,168.00	26,168.00	26,168.00	26,168.00	26,168.00	26,168.00	26,168.00	26,168.00	26,168.00	26,168.00	26,168.00	314,016.00
TOTAL REPAIRS & MAINTENANC	17,280.00	17,280.00	17,280.00	17,280.00	17,280.00	17,280.00	17,280.00	17,280.00	17,280.00	17,280.00	17,280.00	17,280.00	207,360.00
TOTAL SUPPLY EXPENSE	21,607.00	21,607.00	21,607.00	21,607.00	21,607.00	21,607.00	21,607.00	21,607.00	21,607.00	21,607.00	21,607.00	21,607.00	259,284.00
TOTAL CONTRACT SERVICES	19,477.00	19,505.00	19,533.00	19,561.00	19,589.00	19,617.00	19,645.00	19,673.00	19,701.00	19,729.00	19,757.00	19,785.00	235,571.97
INSURANCE-PROPERTY & CASUALTY	5,264.00	5,264.00	5,264.00	5,264.00	5,264.00	5,264.00	5,277.00	5,527.00	5,527.00	5,527.00	5,527.00	5,527.00	64,746.00
REAL PROPERTY TAXES	17,631.00	17,631.00	17,631.00	17,631.00	17,631.00	17,631.00	17,631.00	17,631.00	18,512.00	18,512.00	18,512.00	18,512.00	215,096.00
TOTAL OPERATING EXPENSES	175,878.00	175,906.00	175,934.00	175,962.00	175,990.00	176,018.00	176,309.00	176,337.00	177,246.00	177,274.00	177,302.00	177,330.00	2,117,485.97
NET OPERATING INCOME	156,340.17	157,330.33	158,320.50	159,310.67	160,300.84	161,291.00	162,018.17	163,008.34	163,117.50	164,107.67	165,097.84	166,088.01	1,936,331.03
Secured Creditor Payment - Interest	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	1,215,000.00
Principal Payment	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	426,660.00
Unsecured Creditors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DEBT SERVICE	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	1,641,660.00
CAPITAL EXPENSE													
APPLIANCES	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	168,000.00
WATER HEATER	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	18,000.00
CARPET/VINYL REPLACEMENT	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	138,000.00
HVAC	8,000.00	7,000.00	3,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	3,000.00	4,000.00	32,000.00
PERSONAL PROPERTY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
POOL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Parking Lot Resurfacing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Roof Repairs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL CAPITAL EXPENSES	35,000.00	34,000.00	30,000.00	28,000.00	28,000.00	28,000.00	28,000.00	28,000.00	28,000.00	28,000.00	30,000.00	31,000.00	356,000.00
US TRUSTEE FEES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ADMIN FEES/Legal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ADMIN FEES/CPA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,000.00	0.00	0.00	0.00	6,000.00
ADMIN FEES/REP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Flow	-15,464.83	-13,474.67	-8,484.50	-5,494.33	-4,504.16	-3,514.00	-2,786.83	-1,796.66	-7,687.50	-697.33	-1,707.16	-1,716.99	-67,328.97

Total Cash Including Security Deposits \$ 251,123.41 \$ 237,648.74 \$ 229,164.24 \$ 223,669.91 \$ 219,165.75 \$ 215,651.75 \$ 212,864.92 \$ 211,068.26 \$ 203,380.76 \$ 202,683.43 \$ 200,976.27 \$ 199,259.27

Bay Club Partners-472, LLC dba Midtown on Main Apartments
Plan of Reorganization August 2016 - July 2017

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Total
TOTAL RENTAL INCOME	311,122.80	312,027.61	312,932.41	313,837.21	314,742.01	315,646.82	316,551.62	317,456.42	318,361.22	319,266.03	320,170.83	321,075.63	3,793,190.60
TOTAL OTHER REVENUE	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	33,200.00	398,400.00
TOTAL INCOME	344,322.80	345,227.61	346,132.41	347,037.21	347,942.01	348,846.82	349,751.62	350,656.42	351,561.22	352,466.03	353,370.83	354,275.63	4,191,590.60
TOTAL GENERAL & ADMIN	10,835.00	10,835.00	10,835.00	10,835.00	10,835.00	10,835.00	10,835.00	10,835.00	10,835.00	10,835.00	10,835.00	10,835.00	130,020.00
TOTAL PAYROLL	50,720.00	50,720.00	50,720.00	50,720.00	50,720.00	50,720.00	50,720.00	50,720.00	50,720.00	50,720.00	50,720.00	50,720.00	608,640.00
TOTAL LEASING & MARKETING	8,949.00	8,949.00	8,949.00	8,949.00	8,949.00	8,949.00	8,949.00	8,949.00	8,949.00	8,949.00	8,949.00	8,949.00	107,388.00
TOTAL UTILITIES	26,953.00	26,953.00	26,953.00	26,953.00	26,953.00	26,953.00	26,953.00	26,953.00	26,953.00	26,953.00	26,953.00	26,953.00	323,436.00
TOTAL REPAIRS & MAINTENANC	17,798.00	17,798.00	17,798.00	17,798.00	17,798.00	17,798.00	17,798.00	17,798.00	17,798.00	17,798.00	17,798.00	17,798.00	213,576.00
TOTAL SUPPLY EXPENSE	22,255.00	22,255.00	22,255.00	22,255.00	22,255.00	22,255.00	22,255.00	22,255.00	22,255.00	22,255.00	22,255.00	22,255.00	267,060.00
TOTAL CONTRACT SERVICES	20,106.88	20,131.76	20,156.64	20,181.52	20,206.41	20,231.29	20,256.17	20,281.05	20,305.93	20,330.82	20,355.70	20,380.58	242,924.74
INSURANCE-PROPERTY & CASUALTY	5,527.00	5,527.00	5,527.00	5,527.00	5,527.00	5,527.00	5,527.00	5,527.00	5,527.00	5,527.00	5,527.00	5,527.00	67,980.00
REAL PROPERTY TAXES	18,512.00	18,512.00	18,512.00	18,512.00	18,512.00	18,512.00	18,512.00	18,512.00	18,512.00	18,512.00	18,512.00	18,512.00	225,848.00
TOTAL OPERATING EXPENSES	181,655.88	181,680.76	181,705.64	181,730.52	181,755.41	181,780.29	182,081.17	182,106.05	183,056.93	183,081.82	183,106.70	183,131.58	2,186,872.74
NET OPERATING INCOME	162,666.93	163,546.85	164,426.77	165,306.69	166,186.61	167,066.53	167,946.45	168,826.37	169,706.29	170,586.21	171,466.13	172,346.05	2,004,717.85
Secured Creditor Payment - Interest	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	101,250.00	1,215,000.00
Principal Payments	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	35,555.00	426,660.00
TOTAL DEBT SERVICE	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	136,805.00	1,641,660.00
CAPITAL EXPENSE													
APPLIANCES	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	168,000.00
WATER HEATER	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	18,000.00
CARPET/VINYL REPLACEMENT	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	11,500.00	138,000.00
HVAC	8,000.00	7,000.00	3,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	32,000.00
PERSONAL PROPERTY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
POOL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Roof Repairs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL CAPITAL EXPENSES	35,000.00	34,000.00	30,000.00	28,000.00	28,000.00	28,000.00	28,000.00	28,000.00	28,000.00	28,000.00	30,000.00	31,000.00	356,000.00
US TRUSTEE FEES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ADMIN FEES/Legal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ADMIN FEES/CPA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,000.00	0.00	0.00	0.00	6,000.00
ADMIN FEES/ REP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Flow	-9,138.07	-7,258.15	-2,378.23	501.69	1,381.61	2,261.53	2,865.45	3,745.37	-2,300.71	4,579.21	3,459.13	3,339.05	1,057.85
Total Cash Including Security Deposits	\$ 190,121.20	\$ 182,863.04	\$ 180,484.81	\$ 180,986.50	\$ 182,368.10	\$ 184,629.63	\$ 187,495.08	\$ 191,240.45	\$ 188,939.74	\$ 193,518.95	\$ 196,978.08	\$ 200,317.13	

CERTIFICATE OF SERVICE

I hereby certify that the foregoing **DEBTOR'S DISCLOSURE STATEMENT (April 11, 2014)** was served on the parties indicated as "ECF" on the attached List of Interested Parties by electronic means through the Court's Case Management/Electronic Case File system on the date set forth below.

In addition, the parties indicated as "Non-ECF" on the attached List of Interested Parties were served by mailing a copy thereof in a sealed, first-class postage prepaid envelope, addressed to each party's last-known address and depositing in the U.S. mail at Portland, Oregon on the date set forth below.

DATED this 11th day of April, 2014.

TONKON TORP LLP

By /s/ Ava L. Schoen

Albert N. Kennedy, OSB No. 821429

Ava L. Schoen, OSB No. 044072

Attorneys for Debtor

LIST OF INTERESTED PARTIES

In re Bay Club Partners-472, LLC
U.S. Bankruptcy Court Case No. 14-30394-rld11

ECF PARTICIPANTS

- CAROLYN J JOHNSEN cjohnsen@jsslw.com, lbourland@jsslw.com
- ALBERT N KENNEDY al.kennedy@tonkon.com, leslie.hurd@tonkon.com;andy.haro@tonkon.com
- AVA L SCHOEN ava.schoen@tonkon.com, larissa.stec@tonkon.com
- US Trustee, Portland USTPRegion18.PL.ECF@usdoj.gov
- LAURA J WALKER lwalker@cablehouston.com, mingram@cablehouston.com

NON-ECF PARTICIPANTS

SECURED CREDITOR

LEGG Mason Real Estate CDO I,
Ltd.
10880 Wilshire Blvd. #1750
Los Angeles CA 90024

LEGG Mason Real Estate CDO I,
Ltd.
c/o Latitude Management Real
Estate Investors, Inc.
Attn: Michael Schlesinger
350 S. Beverly Dr. #300
Beverly Hills CA 90212

**TOP 20 UNSECURED
CREDITORS**

SMD Remodeling LLC
3102 57th Ave.
Phoenix, AZ 85031

HD Supply Facilities
Maintenance, L.T.D.
POB 509058
San Diego, CA 92150-9058

IDT Landscaping LLC
1876 3rd St
Tempe, AZ 85281

J.R. McDade Co. Inc.
1102 N. 21st Ave.
Phoenix, AZ 85009

AZ Partsmaster
POB 23169
Phoenix, AZ 85063

AZ Brite Carpet Care
1602 N Gilbert Rd
Mesa, AZ 85203

Wildcat Fire Protection
2929 Clarendon Ave.
Phoenix, AZ 85017

Apartments Resurfacing
3039 W. Peoria Ave. C102 #115
Phoenix, AZ 85029

P & J's Painting Inc
273 S. Link Creek Rd.
Prescott, AZ 86303

Level One LLC
POB 671476
Dallas, TX 75267-1476

Rainforest Plumbing & Air
127 S. Weber Dr.
Chandler, AZ 85226

Valley Protective Services Inc
POB 11568
Chandler, AZ 85248

Sherwin Williams Co.
2760 E. Main St. #105
Mesa, AZ 85213-9275

Apartment Interior Supply
POB 41570
Mesa, AZ 85274

Maria Gonzales
dba Allshine Cleaning
POB 41253
Mesa, AZ 85274

Burns Pest Elimination Inc
2620 W. Grovers Ave.
Phoenix, AZ 85053

Leslies Poolmart, Inc.
POB 501162
St. Louis, MO 63150

Maintenance Supply Headquarters
POB 301451
Dallas TX 75303

Koglmeier Law Group, PLC
715 Gilbert Rd #2
Mesa AZ 85203

AAA Landlord Services, Inc.
POB 5960
Mesa AZ 85211