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9 IN THE UNITED STATES BANKRUPTCY COURT
10 FOR THE DISTRICT OF OREGON

11 In re

12 The Marshall Group, LLC,

13 Debtor.
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Case No. 08-34585-rld11

TRUSTEE'S SECOND AMENDED
DISCLOSURE STATEMENT

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1 **I. INTRODUCTION**

2 Conrad Myers, Chapter 11 Trustee ("Trustee") for The Marshall Group, LLC
3 ("Debtor"), is seeking acceptance of Trustee's Second Amended Plan of Reorganization (the
4 "Plan") by the creditors of the Debtor's estate. This Second Amended Disclosure Statement (the
5 "Disclosure Statement") describes:

- 6 • Historical information regarding the Debtor and the events leading to its
7 bankruptcy filing.
- 8 • Significant events since the bankruptcy filing.
- 9 • How the Plan proposes to treat claims of the type you hold (*i.e.*, what you
10 will receive on your claim if the Plan is confirmed).
- 11 • Who can vote on or object to the Plan.
- 12 • What factors the Bankruptcy Court (the "Court") will consider when
13 deciding whether to confirm the Plan.
- 14 • Why the Trustee believes the Plan is feasible, and how the treatment of
15 your Claim under the Plan compares to what you would receive on your Claim in liquidation.
- 16 • The effect of confirmation of the Plan.

17 **BRIEF SUMMARY OF PLAN FOR UNSECURED CREDITORS**

18 This Plan is filed under Chapter 11 of the Bankruptcy Code and proposes to pay
19 unsecured creditors who are owed more than \$100.00 from excess cash flow from operation of
20 the Reorganized Debtor's business, after certain other payments to creditors are made. In
21 addition, the Trustee anticipates unsecured creditors will receive the net proceeds from the
22 ultimate sale of the Clinics. Although the amount payable to creditors is very difficult to
23 estimate, the Trustee anticipates there being between \$1 million and \$1.5 million available to pay
24 creditors over a period of 24 to 60 months. Trustee estimates this will lead to a distribution of
25 between 10%-20% (without a discount for the time value of money) to each unsecured creditor.

26 Due to the large number of unsecured creditors with potential claims of less than

1 \$100.00 ("Class 5 Claimants"), Trustee proposes to send an abbreviated disclosure statement and
2 form of ballot attached hereto as Exhibit 1. Class 5 Claimants may either receive (1) a cash
3 payment of 20% of their claim within 30 days of the Effective Date of the Plan; or (2) a voucher
4 for Clinic services equal to the greater of 50% of their claim or \$15.00 within 30 days of the
5 Effective Date of the Plan, such voucher to expire if not used within one (1) year of the date of
6 issuance. Such election must be made within 90 days of the Effective Date or the claim will be
7 deemed waived.

8 The proposed distributions to the Claimants are discussed in Article III of the
9 Plan. The Plan also provides for the payment of Administrative and Priority Claims.

10 All Creditors should refer to the Plan for information regarding the precise
11 treatment of their Claims. This Disclosure Statement also provides detailed information
12 regarding the terms for payment of the Debtor's Creditors and other information designed to
13 assist Creditors in determining whether to accept the Plan. Your rights may be affected. You
14 should read these papers carefully and discuss them with your attorney, if you have one. If you
15 do not have an attorney, you may wish to consult one.

16 This Disclosure Statement has been approved by the United States Bankruptcy
17 Court for the District of Oregon (the "Court") as containing adequate information to permit
18 parties in interest to make informed judgments about whether to vote to accept or reject the Plan.
19 The Court is not permitted to recommend how parties in interest should vote on the Plan, and the
20 approval of this Disclosure Statement by the Court does not indicate that the Court recommends
21 either acceptance or rejection of the Plan. The Court has ruled only that this Disclosure
22 Statement complies with the requirements of the Bankruptcy Code, 11 USC § 101 *et. seq.* (the
23 "Bankruptcy Code").

24 THE TRUSTEE SUPPORTS THE PLAN AND RECOMMENDS THAT YOU
25 VOTE TO ACCEPT IT, IF YOU ARE ENTITLED TO VOTE. IN HIS OPINION, THE
26 TREATMENT OF CREDITORS UNDER THE PLAN PROVIDES GREATER RECOVERY

1 THAN THAT WHICH IS LIKELY UNDER A CHAPTER 7 LIQUIDATION.
2 ACCORDINGLY, THE TRUSTEE BELIEVES THAT APPROVAL OF THE PLAN IS IN THE
3 BEST INTERESTS OF ALL CREDITORS.

4 Please note that terms not specifically defined in this Disclosure Statement shall
5 have the meanings ascribed to them in the Plan.

6 II. BACKGROUND

7 A. Description of Debtor's Business and Corporate Structure.

8 1. Brief Description of Business.

9 The Debtor and its predecessor entities are developer/owners of commercial
10 property and also operate urgent care medical centers in McMinnville and Redmond, Oregon.
11 These urgent care clinic businesses are hereafter referred to as the "McMinnville Clinic" and
12 "Redmond Clinic" or collectively as the "Clinics." The Debtor's real estate interests consisted of
13 a multi-parcel commercial property with frontage on Oregon Route 99W in McMinnville's
14 central business district. The property encompasses a new two-story office structure, an older
15 office building, a home and a restaurant property, plus parking and developable areas
16 ("McMinnville Property"). The McMinnville Clinic operates at the McMinnville Property. As set
17 forth in Section II.B.2 herein, Keeton-King Construction, Inc. and affiliated entities ("Keeton-
18 King") shall own the McMinnville Property and lease it to Debtor as approved by the Court on
19 June 14, 2010, once that transaction is consummated.

20 The Redmond Clinic operates out of real property owned by David Mazzocco
21 ("Mazzocco"). The ownership of the property and the estate's leasehold interest in Redmond was
22 an issue of dispute among the Trustee, Mazzocco and Mark Marshall. The Debtor also formerly
23 operated an urgent care center in Lincoln City, Oregon, which was closed in December 2007.
24 The Lincoln City property is also owned by Mazzocco, and was the subject of a transaction
25 between Mazzocco and an affiliate of the Debtor. The Trustee does not claim any interest in the
26 real property in Lincoln City. For a detailed description of the Debtor's businesses, see the

1 Trustee's Initial Report filed on July 31, 2009 (Docket Number 209). A copy can be obtained
2 from Christopher L. Parnell, attorney for the Trustee.

3 2. Corporate Structure.

4 The Debtor is a limited liability company which is the surviving entity under a
5 roll up agreement entered into in contemplation of the filing of this Case. The parties to that
6 agreement were: The Marshall Group, LLC, Marshall Medical, LLC, Lincoln City Immediate
7 Health Care, LLC, Redmond Immediate Health Care, LLC, McMinnville Immediate Health
8 Care, LLC, Marshall Properties, LLC, Marshall McMinnville, LLC, and M & CJ, LLC. The
9 Debtor's membership interests are held by Mark Marshall and his wife, Kathy Jo Marshall
10 (collectively, "Marshalls"). Mark Marshall is a State Farm Insurance Agent in McMinnville. His
11 insurance agency operates out of the McMinnville Property. Until the appointment of the
12 Trustee, Marshall was the manager and CEO of the Clinics and drew a salary of \$20,000 per
13 month.

14 **B. Events Leading to the Filing of this Case and Significant Events Since**
15 **the Filing.**

16 1. Events Leading Up to the Bankruptcy Filing.

17 The Trustee does not have a significant amount of information on the events
18 leading up to the filing of this Case, so this section will contain limited detail. The Clinics were
19 suffering from issues with accounts receivable management and cash flow. The Debtor was
20 behind on its payroll tax obligations, and the Marshalls claim the Debtor owes private lenders a
21 significant amount of money. The Debtor was also involved in an arbitration with Keeton-King
22 over the construction costs associated with the construction of the buildings in Lincoln City and
23 the McMinnville Property. The combination of these financial strains led the Debtor to file this
24 Case.

25

26

1 2. Events Since the Filing of This Case.

2 a. Case filing.

3 On September 4, 2008, the Debtor filed this Chapter 11 case. The case was filed
4 by McEwen Gisvold, the attorneys who also represented the Marshalls in the Keeton-King
5 arbitration. Shortly after the case was filed, the Debtor hired Gary Scharff to substitute in and
6 become the attorney for the Debtor and Debtor-in-Possession. The U.S. Trustee appointed a
7 committee of unsecured creditors ("Committee"). The following serve on the Committee: Miles
8 Newmark, Randy McCreith, and H.E. Winters.

9 b. Keeton-King Litigation.

10 On February 24, 2009, a stipulation was entered into granting Keeton-King relief
11 from stay to continue with the arbitration. Although the Debtor did not continue as a direct party
12 to the arbitration, a predecessor entity (Lake Plaza, LLC) was a party, as were the Marshalls
13 individually. The arbitration resolved numerous construction related claims and counterclaims
14 between Keeton-King and the Marshalls, but did not address other claims of Keeton-King
15 against the Marshalls and the Debtor. In order to resolve those other claims, Keeton-King
16 commenced Adversary Proceeding Case No. 09-03012-rld7. Debtor and co-defendants asserted
17 counterclaims seeking \$1 million and attorney fees in the adversary proceeding.

18 In September 2009, Keeton-King obtained an award against the Marshalls for
19 approximately \$2.2 million plus interest and attorney fees on its claims in the arbitration
20 proceeding. The Marshalls appealed that award, the award was affirmed, and judgment was
21 entered in state court in June 2010. The Adversary Proceeding shall be resolved as follows, as
22 approved by the Court on June 14, 2010 after notice and hearing:

23 (1) Keeton-King shall be allowed \$4.5 million as a secured claim;

24 (2) Trustee shall convey the McMinnville Property to Keeton-King free and clear
25 of liens as set forth in Trustee's Motion and Notice of Intent to Sell Real Property;

26 (3) Trustee and Keeton-King shall enter into a lease agreement (fully assignable to

1 a buyer) regarding the McMinnville Property with Keeton-King as landlord and Debtor as tenant
2 as set forth in Trustee's Motion for Authority to Enter into Lease Agreement;

3 (4) Keeton-King shall be allowed an unsecured claim in an amount to be
4 determined by the parties or the Court; and

5 (5) the estate and Keeton-King will enter into a settlement agreement and mutual
6 release consistent with the terms outlined above.

7 c. Chapter 11 Trustee Appointment.

8 In April, 2009, the Office of the US Trustee filed a motion for appointment of a
9 Chapter 11 Trustee. The Chapter 11 Trustee appointment, which was stipulated to by the Debtor,
10 grew out of concerns of the United States Trustee (*see* United States Trustee's motion and
11 supporting memorandum of April 15, 2009 regarding appointment of a Chapter 11 Trustee)
12 about the financial and business administration of the Debtor, its accounting and recordkeeping,
13 its poor performance in collecting accounts receivable, the timeliness of Rule 2015 reporting and
14 a conflict of interest involving the Marshalls, principals of the Debtor-in-Possession, whose State
15 Farm insurance office (an entity separate from the Debtor) was occupying a significant portion of
16 the Debtor's property without paying rent to the estate, and other concerns. The Court had also
17 voiced repeatedly its concerns over the Debtor's tardiness in filing its federal tax returns.

18 On May 7, 2009, the Court entered an order appointing Conrad Myers as Chapter
19 11 Trustee. Trustee is an experienced turnaround consultant who often serves as a trustee, a
20 Receiver and in other fiduciary capacities. Trustee's initial charge was to determine if there was
21 a viable business to reorganize. He spent the first two months of his appointment familiarizing
22 himself with the business and its financial and accounting issues. Trustee retained Farleigh Wada
23 Witt, PC to act as legal counsel to the Trustee. On May 18, 2009, the Court entered an order
24 authorizing the employment of Performance Improvement Resources LLC ("PIR") as a
25 professional health care management company. Steve Rallison, the principal of PIR, has acted as
26 CEO, managed the operation of the Clinics and worked to resolve the accounts receivable

1 problems.

2 On July 31, 2009, Trustee filed his initial report. This report spans 23 pages and
3 contains significant detail about the Clinics, and the Trustee's recommendations for moving them
4 forward in a positive direction. Trustee concluded that the Clinics, if stabilized and managed in a
5 professional manner, were likely viable and would be able to repay some of the debts incurred to
6 the taxing authorities and other creditors.

7 d. Mazzocco Adversary Proceeding

8 On September 15, 2009, Trustee filed Adversary Proceeding Case No. 09-03294
9 against Mark Marshall and Mazzocco to resolve disputes related to ownership and leasing of the
10 Redmond Property. This Adversary Proceeding has been resolved as follows, pursuant to court
11 orders dated May 13, 2010 and May 17, 2010:

12 (1) Mazzocco is the rightful owner of the Redmond Property;

13 (2) Trustee and Mazzocco entered into a lease agreement regarding the Redmond
14 Property with Mazzocco as landlord and Debtor as tenant in the form as agreed upon between the
15 parties. The details are included in the Trustee's Motion for Authority to Enter into Lease
16 Agreement;

17 (3) Mazzocco will have an allowed unsecured claim in this case in the amount of
18 \$459,528.00, and Trustee withdrew his objection to claim with prejudice;

19 (4) Trustee paid to Mazzocco the sum of \$14,062.78. This sum represents accrued
20 rents from May 1, 2009 through February 28, 2010, minus a credit for utilities paid by the estate,
21 an abatement for closure due to water damage, and a credit for repairs for water damage
22 advanced by the estate; and

23 (5) The estate and Mazzocco entered into a settlement agreement and mutual
24 release consistent with the terms outlined above. Trustee dismissed the Adversary Proceeding
25 claims against Mark Marshall.

26

1 e. Miscellaneous Events

2 In October 2009 the Committee retained the services of Jeanette Thomas of
3 Perkins Coie to act as legal counsel to the Committee.

4 In early December 2009, a pipe burst at the Redmond Clinic, forcing its closure.
5 The Redmond Clinic reopened on February 9, 2010 after an almost two month closure. Trustee is
6 in the process of settling a loss of business profits claim with State Farm Insurance, with total
7 claim proceeds received to date of \$172,595.38. Trustee anticipates receiving additional claim
8 proceeds of approximately \$28,000 and may pursue litigation for recovery.

9 Since his appointment, the Trustee and PIR have been successful in starting the
10 turnaround process. The Clinics had \$8,000.00 of cash in the bank upon his appointment, and
11 owed significant post-petition taxes and vendor invoices. The Clinics have brought all post-
12 petition taxes and vendor obligations current and have generated funds in the bank of
13 approximately \$270,000, exclusive of Medicare collections which are segregated as IRS's
14 collateral. The accounts receivable continue to be a major problem, and collection of the old
15 accounts has been slower than projected.

16 **C. Disclosure Statement Enclosures.**

17 Accompanying this Disclosure Statement are copies of:

- 18 1. Trustee's proposed Abbreviated Disclosure Statement and Ballot
19 for Class 5 Claimants ("Class 5 Ballot") (Exhibit 1);
- 20 2. the Plan (Exhibit 2);
- 21 3. the Trustee's projections showing the viability of the Plan (Exhibit
22 3);
- 23 4. the Trustee's liquidation analysis (Exhibit 4); and
- 24 5. the Liquidating Trust Agreement (Exhibit 5).

25 **D. Disclaimers.**

26 THE COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES

1 NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OF THE
2 INFORMATION CONTAINED HEREIN NOR AN ENDORSEMENT OF THE PLAN BY
3 THE COURT. THE FINANCIAL INFORMATION WAS PREPARED BY THE TRUSTEE
4 AND HIS COUNSEL. THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT
5 AUTHORIZED BY THE COURT TO BE USED IN CONNECTION WITH THE
6 SOLICITATION OF VOTES ACCEPTING THE PLAN. NO REPRESENTATIONS OTHER
7 THAN THOSE EXPLICITLY SET FORTH IN THIS DISCLOSURE STATEMENT ARE
8 AUTHORIZED CONCERNING THE DEBTOR, INCLUDING WITH RESPECT TO THE
9 VALUE OF ITS ASSETS, OR THE CLAIMS OF ITS CREDITORS. THE INFORMATION
10 CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR
11 PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED
12 UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE
13 PLAN.

14 THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN
15 PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN
16 DOCUMENTS RELATED TO THE PLAN, CERTAIN EVENTS IN THE CASE AND
17 CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE TRUSTEE BELIEVES THAT
18 THIS DISCLOSURE STATEMENT AND RELATED DOCUMENT SUMMARIES ARE FAIR
19 AND ACCURATE, THEY ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET
20 FORTH THE ENTIRE TEXT OF THE PLAN, OR ANY STATUTORY PROVISIONS. THE
21 TERMS OF THE PLAN GOVERN IN THE EVENT OF ANY INCONSISTENCY WITH THIS
22 DISCLOSURE STATEMENT. ALL EXHIBITS TO THIS DISCLOSURE STATEMENT ARE
23 INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF
24 SET FORTH IN FULL HEREIN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE
25 STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS OTHERWISE
26 SPECIFIED, AND THE TRUSTEE DISCLAIMS ANY OBLIGATION TO UPDATE ANY

1 SUCH STATEMENTS AFTER THE HEARING ON CONFIRMATION OF THE PLAN. THE
2 TRUSTEE IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION
3 CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT
4 ANY INACCURACY OR OMISSION.

5 EXCEPT IF SPECIFICALLY NOTED, THE FINANCIAL INFORMATION
6 CONTAINED HEREIN HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC
7 ACCOUNTANT AND HAS NOT NECESSARILY BEEN PREPARED IN ACCORDANCE
8 WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

9 ALL PARTIES IN INTEREST ARE ENCOURAGED TO READ THIS ENTIRE
10 DISCLOSURE STATEMENT CAREFULLY, INCLUDING THE PLAN AND OTHER
11 EXHIBITS, BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN.
12 HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD, HOWEVER, NOT
13 CONSTRUE THE CONTENTS OF THE DISCLOSURE STATEMENT AS PROVIDING ANY
14 LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE AND SHOULD CONSULT WITH
15 THEIR OWN ADVISORS.

16 III. DESCRIPTION OF PLAN

17 A. What is the Purpose of the Plan of Reorganization?

18 As required by the Code, the Plan places Claims in various classes and describes
19 the treatment each class will receive. Claims against the Estate consist of Administrative
20 Expense Claims, Priority Tax Claims, Secured Claims, Unsecured Claims (consisting primarily
21 of refund claims), and Membership Interests. If the Plan is confirmed, your recovery will be
22 limited to the amount provided by the Plan.

23 B. Explanation of Classes of Claims.

24 1. Classes of Secured Claims.

25 Allowed Secured Claims are Claims secured by property of the Debtor's
26 bankruptcy estate (or that are subject to setoff) to the extent allowed as Secured Claims under 11

1 USC ("Code") Section 506. If the value of the collateral or setoffs securing the Creditor's Claim
2 is less than the amount of the Creditor's Allowed Claim, the deficiency will be classified as a
3 General Unsecured Claim.

4 2. Classes of Priority Unsecured Claims.

5 Certain Priority Claims that are referred to in Code § 507(a) are required to be
6 placed in classes. The Code requires that each holder of such a Claim receive cash on the
7 Effective Date of the Plan equal to the allowed amount of such Claim. However, a class of
8 holders of such Claims may vote to accept different treatment. The Trustee does not believe that
9 any such Claims exist.

10 3. Classes of General Unsecured Claims.

11 General Unsecured Claims are not secured by property of the estate and are not
12 entitled to priority under Code Section 507(a).

13 **C. Treatment of Claims Under the Plan.**

14 1. Unclassified Claims.

15 Administrative Expense Claims and Priority Tax Claims are not classified. They
16 are not considered impaired, and holders of such Claims do not vote on the Plan. They may,
17 however, object if, in their view, their treatment under the Plan does not comply with that
18 required by the Code.

19 a. Administrative Expenses.

20 The following is a list of the estimated administrative expenses and their
21 treatment under the Plan:

22 i. Expenses Arising in the Ordinary Course of Business After
23 the Petition Date.

24 These will be paid in full on the Effective Date of the Plan, or according to terms
25 of the obligation, if later.

26 ii. Professional Fees.

1 Trustee estimates the following Professional Fees may be owed as of the
2 Confirmation Date, subject to notice and Court approval:

3 • Farleigh Wada Witt ("Farleigh"), attorneys for the Chapter
4 11 Trustee – approximately \$145,000.

5 • Perkins Coie ("Perkins"), attorneys for the Unsecured
6 Creditors Committee – approximately \$48,000.

7 • Gary Scharff ("Scharff"), former attorney for the Debtor,
8 shall receive approximately \$24,000 in addition to the \$29,406.37 he was previously awarded by
9 the Court and has already been paid.

10 • Trustee - approximately \$225,000.

11 • Vierck & Rakoski, CPAs, PC ("V&R"), former accountants
12 for the Debtor – approximately \$78,000. Trustee is examining the V&R billings and their
13 appropriateness.

14 These fees shall be paid as follows: (i) Trustee, Farleigh, V&R and Perkins shall
15 receive the lesser of 50% of their Professional Fees within five (5) business days after such
16 Professional Fees have been approved by the Court, or such amount as can be paid from Free
17 Cash Flow, with the remaining balance of such Professional Fees paid in six (6) subsequent
18 monthly payments following the date such fees were approved to extent there is sufficient Free
19 Cash Flow; and (ii) Scharff shall receive the unpaid balance of his Professional Fees in four (4)
20 equal monthly payments beginning on the third month following the Effective Date and ending
21 on the sixth month following the Effective Date to the extent there is sufficient Free Cash Flow.
22 To the extent there is not sufficient Free Cash Flow, Trustee and Farleigh shall defer such
23 payments as may be necessary to maintain the minimum working capital reserve projected.

24 iii. Other Administrative Expense Claims.

25 These will be paid in full on the Effective Date of the Plan, or according to
26 separate written agreement.

1 iv. Office of the U.S. Trustee Fees.

2 These fees are estimated to be \$4,875.00 and will be paid in full on the Effective
3 Date of the Plan to the extent that any pre-confirmation fees remain unpaid. Additionally,
4 payment of such fees to the U.S. Trustee continues until the case is closed or converted.

5 b. Priority Tax Claims.

6 Taxing authorities IRS, ODR, and Oregon Employment Department ("OED")
7 have filed proofs of claim for taxes and penalties. Treatment of these claims under the Plan is as
8 follows:

9 i. IRS filed a proof of claim for \$592,727.62. The penalty
10 portion of the IRS claim of approximately \$125,000 shall be treated as an Unsecured Claim and
11 subordinated and placed in Class 6 as set forth below and in the Plan. The secured portion of the
12 claim shall be placed in Class 1 and treated as set forth below and in the Plan. The remainder of
13 the claim shall be treated as an Allowed Priority Tax Claim.

14 ii. ODR filed a proof of claim in the amount of \$54,567.71.
15 Trustee objected to the ODR claim and it has been disallowed.

16 iii. OED has filed a proof of claim in the amount of
17 \$27,112.36, which amount shall be treated as an Allowed Priority Tax Claim.

18 Once the Allowed Administrative Expense Claims are paid in full, the Priority
19 Tax Claim amounts due shall be amortized over the period beginning with the commencement
20 date of payments as set forth below and ending September 8, 2013. The payment of such Priority
21 Tax Claims, including simple interest at the applicable statutory rate, shall be made in equal
22 monthly payments (i) beginning in the first full month following the payment in full of all
23 Allowed Administrative Expense Claims as set forth in Section 2.1.2; and (ii) ending no later
24 than September 8, 2013.

25

26

1 2. **Classified Claims.**

2 a. Class 1 – Allowed Secured Claim of IRS.

3 The IRS has an Allowed Secured Claim arising from offset rights on the Medicare
4 Receivables from the Clinics. The Trustee estimates the amount of the IRS' Allowed Secured
5 Claim will be approximately \$29,700 on the Effective Date. IRS will receive \$10,000 within ten
6 (10) days of the Effective Date, and the balance shall be paid in six equal monthly installments
7 with interest at the statutory rate of interest commencing on the 60th day after the Effective Date.

8 b. Class 2 – Allowed Secured Claim of Keeton-King.

9 Keeton King holds a secured claim against the McMinnville Property arising out
10 of a series of secured notes. Trustee filed a motion to sell the McMinnville Property free and
11 clear of liens other than real estate taxes under Code Section 363(f), on a credit bid basis under
12 Code Section 363(k), which motion was approved by the Court on June 14, 2010, after notice
13 and hearing. Once the McMinnville Property transaction is consummated, Keeton-King will
14 have no further Allowed Secured Claim. After transfer of the McMinnville Property to Keeton-
15 King, the Debtor or the Reorganized Debtor will enter into a lease of the McMinnville Property
16 as agreed upon by Keeton-King and the Trustee, and approved by the Court on June 14, 2010.

17 c. Class 3 – Allowed Secured Claim of Summit Leasing.

18 Class 3 consists of the Allowed Secured Claim of Summit Leasing arising from
19 expired leases for the Leased Equipment. Debtor has returned certain Leased Equipment to
20 Summit Leasing. Summit shall have an allowed secured claim of \$42,500 and shall receive the
21 following:

22 (A) Summit Leasing shall receive \$1,000 in May 2010 as an adequate
23 protection payment;

24 (B) Summit Leasing shall receive 23 monthly payments of \$1,750
25 commencing in June 2010, followed by a final payment of \$2,250; and

26 (C) Summit Leasing and the Reorganized Debtor will enter into an installment

1 sale agreement, settlement agreement and UCC-1 Financing Statement to effectuate Summit
2 Leasing's treatment hereunder.

3 Following the completion of the above payments, title to the Leased Equipment
4 will vest in Reorganized Debtor.

5 d. Class 4 – General Unsecured Claims.

6 Debtor's Amended Schedules list Unsecured Nonpriority Claims totaling
7 approximately \$5 million. It is difficult to determine the actual amount of Allowed Unsecured
8 Claims for two primary reasons. If the motion to sell the McMinnville Property to Keeton-King
9 for \$4.5 million is approved, Trustee estimates Keeton-King's asserted unsecured claim will be
10 between \$2.5 and \$6.5 million. Trustee has agreed to allow an unsecured claim to David
11 Mazzocco in the amount of \$459,528, which has been approved by the Court. Trustee has filed
12 motions to settle and compromise to allow an unsecured claim to Charles Winters in the amount
13 of \$300,000 (scheduled at \$1,500,000) and an unsecured claim to Colin Gregory in the amount
14 of \$50,000 (scheduled at \$100,000), both of which proposed settlements Keeton-King has filed
15 objections to, but which objections Trustee believes will be withdrawn prior to the Confirmation
16 Hearing. Trustee has agreed to allow an unsecured claim to Summit Leasing in the amount of
17 \$90,452.79, subject to Court approval.

18 Second, Debtor's Schedule F contains over 170 pages of creditors who may be
19 entitled to refunds from the Clinics, many of which Trustee anticipates will participate in Class 5
20 for Allowed Convenience Claims.

21 Trustee estimates that Class 4 claims will range from a low amount of \$3.4
22 million up to a high amount of \$7 million. Trustee further estimates there will be a distribution of
23 between 10%-20% (without a discount for the time value of money) to each unsecured creditor.
24 Unsecured creditors will be paid from two sources:

25 i. Payments From Free Cash Flow: To the extent the Clinics
26 generate Free Cash Flow during the Operating Period, the Reorganized Debtor shall make

1 disbursements to the Class 4 creditors on a periodic basis, but not more often than every three (3)
2 months. No such payments shall be made until all Administrative Claims are paid in full and
3 Priority Tax Claimants have received at least three (3) monthly payments on account of their
4 Allowed Priority Tax Claims as set forth in Section 2.2; and

5 ii. Net Proceeds from Sale of Business: In the event
6 Reorganized Debtor's business is sold, and after the Allowed IRS Secured Claim, Allowed
7 Administrative Expense Claims, Allowed Priority Tax Claims, Allowed Summit Leasing
8 Secured Claim and Costs of Sale have been paid in full, the remaining net proceeds from the sale
9 of Reorganized Debtor's business shall be paid to holders of Allowed Unsecured Claims on a pro
10 rata basis. Sale of Reorganized Debtor's business is discussed in further detail in Section VI.E.
11 herein.

12 e. Class 5 – Allowed Convenience Claims.

13 Debtor's Schedule F contains over 170 pages of creditors with Unsecured
14 Nonpriority Claims who may entitled to refunds from the Clinics, many of which Trustee
15 anticipates will elect to participate in Class 5 for Allowed Convenience Claims. Most of these
16 refund claims are less than \$100.00. A reserve fund in the amount of \$8,000.00 shall be set aside
17 for payment of Allowed Convenience Claims. Each Person holding an Allowed Unsecured
18 Claim in an amount equal to or less than \$100.00, or holding an Allowed Unsecured Claim in
19 excess of \$100.00 who wishes to reduce such claim to \$100.00, must elect to assert such
20 Allowed Convenience Claim by following the process set forth below.

21 A Class 5 Ballot shall be sent to each claimant listed in Debtor's Schedules or
22 records as potentially having an unsecured claim for less than \$100.00 related to a refund for
23 payments to the Clinics. Distributions shall be made as follows based on the election chosen on
24 the Class 5 Ballot: (a) each Person holding an Allowed Convenience Claim may elect to receive
25 in complete settlement, satisfaction and discharge of its Claim a cash payment equal to 20% of
26 such Allowed Convenience Claim, such payment to be made within 30 days of the Effective

1 Date of the Plan; or (b) alternatively, each Person holding an Allowed Convenience Claim may
2 choose to receive a voucher for medical services at the Clinics equivalent to the greater of 50%
3 of their Allowed Convenience Claim or \$15.00 within 30 days of the Effective Date of the Plan,
4 such voucher to be used within one (1) year from the date of issuance. Notwithstanding anything
5 to the contrary, no cash distribution shall be made on any claim of less than \$5.00, although
6 vouchers will be issued for such claims.

7 An election to reduce an Allowed Unsecured Claim is irrevocable and the Person
8 who made such election may not seek treatment or vote as a member of Class 4. All Claimants
9 holding Unsecured Claims that elect to reduce their Class 4 Claims as described herein are
10 members of Class 5 for voting and distribution purposes.

11 The Class 5 claimants must provide the Trustee with the Convenience Claim
12 election by mailing, faxing or emailing a signed copy of the Class 5 Ballot to Trustee's counsel
13 as instructed on the Class 5 Ballot. Any such election must be made within 90 days of the
14 Effective Date or the claim shall be deemed waived.

15 f. Class 6 – Subordinated Tax Claim.

16 The IRS' Subordinated Tax Claim of approximately \$125,000 is unsecured and
17 shall be paid only after all amounts owed to Claimants holding Class 4 claims have been paid in
18 full.

19 g. Class 7 – Interest Holders.

20 The Marshalls each hold a 50% membership interest in Debtor. On the Effective
21 Date, the Interests of the Marshalls shall be cancelled and re-issued to the Liquidating Trust. As
22 of the Effective Date, the sole member of Debtor shall be the Liquidating Trust. The Marshalls
23 shall receive no payment for their Interests. The Interests shall be reissued to the Liquidating
24 Trust for the benefit of priority and unsecured claims.

25 **IV. ALLOWANCE AND DISALLOWANCE OF CLAIMS**

26 **A. Disputed Claims.**

1 A Disputed Claim is a Claim that has not been allowed or disallowed by a Final
2 Order, and as to which either: (i) a proof of claim has been filed or deemed filed, and the Debtor
3 or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the
4 Debtor has scheduled such Claim as disputed, contingent, or unliquidated.

5 No distribution will be made on account of a Disputed Claim until such claim is
6 allowed by a Final Order.

7 **B. Settlement of Disputed Claims.**

8 The Trustee will have the power and authority to settle and compromise a
9 Disputed Claim with Court approval and compliance with Rule 9019 of the Federal Rules of
10 Bankruptcy Procedure.

11 **V. PROVISIONS FOR EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

12 **A. Assumed Executory Contracts and Unexpired Leases.**

13 The Trustee shall not assume any of the Debtor's executory contracts and
14 unexpired leases (including all amendments, extensions or renewals and replacements thereof).

15 **B. All Other Executory Contracts and Unexpired Leases Rejected.**

16 Except as otherwise provided in the Plan or in the Confirmation Order, effective
17 as of the Effective Date, all other executory contracts and unexpired leases of Debtor (excluding
18 only those executory contracts and unexpired leases that are assumed pursuant to Court order
19 entered prior to the Confirmation Date and those that are the subject of separate motions to
20 assume filed by Debtor prior to the Confirmation Date including but not limited to leases with
21 Keeton-King and Mazzocco) will be deemed to be automatically rejected as of the Confirmation
22 Date.

23 **C. Avoidance Actions.**

24 Trustee has completed an analysis of possible preference and fraudulent
25 conveyance actions and has identified two potentially viable preferential transfer claims. First,
26 Health Care Management Associates, LLC received transfers from Debtor of approximately

1 \$39,000 within 90 days of the Petition Date. Second, insider Mark Marshall received transfers
2 from Debtor of over \$640,000 within one year of the Petition Date. Summit Leasing received
3 transfers within 90 days of the Petition Date, but is a secured creditor and Trustee has agreed on
4 a settlement as set forth in Section III.C.2.c, whereby Trustee agrees to waive any claims against
5 Summit Leasing.

6 Trustee has not budgeted legal or accounting fees to pursue preference claims, but
7 has also not budgeted for any recovery. If such claims were pursued, the fees would presumably
8 be covered by any recoveries. The Plan preserves all avoidance actions to the extent they exist.

9 **D. Claims for Rejection Damages.**

10 Claims for damages arising because of the rejection of executory contracts or
11 unexpired leases will be classified and treated as Allowed General Unsecured Claims (Class 4);
12 provided, however, that any such Claims will be deemed disallowed, barred forever and not
13 enforceable against Debtor or any property of the Estate unless a proof of claim is filed with the
14 Court and served on the Trustee and his attorneys within 30 days after the Confirmation Date
15 (except that if a different date for filing proof of any particular such Claim has been fixed by a
16 Court order entered prior to the Confirmation Date, then by the date so fixed in such Court
17 order). Objections to any such proof of claim must be filed by the Trustee not more than 60 days
18 after such proof of claim is filed and served or it will be deemed allowed as filed.

19 **VI. POST-CONFIRMATION OPERATION AND IMPLEMENTATION**
20 **OF THE PLAN**

21 **A. Post-Confirmation Operations.**

22 Reorganized Debtor shall be managed by the Manager, who will be supervised by
23 the Liquidating Trustee. An Advisory Committee consisting of Colin Gregory, Arland Keeton,
24 Randy McCreith, Miles Newmark, and H.E. Winters, or their respective designees, shall have
25 powers of oversight over the Manager and Liquidating Trustee. The precise duration of the
26 operating period of Reorganized Debtor is flexible, and the Advisory Committee and Liquidating

1 Trustee shall exercise reasonable business judgment to determine when to sell Reorganized
2 Debtor's business to a third party.

3 **B. Liquidating Trust.**

4 On the Effective Date, the Debtor's membership units will be issued in the name
5 of the Liquidating Trust. The Liquidating Trust shall be managed by the Liquidating Trustee and
6 administered in accordance with the Liquidating Trust Agreement, a draft of which is attached
7 hereto as Exhibit 5 and which shall be filed with the Court prior to the Confirmation Hearing.

8 **C. Management of Reorganized Debtor.**

9 1. Overview.

10 In general terms, the powers and duties of the Manager, Liquidating Trustee, and
11 Advisory Committee shall be as follows. The Manager of Reorganized Debtor shall continue to
12 be responsible for day-to-day operations. The Liquidating Trustee shall be responsible for
13 supervising the Manager, ensuring that Plan distributions are made, and taking such other steps
14 as may be necessary to effectuate the Plan. The Advisory Committee shall have powers of
15 oversight over the Manager and Liquidating Trustee, and shall keep creditors reasonably
16 informed of Reorganized Debtor's status.

17 2. Manager.

18 The Manager shall continue to be Performance Improvement Resources, whose
19 management services were previously approved by the Court in this Case, on the same terms as
20 provided for under its current contract or as mutually agreed in a modified contract. Thereafter,
21 the Liquidating Trustee shall have the right to select and employ a different manager and/or
22 engage an employee of Manager or Reorganized Debtor as manager as he deems appropriate.

23 3. Advisory Committee.

24 The Advisory Committee shall meet quarterly with the Liquidating Trustee to
25 review the Reorganized Debtor's operations. The Advisory Committee will have authority to act
26 as an advisory board of directors, and shall have powers of oversight of the Liquidating Trustee

1 and Manager.

2 4. Liquidating Trustee.

3 The Liquidating Trustee shall be empowered and directed to exercise such powers
4 which the Liquidating Trustee in his discretion deems reasonably necessary to effectuate this
5 Plan and to directly supervise the Manager. The Liquidating Trustee must obtain Advisory
6 Committee approval (by a majority vote of the Advisory Committee) for significant actions
7 outside the ordinary course of business including, but not limited to, the following:

8 a. The sale of the Reorganized Debtor's business to a third
9 party;

10 b. Compromise of any Claims over \$20,000.00;

11 c. Compromise of any Avoidance Claims if the proposed
12 settlement is in excess of \$20,000.00;

13 d. Capital expenditures over \$10,000.00;

14 e. Relocation of Reorganized Debtor or opening of new
15 business; and

16 f. Decision to change manager or engage an employee as
17 manager.

18 Myers shall be engaged as Liquidating Trustee of the Liquidating Trust on the
19 Effective Date. Myers shall receive compensation of the lesser of \$3,000.00 per month or his
20 hourly rate and shall serve as Liquidating Trustee at least until the Administrative Expense
21 Claims are paid in full. Upon payment of the Administrative Expense Claims in full, (a) the
22 Advisory Committee may choose to elect a new Liquidating Trustee or elect to retain Myers if he
23 has not otherwise resigned; or (b) Myers may resign as Liquidating Trustee by providing ten (10)
24 days notice to the Advisory Committee.

25 **D. Leases.**

26

1 1. McMinnville Property.

2 Reorganized Debtor will enter into a lease with Keeton-King prior to the
3 Confirmation Date for tenancy in the McMinnville Property as approved by the Court on June
4 14, 2010, which lease shall be fully assignable to a buyer upon the sale of Reorganized Debtor's
5 business.

6 2. Redmond Property.

7 Reorganized Debtor has entered into a lease with David Mazzocco for tenancy in
8 the Redmond Property, which lease shall be fully assignable to a buyer upon the sale of
9 Reorganized Debtor's business.

10 **E. Sale of Business.**

11 The Clinics are still in the process of turnaround and have now been in the hands
12 of new management (Trustee and Performance Improvement Resources) for approximately 13
13 months as of June 2010. Revenues, collections, operating efficiency and care standards have
14 improved substantially since the Trustee's takeover of management. However, Debtor's business
15 has not yet achieved its potential nor an adequate maturation of earnings in order to be ready for
16 sale.

17 It is anticipated that the Liquidating Trustee will further analyze whether a sale of
18 the Reorganized Debtor's business is advisable within 24 - 48 months, at the discretion of the
19 Liquidating Trustee and Advisory Committee.

20 **VII. VOTING REQUIREMENTS**

21 The Bankruptcy Court may confirm the Plan only if it determines the Plan meets
22 the technical requirements of Chapter 11 of the Code. In order to confirm the Plan, the Code
23 requires the Court to find, among other things, that the Plan has been accepted by the requisite
24 votes of all Classes of Impaired Claims unless approval will be sought under Section 1129(b) of
25 the Code in respect of one or more dissenting Classes, which may be the case under the Plan.

26 **A. Voting Deadline.**

1 This Disclosure Statement and the appropriate Ballot are being distributed to all
2 holders of Claims who are entitled to vote on the Plan.

3 **In accordance with the Disclosure Statement Approval Order, in order to be**
4 **considered for purposes of accepting or rejecting the Plan, all Ballots must be actually**
5 **received by Farleigh Wada Witt; Attn: Diane Fallon (the "Voting Agent") no later than**
6 **4:30 p.m. (Pacific Daylight Time) on _____ (the "Voting Deadline"). Only those**
7 **Ballots actually received by the Voting Deadline will be counted as either accepting or**
8 **rejecting the Plan.**

9 **B. Holders of Claims Entitled to Vote.**

10 Under Section 1124 of the Code, a class of claims or interests is deemed to be
11 "impaired" under a plan unless (1) the plan leaves unaltered the legal, equitable and contractual
12 rights to which such claim or interest entitled the holder thereof, or (2) notwithstanding any legal
13 right to an accelerated payment of such claim or interest, the plan (a) cures all existing defaults
14 (other than defaults resulting from the occurrence of events of bankruptcy), (b) reinstates the
15 maturity of such claim or interest as it existed before the default, (c) compensates the holder of
16 such claim or interest for any damages resulting from such holder's reasonable reliance on such
17 legal right to an accelerated payment, and (d) does not otherwise alter the legal, equitable, or
18 contractual rights to which such claim or interest entitles the holder of such claim or interest.

19 In general, a holder of a claim or interest may vote to accept or reject a plan if (1)
20 the claim or interest is "allowed," which means that it is not disputed, contingent, or unliquidated
21 and (2) the claim or interest is impaired by a plan. If the holder of an impaired claim or interest
22 will not receive any distribution under the Plan, the Code deems such holder to have rejected the
23 Plan and provides the holder of such claim or interest is not entitled to vote. If the claim or
24 interest is not impaired, the Code conclusively presumes that the holder of such claim or interest
25 has accepted the Plan and provides that the holder is not entitled to vote.

26 The holder of a Claim against the Debtor that is "impaired" under the Plan is

1 entitled to vote to accept or reject the Plan if (1) the Plan provides a distribution in respect of
2 such Claim and (2)(a) the Claim has been scheduled by Debtor in his bankruptcy schedules filed
3 with the Court and such Claim is not scheduled as disputed, contingent or unliquidated, or (b) the
4 holder has timely filed a Proof of Claim pursuant to Sections 502(a) and 1126(a) of the Code and
5 Rules 3003 and 3018 and that Claim is not the subject of an objection, unless temporarily
6 allowed by the Court.

7 A vote may be disregarded if the Court determines, pursuant to Section 1126(e) of
8 the Code that it was not solicited or procured in good faith or in accordance with the provisions
9 of the Code.

10 Holders of Claims in Classes 1 through 6 are impaired by the Plan and are entitled
11 to vote on the Plan.

12 **C. Vote Required for Acceptance by a Class.**

13 As a condition to confirmation, the Code requires that each Class of impaired
14 Claims vote to accept the Plan, except under certain circumstances.

15 Section 1126(c) of the Code defines acceptance of a plan by a class of impaired
16 claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in
17 number of claims in that class, but for that purpose, counts only those who actually vote to
18 accept or reject the Plan. Thus, a class of claims will have voted to accept their Plan only if two-
19 thirds in dollar amount and a majority in number actually voting cast their ballots in favor of
20 acceptance. Holders of claims who fail to vote are not counted as either accepting or rejecting a
21 plan.

22 **D. Voting Procedures.**

23 1. Ballots.

24 All votes to accept or reject the Plan with respect to any Class of Claims must be
25 cast by properly submitting the duly completed and executed form of Ballot. Holders of impaired
26 Claims voting on the Plan should complete and sign the Ballot in accordance with the

1 instructions thereon, being sure to check the appropriate box entitled "ACCEPT the Plan" or
2 "REJECT the Plan."

3 Any Ballot received which does not indicate either an acceptance or rejection of
4 the Plan or which indicates both acceptance and rejection of the Plan shall not be counted.

5 Any Ballot received which is not signed or which contains insufficient
6 information to permit the identification of the claimant shall be an invalid Ballot and shall not be
7 counted for purposes of determining acceptance or rejection of the Plan.

8 Ballots must be delivered to the Voting Agent, at the address set forth on the
9 Ballot form, and received by the Voting Deadline. Faxed Ballots will only be counted if the
10 faxed Ballot is received before the Voting Deadline and the original Ballot is postmarked by the
11 Voting Deadline and received within three (3) business days. The method of such delivery is at
12 the election and risk of the holder. If such delivery is by mail, it is recommended that holders use
13 an air courier with a guaranteed next day delivery or registered mail, properly insured, with
14 return receipt requested. In all cases, sufficient time should be allowed to assure timely delivery.

15 In accordance with Rule 3018(c) of the Bankruptcy Rules, the Ballots are based
16 on Official Form No. 14, but have been modified to meet the particular needs of this case. Please
17 carefully follow the directions contained on the enclosed Ballot.

18 2. Withdrawal or Change of Votes on the Plan.

19 A Ballot may be withdrawn by delivering a written notice to the Voting Agent, so
20 that the Voting Agent receives such notice prior to the Voting Deadline. Thereafter, withdrawal
21 may be effected only with the approval of the Bankruptcy Court. In order to be valid, a notice of
22 withdrawal must (i) specify the name of the holder who submitted the votes on the Plan to be
23 withdrawn, (ii) contain the description of the Claims to which it relates, and (iii) be signed by the
24 holder in the same manner as on the Ballot. The Trustee expressly reserves the absolute right to
25 contest the validity of any such withdrawals of votes on the Plan.

26 Any holder who has submitted to the Voting Agent prior to the Voting Deadline a

1 properly completed Ballot may change such vote by submitting to the Voting Agent prior to the
2 Voting Deadline a subsequent properly completed Ballot for acceptance or rejection of the Plan.
3 In the case where more than one timely, properly completed Ballot is received with respect to the
4 same Claim, the Ballot that bears the latest date will be counted for purposes of determining
5 whether sufficient acceptances required to confirm the Plan have been received.

6 3. Voting Multiple Claims.

7 Only one form of Ballot is provided for voting the various Classes of Claims. Any
8 person who holds Claims in more than one Class or multiple Claims within a Class is required to
9 vote separately with respect to each Claim. Please sign and return, in accordance with the
10 instructions on the Ballot form, a separate Ballot with respect to each such Claim. Only Ballots
11 with original signatures will be accepted. Ballots with copied signatures will not be accepted.

12 **VIII. CONFIRMATION OF THE PLAN**

13 **A. Confirmation Hearing.**

14 The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a
15 confirmation hearing with respect to the Plan. At the confirmation hearing with respect to the
16 Plan, the Bankruptcy Court will confirm the Plan only if all of the requirements of Section 1129
17 of the Bankruptcy Code described below are met.

18 The confirmation hearing has been scheduled to begin on August 16, 2010 at 9:00
19 a.m. (prevailing Pacific Time) before the Honorable Randall L. Dunn, United States Bankruptcy
20 Court, District of Oregon, 1001 SW Fifth Avenue, Suite 700, Portland, Oregon 97204. The
21 confirmation hearing may be adjourned from time to time by the Bankruptcy Court without
22 further notice, except for an announcement of the adjourned date made at the confirmation
23 hearing.

24 **B. Deadline for Objecting to Confirmation.**

25 Any objection to the confirmation of the Plan must be made in writing, specify in
26 detail (i) the name and address of the objector, (ii) all grounds for the objection, and (iii) the

1 amount of the Claim held by the objector. Any such objection must be filed with the Bankruptcy
2 Court, with a copy to Judge Dunn's chambers, and served so that it is actually received by the
3 Bankruptcy Court, chambers, and the following parties on or before_____: (i) counsel for
4 Trustee, Attn: Christopher L. Parnell, Farleigh Wada Witt, 121 SW Morrison Street, Suite 600,
5 Portland, Oregon 97204; and (ii) Office of the United States Trustee, 620 SW Main Street, Room
6 213, Portland, Oregon, 97205.

7 **C. Requirements for Confirmation of the Plan.**

8 Among the requirements for confirmation of the Plan are that the Plan (i) is
9 accepted by all impaired Classes of Claims or, if rejected by an impaired Class, that the Plan
10 "does not discriminate unfairly" and is "fair and equitable" as to such Class; (ii) is feasible; and
11 (iii) is in the "best interests" of creditors and interest holders that are impaired under the Plan.

12 1. Requirements of Section 1129(a) of the Bankruptcy Code.

13 Confirmation of a Chapter 11 Plan centers around Section 1129 of the Bankruptcy
14 Code. Please refer to 11 USC § 1129(a) for the requirements. Because the statutory provisions
15 are extensive and complicated, you are encouraged to consult with your legal advisor concerning
16 the applicable law.

17 The Trustee believes that the Plan meets all the applicable requirements of
18 Section 1129(a) of the Bankruptcy Code other than those pertaining to voting which has not yet
19 taken place.

20 2. Acceptance by Impaired Classes.

21 Classes 1 through 6 are impaired under the Plan and entitled to vote or accept or
22 reject the Plan. The Trustee reserves the right to seek nonconsensual confirmation of the Plan
23 with respect to any Class of Claims that is entitled to vote to accept or reject the Plan if such
24 Class rejects the Plan under Section 1129(b) of the Bankruptcy Code.

25 3. Best Interests of Creditors and Liquidation Analysis.

26 Section 1129(a)(7) of the Bankruptcy Code requires that any holder of an

1 impaired claim or interest voting against a proposed Plan must be provided in the Plan with a
2 value, as of the effective date of the Plan, at least equal to the value that the holder would receive
3 if the Debtor's assets were liquidated under Chapter 7 of the Bankruptcy Code. To determine
4 what the holders of Claims in each impaired Class would receive if Debtor's assets were
5 liquidated, the Bankruptcy Court must determine the dollar amount that would be generated from
6 a liquidation of his assets in the context of a hypothetical liquidation. Such determination must
7 take into account the fact that secured Claims, and any costs and expenses resulting from the
8 original Chapter 11 case and from the Chapter 7 case would have to be paid in full from the
9 liquidation proceeds before the balance of those proceeds were made available to pay the
10 unsecured Claims. In addition, in a Chapter 7, certain "priority" unsecured claims must be paid in
11 full (without post-petition interest or penalties) before other unsecured claims.

12 To determine if a Plan is in the best interests of each impaired Class, the present
13 value of the distributions from the proceeds of the hypothetical liquidation of the assets (after
14 subtracting the amount attributable to secured claims, administrative costs of the Bankruptcy
15 Case and unclassified priority unsecured claims) must be compared with the present value of the
16 consideration offered to such classes under the Plan.

17 After consideration of the effect that a Chapter 7 liquidation would have on the
18 ultimate proceeds available to Debtor's creditors (including (i) increased cost and expenses of
19 liquidation under Chapter 7 arising from fees payable to the Chapter 7 trustee and the attorneys
20 and other professional advisors to such trustee, including those fees necessitated by the Chapter 7
21 trustee's professionals having to educate themselves regarding the basic facts and circumstances
22 to the Chapter 11 case; (ii) the fees and expenses associated with motions and other pleadings
23 regarding sales of the property that would require approval by the bankruptcy court; (iii) the
24 relatively lower prices at which a Chapter 7 trustee would be pressured to take for the assets
25 without the ability to generate cash flow pending ultimate sale; and (iv) the inflexibility of a
26 Chapter 7 trustee to entertain sales involving land sale contracts or other financing

1 arrangements), the Trustee has determined that confirmation of the Plan will provide each holder
2 of a Claim in an impaired Class entitled to vote on the Plan with a greater recovery than such
3 holder would receive under a Chapter 7 liquidation of the Debtor's assets.

4 The Trustee estimates that in liquidation under Chapter 7 holders of non-priority
5 unsecured Claims (Classes 4 and 5) would receive nothing (0%) on account of their Claims. In
6 fact, the Trustee estimates that only Chapter 7 administrative claims would be paid in full, and
7 Chapter 11 administrative claims will receive only a pro rata recovery. Priority tax claims would
8 also receive nothing in a Chapter 7 case. In contrast, under the Plan, priority tax claims are
9 projected to be paid in full, and holders of Claims in Class 4 and 5 may receive 10% to 20% of
10 their allowed claims over a period of 2-5 years. Attached hereto as Exhibit 4 is a liquidation
11 analysis demonstrating that general unsecured creditors would receive 0% in a hypothetical
12 Chapter 7 liquidation case.

13 4. Feasibility of the Plan.

14 The Trustee believes that the Plan meets the Bankruptcy Code's feasibility
15 requirement. The projections attached as Exhibit 3 demonstrate that the payments provided for
16 under this Plan are achievable. Further, the Plan Confirmation is not likely to be followed by a
17 liquidation or the need for further financial reorganization of the Debtor. The Plan contemplates
18 orderly liquidation through the stabilization of operations and the ultimate sale of the Clinics.
19 Therefore the Trustee has met this requirement.

20 5. Requirements of Section 1129(b) of the Bankruptcy Code.

21 The Bankruptcy Code permits confirmation of a plan even if it is not accepted by
22 all impaired classes, so long as (a) the plan otherwise satisfies the requirements for confirmation;
23 (b) at least one impaired class of claims has accepted it without taking into consideration the
24 votes of any insiders in such class; and (c) the plan is "fair and equitable" and does not
25 "discriminate unfairly" as to any impaired class that has not accepted the plan. These are the so
26 called "cramdown" provisions and are set forth in Section 1129(b) of the Bankruptcy Code.

1 6. Fair and Equitable.

2 The Bankruptcy Code establishes different "cramdown" tests for determining
3 whether a plan is "fair and equitable" to dissenting impaired classes of secured creditors,
4 unsecured creditors, and equity interest holders.

5 The Trustee believes that the Plan and the treatment of all Classes of Claims
6 under the Plan satisfy the requirements of Section 1129(b) of the Bankruptcy Code for
7 nonconsensual confirmation of the Plan.

8 7. Unfair Discrimination.

9 A plan of reorganization does not "discriminate unfairly" if a dissenting class is
10 treated substantially equally with respect to other classes similarly situated and no class receives
11 more than it is legally entitled to receive for its claims or interests. The Trustee believes that the
12 Plan does not discriminate unfairly against any impaired Class of Claims.

13 **D. Effect of Confirmation.**

14 Under Section 1141 of the Bankruptcy Code, the Debtor is not entitled to and will
15 not receive a discharge of certain debts. Generally, all debts and associated Claims will be
16 discharged. Holders of Claims which are discharged will be barred from seeking payment from
17 Debtor or property of the Estate. Confirmation of the Plan shall act as a permanent injunction
18 applicable to all entities against any actions to collect Claims. Creditors should review Section 6
19 of the Plan regarding the effect of entry of the Confirmation Order.

20 **E. Conditions to Confirmation.**

21 The following conditions must occur and be satisfied for the Plan to become
22 effective and the Effective Date to occur unless waived by the Trustee:

23 1. The Bankruptcy Court shall have entered the Confirmation Order,
24 in form and substance reasonably satisfactory to Trustee.

25 2. No stay of the Confirmation Order shall be in effect at the time the
26 other conditions precedent are satisfied or waived.

1 **F. Alternatives to the Plan.**

2 The Trustee believes the Plan gives holders of Claims the greatest possible value
3 that could be realized on their Claims. The Trustee also believes the Plan is fair to and reasonable
4 in its treatment of all concerned. Possible alternatives to the Plan which might arise if the Plan is
5 rejected or if the Court refuses to confirm the Plan include: (a) dismissal of this Chapter 11 case;
6 (b) conversion of this Chapter 11 case to a case under Chapter 7 of the Bankruptcy Code, which
7 would entail the mandatory appointment of a chapter 7 panel trustee; or (c) submission of an
8 alternative Plan.

9 **IX. RISK FACTORS**

10 **A. Scope of Discussion.**

11 The following discussion is a nonexclusive summary of certain risks involved
12 with consummation of the Plan, and are set forth for purposes of example only. Other risk factors
13 may exist. Holders of Claims are encouraged to supplement this summary with their own
14 analyses and evaluation of the Plan. Nevertheless, Debtor believes the Plan is feasible.

15 **B. Risks.**

16 The Clinics are still in the process of turnaround and stabilization. The Clinics
17 have very little working capital. General economic uncertainties, changes in regulatory controls,
18 the inability to increase the collection of accounts receivable (both pre petition and post petition)
19 could limit the cash available to pay creditors, and put the ongoing operations at risk. However,
20 the Trustee believes the Plan projections are reasonable and the Clinics can achieve the financial
21 performance projected by the Trustee. The Trustee's estimate of the sale value of the Clinics has
22 not been verified by any specific market analysis or appraisal. The Clinics may not bring the
23 prices projected and they may take longer to sell than expected.

24 **X. CERTAIN TAX CONSEQUENCES OF THE PLAN**

25 **A. Scope of Discussion.**

26 The following discussion summarizes certain federal income tax consequences of

1 the implementation of the Plan. This summary does not address the federal income tax
2 consequences of the Plan to holders of Priority or Secured Claims, nor does it address any state,
3 local or foreign tax matters or the federal income tax consequences to certain types of creditors
4 (including financial institutions, life insurance companies, tax exempt organizations and foreign
5 taxpayers) to which special rules may apply. No rulings or opinions have been or will be
6 requested from the IRS with respect to any of the tax aspects of the Plan.

7 The Trustee is not making any representations regarding the particular tax
8 consequences of the Plan's confirmation and consummation to holders of Claims, nor are they or
9 their professionals rendering any form of legal opinion or tax advice. The tax laws applicable to
10 corporations in bankruptcy are complex and are subject to significant uncertainties. Each holder
11 of a Claim should consult his, her or its own tax advisor.

12 **B. Tax Consequences to Debtor.**

13 Debtor is a limited liability company, and is a "pass through" entity for tax
14 purposes. Therefore, the Reorganized Debtor will file returns but will not pay any income tax,
15 other than the minimum \$10.00 tax required by the State of Oregon. The Liquidating Trust may
16 be taxed on the amounts distributed to it for disbursements to creditors under the Plan. This issue
17 is still being researched and is not reflected in the budget. Other than as described above, the
18 Trustee does not anticipate any tax consequences to the Estate as a result of the confirmation of
19 the Plan.

20 **C. Tax Consequences to Holders of General Unsecured Claims.**

21 Pursuant to the Plan, holders of Allowed Claims will receive one or more Cash
22 distributions in satisfaction of their Claims. Holders may have tax consequences and should
23 consult their own tax professional.

24 \\\

25 \\\

26 \\\

1 **XI. CONCLUSION AND RECOMMENDATION**

2 The Trustee believes that confirmation and implementation of the Plan is
3 preferable to any alternative because it will provide the greatest recoveries to holders of Claims.
4 The Trustee urges all holders of impaired Claims entitled to vote on the Plan to complete and
5 return their Ballots accepting the Plan before the Voting Deadline.

6 DATED: June 21, 2010.

7 /s/ Conrad Myers
8 Conrad Myers, Chapter 11 Trustee

9 FARLEIGH WADA WITT
10
11

12 By: /s/ Christopher L. Parnell
13 Peter C. McKittrick, OSB #852816
14 PMcKittrick@fwwlaw.com
15 Christopher L. Parnell, OSB #054352
16 CParnell@fwwlaw.com
17 (503) 228-6044
18 Of Attorneys for Conrad Myers, Chapter 11 Trustee

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF OREGON

In re

The Marshall Group, LLC,
Debtor.

Case No. 08-34585-rld11

TRUSTEE'S ABBREVIATED DISCLOSURE
STATEMENT AND BALLOT FOR
ACCEPTING OR REJECTING PLAN (CLASS
5 CLAIMANTS)

Conrad Myers, Chapter 11 Trustee ("Trustee") for The Marshall Group, LLC ("Debtor"), is seeking acceptance of Trustee's Amended Plan of Reorganization (the "Plan") by the creditors of the Debtor's estate. This abbreviated disclosure statement and ballot for accepting or rejecting the Plan contains information regarding how the Plan proposes to treat claims of the type you hold (*i.e.*, what you will receive on your claim if the Plan is confirmed). You may obtain a complete copy of the Plan and Disclosure Statement by contacting Farleigh Wada Witt as set forth below.

Debtor operates urgent care clinics in McMinnville and Redmond, Oregon and formerly in Lincoln City, Oregon ("Clinics"). You are receiving this notice because you are listed in Debtor's bankruptcy schedules as potentially having an unsecured claim for less than \$100.00 related to a refund for payments to the Clinics. The Plan proposes that unsecured creditors owed less than \$100.00 ("Class 5 Claimants") may either receive (1) a cash payment of 20% of their claim within 30 days of the Effective Date of the Plan; or (2) a voucher for services at the Clinics equal to the greater of 50% of their claim or \$15.00 within 30 days of the Effective Date of the Plan, to be redeemed within one year from the date of issuance. Cash payments will not be made for less than \$5.00. A reserve fund in the amount of \$8,000 shall be set aside for payment of Class 5 claims.

The Trustee supports the Plan and recommends that you vote to accept it. If the Plan is not confirmed or if this case were a Chapter 7 liquidation, it is not likely that Class 5 Claimants would receive any payment. The Trustee believes that approval of the Plan is in the best interests of all creditors.

The Plan can be confirmed by the Court and thereby made binding on you if it is accepted by the holders of two-thirds in dollar amount and more than one-half in number of claims in each class voting on the Plan. In the event the requisite acceptances are not obtained, the Court may nevertheless confirm the Plan if the Court finds that the Plan accords fair and equitable treatment to the class or classes rejecting it and otherwise satisfies requirements of 11 U.S.C. § 1129(b) of the Code. To have your vote count, you must complete and return this ballot as set forth below:

///

As a Class 5 Claimant, you are entitled to vote to accept or reject the Plan. In order to have your vote count and your claim allowed, a completed and signed ballot must be received by 4:30 p.m. PDT on _____ by Farleigh Wada Witt at the following address, email, or fax number:

Diane Fallon, Paralegal
Farleigh Wada Witt
121 SW Morrison, Suite 600
Portland, OR 97204
Telephone: 503-228-6044
Fax Number: 503-228-1741
E-Mail (PDF): DFallon@fwwlaw.com

I, the undersigned, a Class 5 Claimant (Convenience Claims):

[Check one box] [] ACCEPT the Plan [] REJECT the Plan

AND

[Check one box]

- I elect to receive a voucher for future services at the Clinics in an amount equal to 50% of my claim, or \$15.00, whichever is greater. I understand the voucher must be used within one year from the date of issuance.
- I elect to receive a cash payment equal to 20% of my claim. [Note: No check will be issued for less than \$5.00].

Name of Claimant _____

Signature _____

Address _____

Telephone _____

Email address _____

Amount of claim _____

1 Peter C. McKittrick, OSB #852816
PMcKittrick@fwwlaw.com
2 Christopher L. Parnell, OSB #054352
CParnell@fwwlaw.com
3 Farleigh Wada Witt
121 SW Morrison Street, Suite 600
4 Portland, Oregon 97204-3136
Telephone: (503) 228-6044

5 Attorneys for Conrad Myers, Chapter 11 Trustee
6
7

8
9 IN THE UNITED STATES BANKRUPTCY COURT
10 FOR THE DISTRICT OF OREGON

11 In re
12 The Marshall Group, LLC,
13 Debtor.

Case No. 08-34585-rld11

TRUSTEE'S SECOND AMENDED PLAN OF
REORGANIZATION

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1 Conrad Myers, Chapter 11 Trustee ("Trustee") for The Marshall Group, LLC
2 ("Debtor") proposes the following Second Amended Plan of Reorganization ("Plan") pursuant to
3 Chapter 11 of the Code, 11 U.S.C. §§ 1101 *et seq.*

4 **ARTICLE I**

5 **DEFINITIONS**

6 1.1 Scope of Definitions; References to Plan; Rules of Construction.

7 For purposes of this Plan, except as expressly otherwise provided or unless the
8 context otherwise requires, all capitalized terms not otherwise defined shall have the meanings
9 assigned to them in this Article I. Whenever the context requires, such terms shall include the
10 plural number as well as the singular and the female gender as well as the male. All references
11 in this Plan to an "*Article*," "*Section*" or "*Exhibit*" shall, unless otherwise indicated, be deemed
12 to refer to the indicated Article or Section or Exhibit to this Plan. Terms defined in the Code and
13 not otherwise defined in this Plan shall have the meanings given to them in the Code. The rules
14 of construction contained in Section 102 of the Code shall apply to the construction of this Plan.
15 The headings in this Plan are for convenience of reference only and shall not limit or otherwise
16 affect the provisions of this Plan.

17 1.2 Definitions.

18 "*Administrative Bar Date*" means and refers to the deadline, 60 days after the
19 Effective Date, established in Section 2.1.3 for the filing of (i) applications for compensation or
20 expense reimbursement by Professional Persons or other Persons claiming to have made a
21 substantial contribution to the Case pursuant to Section 503(b) of the Code and (ii) Claims for
22 any other Administrative Expenses (other than for Claims of Administrative Expenses incurred
23 in the ordinary course of business and Claims under 28 U.S.C. § 1930).

24 "*Administrative Expense*" means and refers to a Claim for payment of an
25 administrative expense of the kind specified in Section 503(b) of the Code and referred to in
26 Section 507(a)(1) of the Code, including, without limitation, the actual, necessary costs and

1 expenses of preserving the Debtor's estate and operating the Debtor's business, including wages,
2 salaries, and commissions for services rendered after the commencement of the Case,
3 compensation for legal and other services and reimbursement of expenses awarded under Section
4 330(a) of the Code in respect of the Debtor's Case, and all fees and charges assessed against the
5 Debtor's estate under chapter 123 of Title 28 of the United States Code; provided, however, that
6 Administrative Expense shall not include any interest earned on a Secured Claim during the
7 period from the Petition Date through the Effective Date.

8 **"Advisory Committee"** means the advisory committee for the Reorganized Debtor
9 consisting of Arland Keeton, Randy McCreith, Miles Newmark, H.E. Winters, and Colin
10 Gregory, or their respective designees.

11 **"Allowed Claim"** means and refers to the amount of a Claim owed by the Debtor
12 or with respect to which (1) no proof of claim has been filed that is listed by the Debtor in the
13 Schedules as not being disputed, contingent, or unliquidated; (2) if a proof of claim has been
14 filed (i) the amount of the Claim as set forth on the proof of claim if no objection has been
15 interposed within any period of limitation fixed by the Code or the rules or orders of the Court;
16 (ii) if an objection has been interposed, (x) the amount determined by a Final Order with respect
17 to such Claim or (y) the amount set forth in this Plan as the allowed amount of such Claim; or
18 (3) a Final Order allowing such Claim in such amount has been entered.

19 **"Allowed [_____] Claim"** means a Claim of the indicated Class or type that
20 is or has become an Allowed Claim.

21 **"Business Day"** means and refers to any day except Saturday, Sunday, and any
22 other day on which commercial banks in Portland, Oregon are authorized by law to close.

23 **"Case"** means the Debtor's case under Chapter 11 of the Code pending in the
24 Court.

25 **"Cash"** means cash, cash equivalents and other readily marketable direct
26 obligations of the United States of America.

1 "**Chapter 7**" means and refers to chapter 7 of the Code.

2 "**Chapter 11**" means and refers to chapter 11 of the Code.

3 "**Claim**" means and refers to any claim as defined in Section 101(5) of the Code,
4 whether or not asserted, against the Debtor.

5 "**Claimant**" means and refers to the holder of a Claim.

6 "**Class**" means and refers to a class of Claims or Interests described in Article III.
7 Within certain Classes, certain Claims are classified into sub-classes.

8 "**Clinics**" means the McMinnville Clinic and the Redmond Clinic.

9 "**Code**" means and refers to Title I of the Bankruptcy Reform Act of 1978, Public
10 Law 95 598, codified in Title 11 of the United States Code, as amended, 11 U.S.C. §§ 101 *et seq.*

11 "**Collateral**" means, with respect to any Allowed Secured Claim, the property
12 that secures such claim.

13 "**Committee**" means and refers to the Official Committee of Unsecured Creditors
14 appointed by the U.S. Trustee in the Case, as constituted from time to time.

15 "**Confirmation Date**" means and refers to the date of entry of the Confirmation
16 Order.

17 "**Confirmation Hearing**" means and refers to the hearing at which the Court is
18 asked to enter the Confirmation Order, as the same may be continued from time to time.

19 "**Confirmation Order**" means the Court order confirming the Plan pursuant to
20 Section 1129 of the Code.

21 "**Convenience Claim**" means and refers to (i) any Allowed Unsecured Claim in an
22 amount equal to or less than \$100.00; and (ii) any Allowed Unsecured Claim in an amount in
23 excess of \$100.00, the holder of which elects to reduce its Claim to \$100.00 prior to the Voting
24 Deadline by completing the appropriate space on its ballot to accept or reject this Plan.

25 "**Court**" means and refers to the United States Bankruptcy Court for the District
26 of Oregon and any court having competent jurisdiction to hear appeals or certiorari proceedings

1 therefrom, or any successor thereto that may be established by any act of Congress, or otherwise,
2 and which has competent jurisdiction over the Case or this Plan.

3 "**Debtor**" means and refers to The Marshall Group, LLC, whether as Debtor or as
4 Debtor-in-Possession.

5 "**Disallowed Claim**" means and refers to any Claim or portion thereof that has
6 been disallowed pursuant to a Final Order.

7 "**Disclosure Statement**" means and refers to the Trustee's Second Amended
8 Disclosure Statement for Plan of Reorganization (including all exhibits and schedules thereto),
9 together with any modifications which may be made from time to time.

10 "**Disputed Claim**" means and refers to any Claim against the Debtor that is not an
11 Allowed Claim or a Disallowed Claim.

12 "**Distribution Record Date**" means and refers to the close of business on the
13 Confirmation Date.

14 "**Effective Date**" means the fourteenth day after the Confirmation Date, provided
15 no order has been entered staying, vacating or reversing the Confirmation Order.

16 "**Estate**" means the estate of the Debtor created by Section 541 of the Code.

17 "**Farleigh**" means Farleigh Wada Witt.

18 "**Final Order**" means an order or judgment of the Court that has not been
19 reversed, stayed, modified or amended and as to which the time to appeal or seek review,
20 rehearing, reargument or certiorari has expired and as to which no appeal or petition for review,
21 rehearing, reargument, stay or certiorari is pending, or as to which any right to appeal or to seek
22 certiorari, review or rehearing has been waived, or if an appeal, reargument, petition for review
23 or certiorari or rehearing has been sought, the order or judgment of the Court has been affirmed
24 by the highest court to which the order was appealed or from which the reargument, review or
25 rehearing was sought, or certiorari has been denied, and as to which the time to take any further
26 appeal, or seek further reargument, review or certiorari or rehearing has expired.

1 "**Free Cash Flow**" means the Reorganized Debtor's surplus working capital such
2 that the operating account contains not less than \$60,000.00 or such greater sum as is reasonably
3 necessary in the Liquidating Trustee's discretion for protection against disruption of the
4 Reorganized Debtor's operations.

5 "**Impaired Claims**" means and refers collectively to Claims in Classes 1 through
6 6.

7 "**Interest Holder**" means any Person holding an Interest.

8 "**Interests**" mean all equity interests in the Debtor (including common and
9 preferred stock, membership interests, options to purchase such stock or interests or any unpaid
10 dividends or distributions thereon).

11 "**IRS**" means the Internal Revenue Service.

12 "**Keeton-King**" means collectively, Keeton-King Construction, Inc., Arland
13 Keeton, and Jean Keeton.

14 "**Leased Equipment**" means certain medical equipment leased from Summit
15 Leasing, Inc. pursuant to two expired commercial leases where the Debtor was lessee.

16 "**Liquidating Trust**" means the liquidating trust created on the Effective Date.

17 "**Liquidating Trustee**" means the trustee of the Liquidating Trust.

18 "**Manager**" means Performance Improvement Resources, and any successor
19 manager of the Reorganized Debtor from time to time.

20 "**Marshalls**" means Mark and Cathy Jo Marshall.

21 "**McMinnville Property**" means that certain real property located in McMinnville,
22 Oregon at which the McMinnville Clinic is operated.

23 "**McMinnville Clinic**" refers to the urgent care clinic owned and operated by the
24 Debtor in McMinnville, Oregon.

25 "**Medicare Receivables**" means receivables that the Debtor was owed by the
26 Federal Government (primarily Medicare) as of the Petition Date.

1 **"Myers"** means Conrad Myers.

2 **"ODR"** means the Oregon Department of Revenue.

3 **"Perkins"** means Perkins Coie LLP.

4 **"Person"** means an individual, corporation, partnership, limited liability
5 company, joint venture, association, joint stock company, trust, estate, unincorporated
6 organization, government (or agency or political subdivision thereof) or other entity.

7 **"Petition Date"** means September 4, 2008.

8 **"Plan"** means this plan of reorganization and all exhibits hereto, which are
9 incorporated by reference, together with any modifications which may be made from time to
10 time in accordance with 11 U.S.C. §1127.

11 **"Priority Claim"** means a claim having priority as defined in 11 U.S.C. § 507,
12 other than a Claim entitled to priority pursuant to Section 507(a)(1), 507(a)(2) or 507(a)(8) of the
13 Code.

14 **"Priority Tax Claim"** means an unsecured Claim of a governmental unit entitled
15 to priority under Section 507(a)(8) of the Code. Priority Tax Claims shall include only such
16 Claims for penalties that are related to a Claim specified in Section 507(a)(8) of the Code and
17 that seek compensation for actual pecuniary loss.

18 **"Professional Persons"** means and refers to all attorneys, accountants, financial
19 advisors, investment bankers, appraisers, consultants, and other professionals retained or to be
20 compensated pursuant to an order of the Court entered under Section 327, 328, 330, 331, 503(b)
21 or 1103 of the Code.

22 **"Pro Rata"** means and refers to a proportionate distribution, or to the ratio of the
23 amount of proceeds on account of a particular Allowed Claim to the total amount of all Allowed
24 Claims of the Class in which the particular Claim is included.

25 **"Reorganized Debtor"** means the Debtor after the Effective Date.

26 **"Redmond Clinic"** means the urgent care clinic owned and operated by the

1 Debtor in Redmond, Oregon.

2 "*Scharff*" means Gary Scharff.

3 "*Schedules*" means and refers to the Statements of Liabilities filed with the Court
4 in the Case, as amended from time to time in accordance with Rule 1009 of the Federal Rules of
5 Bankruptcy Procedure.

6 "*Secured Claim*" means and refers to a Claim, to the extent such Claim is secured
7 by a valid lien, security interest, or other interest in property in which the Debtor has an interest,
8 that has been perfected properly as required by applicable law and is not otherwise avoidable by
9 the Debtor as Debtor-in-Possession, but only to the extent of the value of the Debtor's interests in
10 such property, determined in accordance with Section 506(a) of the Code.

11 "*Summit Leasing*" means Summit Leasing, Inc.

12 "*Subordinated Tax Claim*" means the penalty portion of the tax claim asserted
13 by the IRS.

14 "*Trustee*" means and refers to Myers, in his capacity as trustee of the Debtor in
15 this Case, and any successor trustee of the Debtor from time to time.

16 "*Unsecured Claim*" means a Claim other than a Claim for payment of an
17 Administrative Expense, a Priority Claim, a Priority Tax Claim, or a Secured Claim.

18 "*U.S. Trustee*" means and refers to the United States Trustee for the District of
19 Oregon.

20 "*V&R*" means Vierck & Rakoski, CPAs, PCs.

21 **ARTICLE II**

22 **TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY CLAIMS**

23 2.1 Administrative Expense Claims.

24 2.1.1 Non-Professional Fee Claims.

25 Each Person holding an Allowed Claim entitled to administrative expense priority
26 under 11 U.S.C. § 507(a)(1) or (2) that arose in the ordinary course of the Debtor's operations

1 shall be paid in accordance with their agreement with the Debtor.

2 2.1.2 Professional Fee Claims.

3 Trustee shall pay Allowed Administrative Expense Claims for Professional Fees
4 as follows: (i) Trustee, Farleigh, V&R and Perkins shall receive the lesser of 50% of their
5 Professional Fees within five (5) business days after such Professional Fees have been approved
6 by the Court, or such amount as can be paid from Free Cash Flow, with the remaining balance of
7 such Professional Fees paid in six (6) subsequent monthly payments following the date such fees
8 were approved to extent there is sufficient Free Cash Flow; and (ii) Scharff shall receive the
9 unpaid balance of his Professional Fees in four (4) equal monthly payments beginning on the
10 third month following the Effective Date and ending on the sixth month following the Effective
11 Date to the extent there is sufficient Free Cash Flow. To the extent there is not sufficient Free
12 Cash Flow, Trustee and Farleigh shall defer such payments as may be necessary to maintain the
13 minimum working capital reserve projected.

14 2.1.3 Bar Date for Administrative Expense Claims.

15 All applications for final compensation of Professional Persons for services
16 rendered and reimbursement of expenses incurred on or before the Effective Date and all other
17 requests for payment of administrative costs and expenses incurred on or before the Effective
18 Date under Section 507(a)(1) or 507(b) of the Code (except for Claims for Administrative
19 Expenses incurred in the ordinary course of business and Claims under 28 U.S.C. § 1930) shall
20 be filed by the Administrative Bar Date or shall forever be barred from recovery against the
21 Debtor, the Reorganized Debtor, any property of the Reorganized Debtor, or any distributions
22 under this Plan.

23 2.2 Priority Tax Claims.

24 Priority Tax Claims shall be paid in full to IRS and ODR over a period not to
25 exceed five (5) years after the Petition Date as provided in Section 1129(a)(9)(C) of the Code.
26 Once the Allowed Administrative Expense Claims are paid in full as set forth in Section 2.1.2,

1 the Priority Tax Claim amounts due shall be amortized over the period beginning with the
2 commencement date of payments as set forth below and ending September 4, 2013. The
3 payment of such Priority Tax Claims, including simple interest at the applicable statutory rate,
4 shall be made in equal monthly payments (i) beginning in the first full month following the
5 payment in full of all Allowed Administrative Expense Claims as set forth in Section 2.1.2; and
6 (ii) ending no later than September 4, 2013. The IRS's Secured Tax Claim shall be treated as set
7 forth in Section 3.2.

8 **ARTICLE III**

9 **CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

10 3.1 Classification and Treatment.

11 All Claims (except those treated under Article 2 of this Plan) and Interests are
12 placed in the following classes for all purposes, including voting, confirmation and distribution
13 pursuant to this Plan. A Claim is classified in a particular Class only to the extent that the Claim
14 qualifies within the description of that Class and is classified in other Classes only to the extent
15 that any remainder of the Claim qualifies within the description of such other Classes. A Claim
16 is in a particular Class only to the extent that the Claim is an Allowed Claim in that Class and has
17 not been paid or otherwise satisfied prior to the Effective Date. The treatment of and
18 consideration to be received by Persons holding Allowed Claims pursuant to this Plan shall be in
19 full settlement, release, and discharge of their respective Allowed Claims unless otherwise
20 specified herein.

21 3.2 Class 1 – Allowed Secured Claim of IRS.

22 Class 1 consists of the Allowed Secured Claim of IRS. The IRS has an Allowed
23 Secured Claim arising from offset rights on the Medicare Receivables. The Trustee estimates the
24 amount of the IRS' Allowed Secured Claim will be approximately \$32,000.00 on the Effective
25 Date. IRS will receive \$10,000.00 within ten (10) days of the Effective Date, and the balance
26 shall be paid in six (6) equal monthly installments with interest at the statutory rate of interest

1 commencing on the 60th day after the Effective Date.

2 3.3 Class 2 – Allowed Secured Claim of Keeton-King.

3 The Court has granted Trustee’s motion to sell the McMinnville Property to
4 Keeton-King free and clear of liens other than real estate taxes under Code Section 363(f) on a
5 credit bid basis under Code Section 363(k). Once the sale transaction is consummated, Keeton-
6 King will have no further Allowed Secured Claim. After transfer of the McMinnville Property to
7 Keeton-King, Debtor shall lease the portion of the McMinnville Property it occupies pursuant to
8 the terms of a written lease as approved by the Court. The essential terms of the lease are set out
9 in the Debtor's Motion for Authority to Enter into Lease Agreement filed in this case on March
10 22, 2010.

11 3.4 Class 3 – Allowed Secured Claim of Summit Leasing.

12 Class 3 consists of the Allowed Secured Claim of Summit Leasing arising from
13 expired leases for the Leased Equipment. Debtor has returned certain Leased Equipment to
14 Summit Leasing. Summit shall have an allowed secured claim of \$42,500.00 and shall receive
15 the following:

16 (A) Summit Leasing shall receive \$1,000.00 in May 2010 as an adequate
17 protection payment;

18 (B) Summit Leasing shall receive 23 monthly payments of \$1,750.00
19 commencing in June 2010, and a final payment of \$2,250; and

20 (C) Summit Leasing and the Reorganized Debtor will enter into an installment
21 sale agreement, settlement agreement and UCC-1 Financing Statement to effectuate Summit
22 Leasing's treatment hereunder.

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26

1 3.5 Class 4 – General Unsecured Claims.

2 Class 4 consists of all Allowed Unsecured Claims other than those set forth in
3 Class 5. Trustee estimates a distribution of between 10%-20% (without a discount for time value
4 of money) to each Unsecured Claimant. Unsecured Claimants will be paid as follows:

5 To the extent the Clinics generate Free Cash Flow after payment of all Allowed
6 Administrative Expense Claims, the Reorganized Debtor shall make Pro Rata disbursements to
7 the Class 4 Claimants on a periodic basis, but not more often than every three (3) months. No
8 such payments shall be made until all Administrative Expense Claims are paid in full and
9 Priority Tax Claimants have received at least three (3) monthly payments on account of their
10 Allowed Priority Tax Claims as set forth in Section 2.2.

11 The Liquidating Trustee may determine that it is in the best interests of the
12 beneficiaries of the Liquidating Trust to sell one or more of the Clinics. In such event, after
13 payment of all Allowed Administrative Expense Claims, Priority Claims, Priority Tax Claims
14 and claims in Classes 1-3 and 5 have been paid in full, the remaining proceeds from any such
15 sale, after taking into account all costs of such sale, shall be distributed to holders of Allowed
16 Unsecured Claims on a Pro Rata basis.

17 3.6 Class 5 – Allowed Convenience Claims.

18 Class 5 consists of all Allowed Convenience Claims. Trustee has attached a
19 proposed abbreviated disclosure statement and ballot ("Class 5 Ballot") as an exhibit to the
20 Disclosure Statement to be mailed to potential claimants listed in (a) the Debtor's Schedule F
21 who are owed \$100.00 or less; or (b) in the Debtor's Account Receivable Records as being
22 entitled to a refund, to apprise them of the following: A reserve fund in the amount of \$8,000.00
23 shall be set aside for payment of Allowed Convenience Claims. Each Person potentially holding
24 an Allowed Convenience Claim may vote to accept or reject the Plan by returning the Class 5
25 Ballot as instructed.

26 Treatment of Class 5 Claims shall be as follows: (a) each Person holding an

1 Allowed Convenience Claim may elect to receive in complete settlement, satisfaction and
 2 discharge of its Claim a cash payment equal to 20% of such Allowed Convenience Claim, such
 3 payment to be made within thirty (30) days of the Effective Date; or (b) alternatively, each
 4 Person holding an Allowed Convenience Claim may choose to receive a voucher for medical
 5 services at the Redmond Clinic or McMinnville Clinic equivalent to the greater of 50% of their
 6 Allowed Convenience Claim or \$15.00. The voucher will be issued within thirty (30) days of the
 7 Effective Date and must be redeemed within one year from the date of issuance. An election to
 8 be treated as a Convenience Claim is irrevocable and the Person who made such election may
 9 not seek treatment or vote as a member of Class 4. All Claimants holding Unsecured Claims that
 10 elect to reduce their Class 4 Claims as described herein are members of Class 5 for voting and
 11 distribution purposes. Notwithstanding anything to the contrary, no Cash distribution shall be
 12 made on any Claim of less than \$5.00, although vouchers will be issued for such Claims.

13 The Class 5 claimants must provide the Liquidating Trustee with the Convenience
 14 Claim election by mailing, faxing or emailing a signed copy of the Class 5 Ballot to Trustee's
 15 counsel as instructed on the Class 5 Ballot. Any such election must be made within 90 days of
 16 the Effective Date or the claim shall be deemed waived. Any letter making such election must
 17 be postmarked no later than the 90th day following the Effective Date.

18 3.7 Class 6 – Subordinated Tax Claim.

19 Class 6 consists of the Subordinated Tax Claim. The Subordinated Tax Claim
 20 will be paid only after all amounts owed to Claimants holding Class 4 Claims have been paid in
 21 full.

22 3.8 Class 7 - Interest Holders.

23 Class 7 consists of the Interests in the Debtor. On the Effective Date, the Interests
 24 of the Marshalls shall be cancelled and re-issued to the Liquidating Trust. As of the Effective
 25 Date, the sole member of the Debtor shall be the Liquidating Trust. The Marshalls shall receive
 26 no payment for their Interests. The membership unit shall be reissued to the Liquidating Trust for

1 the benefit of priority and unsecured claims.

2 3.9 Impairment of Classes.

3 3.9.1 Unimpaired Classes.

4 There are no unimpaired classes.

5 3.9.2 Impaired Classes.

6 Classes 1 through 6 are impaired by this Plan and the Claimants holding
7 such Claims are entitled to vote to accept or reject this Plan. Holders of Interests (Class 7) are
8 impaired and are deemed to reject this Plan and therefore their votes will not be solicited.

9 3.9.3 Confirmation Notwithstanding Rejection by a Class.

10 In the event that an impaired Class of Claims fails to accept this Plan in
11 accordance with Section 1129(a) of the Code, the Trustee may request that the Court confirm this
12 Plan in accordance with Section 1129(b) of the Code.

13 **ARTICLE IV**

14 **TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

15 4.1 Assumption.

16 The Trustee shall not assume any of the Debtor's executory contracts and
17 unexpired leases (including all amendments, extensions or renewals and replacements thereof).

18 4.2 Rejection.

19 All executory contracts and unexpired leases to which the Debtor is a party are
20 rejected pursuant to the provisions of Code Sections 365 and 1123(b)(2), except those which
21 have been either authorized or assumed by Court order prior to the entry of the Confirmation
22 Order, including but not limited to leases with Keeton-King and Mazzocco. Any claim for
23 damages arising by reason of the rejection of any executory contract or lease shall be treated as a
24 Class 4 claim; any such claim shall be disallowed unless proof of which is filed with the Court
25 within sixty (60) days after the Effective Date of the Plan or such claim shall be forever barred.

26

1 **ARTICLE V**

2 **MEANS FOR IMPLEMENTATION OF THE PLAN**

3 5.1 Post-Confirmation Operations.

4 After the Effective Date, the Reorganized Debtor shall operate its business subject
5 to its obligations under this Plan, with all corporate powers allowed under applicable state law,
6 without prejudice to any right to alter or terminate such existence (whether by merger or
7 otherwise) under such applicable law. Except as otherwise expressly provided in this Plan, on
8 the Effective Date the Reorganized Debtor will be vested with all of the property of its estate free
9 and clear of all claims, liens, encumbrances, charges and other interests of Claimants, and may
10 operate its business free of any restrictions imposed by the Code or by the Court.

11 5.2 Liquidating Trust.

12 5.2.1 Transfer of Estate Assets to the Reorganized Debtor.

13 On the Effective Date, all assets of the Estate will vest in the Reorganized
14 Debtor.

15 5.2.2 Issuance of Membership Interests to the Liquidating Trust.

16 On the Effective Date, the Debtor's membership units will be issued in the
17 name of the Liquidating Trust. The Liquidating Trust shall be administered in accordance with
18 the Liquidating Trust Agreement. A copy of the Liquidating Trust Agreement is attached to the
19 Disclosure Statement as Exhibit 5.

20 5.3 Management of the Reorganized Debtor.

21 5.3.1 Manager.

22 The Reorganized Debtor will be managed by the Manager. The Manager
23 shall continue to provide management services on the same terms as provided for under its
24 current contract or as mutually agreed in a modified contract. Thereafter, the Liquidating
25 Trustee shall have the right to select and employ a different manager and/or engage an employee
26 of Manager or Reorganized Debtor to serve as manager as he deems appropriate.

1 5.3.2 Advisory Committee.

2 The Advisory Committee shall meet quarterly with the Liquidating
3 Trustee to review the Reorganized Debtor's operations. The Advisory Committee will have
4 authority to act as an advisory board of directors, and shall have powers of oversight of the
5 Liquidating Trustee and Manager. The Liquidating Trustee shall have the powers and duties set
6 forth in Section 5.3.3.

7 5.3.3 Liquidating Trustee Powers and Duties.

8 The Liquidating Trustee shall be empowered and directed to exercise such
9 powers which the Liquidating Trustee in his discretion deems reasonably necessary to effectuate
10 this Plan and to directly supervise the Manager. The Liquidating Trustee must obtain Advisory
11 Committee approval (by a majority vote of the Advisory Committee) for significant actions
12 outside the ordinary course of business including, but not limited to, the following:

- 13 (a) The sale of the Reorganized Debtor's business to a third
14 party;
- 15 (b) Compromise of any Claims over \$20,000.00;
- 16 (c) Compromise of any Avoidance Claims if the proposed
17 settlement in excess of \$20,000.00;
- 18 (d) Capital expenditures over \$10,000.00;
- 19 (e) Relocation of the Reorganized Debtor or opening of new
20 business; and
- 21 (f) Decision to change manager or engage an employee as
22 manager.

23 5.3.4 Liquidating Trustee Engagement.

24 Myers shall be engaged as Liquidating Trustee of the Liquidating Trust on
25 the Effective Date. Myers shall receive compensation of the lesser of (i) the average of
26 \$3,000.00 per month calculated on an annual basis, or (ii) his hourly rate. Myers shall serve as

1 Liquidating Trustee at least until the Administrative Expense Claims are paid in full. Upon
2 payment of the Administrative Expense Claims in full, (a) the Advisory Committee may choose
3 to elect a new Liquidating Trustee or elect to retain Myers if he has not otherwise resigned; or (b)
4 Myers may resign as Liquidating Trustee by providing ten (10) days notice to the Advisory
5 Committee. The full powers and duties of the Liquidating Trustee shall be set forth in the
6 Liquidating Trust Agreement.

7 5.3.5 Membership Interests.

8 On the Effective Date, the Interests of the Marshalls shall be cancelled and
9 re-issued to the Liquidating Trust, which shall be the Debtor's sole member.

10 5.4 Leases.

11 5.4.1 McMinnville Property.

12 As approved by the Court, Reorganized Debtor will enter into a lease (or
13 receive an assignment by operation of law from the Debtor if already approved and in effect)
14 with Keeton-King prior to the Confirmation Date for tenancy in the McMinnville Property,
15 which lease shall be fully assignable in the event the McMinnville Clinic is sold.

16 5.4.2 Redmond Property.

17 The Reorganized Debtor has entered into a lease with David Mazzocco for
18 tenancy in the Redmond Property, which lease shall be fully assignable in the event the
19 Redmond Clinic is sold.

20 5.5 Sale of Business.

21 It is anticipated that the Liquidating Trustee will analyze whether a sale of the
22 Reorganized Debtor's business is advisable within 24-48 months, at the discretion of the
23 Liquidating Trustee and Advisory Committee.

24 5.6 General Account.

25 The Debtor shall maintain its existing bank accounts, but following the Effective
26 Date, the reference to "debtor-in-possession" shall be removed. Such accounts shall be used to

1 pay all ordinary and necessary post-confirmation operating expenses of the Reorganized Debtor,
2 including payment of the Manager and other Professional Persons' reasonable compensation.

3 5.7 Retention of Avoidance Claims.

4 Trustee has identified potential preference claims against Mark Marshall and
5 Health Care Management Associates, LLC, as set forth in the Disclosure Statement. Such claims
6 and any other Third Party Claims, if any, are retained. Any recovery from claims against third
7 parties, after payment of any costs and expenses associated with such recovery, shall inure to the
8 benefit of holders of Class 4 Claims. Any holder of a claim against the Reorganized Debtor shall
9 automatically have such claim disallowed without further action by the Reorganized Debtor or
10 order of this Court if the holder of a claim fails to repay the Reorganized Debtor any sum that
11 may be recoverable by the Reorganized Debtor under 11 U.S.C. §§ 522(f), 522(h), 542, 543,
12 544, 545, 547, 548, 549, 550, or 724(a) within fourteen (14) days of a final judgment in the
13 Reorganized Debtor's favor against such claim holder, unless such Claimant has posted a
14 supersedeas bond for the entire amount of the Reorganized Debtor's judgment.

15 5.8 Fees Payable Under 28 U.S.C. § 1930.

16 All fees payable under 28 U.S.C. § 1930, as determined by the Court, shall be
17 paid on or before the Effective Date. All post-petition fees payable under 28 U.S.C. § 1930 shall
18 be paid when due. Until the case is closed, the Reorganized Debtor will provide quarterly
19 statements of disbursements to the U.S. Trustee.

20 5.9 Compliance with this Plan.

21 The Reorganized Debtor, Trustee, the Liquidating Trustee and Claimants, and all
22 other parties in interest shall take all actions necessary to effectuate the terms of this Plan.

23 **ARTICLE VI**

24 **DISTRIBUTION PROCEDURES**

25 Distributions to be made by the Reorganized Debtor.

26 6.1 Continued Expenses.

1 Before and after the Effective Date, the Debtor or the Reorganized Debtor, as the
2 case may be, shall continue to make certain monthly and other payments, generally consisting of
3 wages to its employees, materials costs, lease payments for the Redmond Property and
4 McMinnville Property, and other operating and general business costs.

5 6.2 Form of Payments.

6 Distributions to be made by the Reorganized Debtor under the Plan will ordinarily
7 be made by check drawn on a domestic bank.

8 6.3 Delivery of Distributions.

9 Distributions to be made by the Reorganized Debtor to holders of Allowed Claims
10 pursuant to the Plan may be delivered by regular mail, postage prepaid, in an envelope addressed
11 as directed in a request served on the Reorganized Debtor as provided in Section 10.2 of the
12 Plan, but if no such request is made, to the address shown in the Schedules, or, if a different
13 address is stated in a proof of claim duly filed with the Court, to such address.

14 6.4 Time Bar to Cash Payments.

15 Checks issued by the Reorganized Debtor with respect to Allowed Claims will
16 become null and void if not negotiated within 90 days after the date of issuance thereof.
17 Requests for re-issuance of any check must be made to the Reorganized Debtor within 90 days
18 following the date of the Plan distribution pursuant to which the check was issued. After such
19 date, (i) the holder of any such Claim who has failed to make a timely request for re-issuance of
20 such a voided check will not be entitled to any other or further distribution under the Plan on
21 account of such voided check or such Claim; and (ii) the Unclaimed Property held on account of
22 such voided check or such Claim shall be returned to the Reorganized Debtor.

23 6.5 Minimum Distribution.

24 If a distribution to be made to any holder of an Allowed Claim on any
25 Distribution Date, including the final Distribution Date, is \$5.00 or less in the aggregate, then,
26 notwithstanding any contrary provision in the Plan, the Reorganized Debtor will not be obligated

1 to make such distribution to such holder.

2 6.6 Post-Petition Interest.

3 Except as specifically provided for in the Plan or in the Confirmation Order,
4 interest will not accrue on Claims, either Allowed Claims or Disputed Claims, and no holder of a
5 Claim will be entitled to interest accruing on or after the Petition Date on any Claim.

6 6.7 Disputed, Contingent and Unliquidated Claims.

7 The Trustee or the Liquidating Trustee may dispute some of the Proofs of Claim
8 filed in the Bankruptcy Case even if the Debtor did not list the associated debt as disputed,
9 contingent or unliquidated. Notwithstanding any other provision of the Plan, no Cash or other
10 property will be distributed under the Plan on account of any Disputed Claim, or any Claim that
11 is contingent or unliquidated, until such Claim becomes an Allowed Claim. From and after the
12 Effective Date, only the Liquidating Trustee will have the right (except as to applications or
13 requests for allowances of compensation and reimbursement of expenses in favor of Professional
14 Persons) to make and file objections to Claims. Within 90 days after the Effective Date, unless
15 such period is extended by Court order, all objections to Claims must be served and filed. At
16 such time as a Disputed Claim becomes an Allowed Claim, the holder of such Allowed Claim
17 will receive the distribution, if any, to which such holder is then entitled under the Plan as soon
18 as practicable after the Final Order of the Court allowing such Claim.

19 6.8 Post-Confirmation Date Fees and Expenses of Professional Persons.

20 After the Confirmation Date, the Reorganized Debtor shall, in the ordinary course
21 of business and without the necessity for Court approval, pay the reasonable fees and expenses of
22 the Professional Person or entities it employs in connection with the implementation,
23 consummation and performance of the Plan or with other matters as to which such professionals
24 may be reasonably engaged. Notwithstanding the foregoing, no Post-Confirmation Date fees and
25 expenses, including amounts payable to the Liquidating Trustee, shall be paid unless and until
26 (i) all Allowed Administrative Expense Claims have been paid in full, and (ii) there is sufficient

1 Free Cash Flow. For avoidance of doubt, all such professional fees and expenses to which Court
2 approval was previously required shall still be required for all such fees and expenses up through
3 the Confirmation Date.

4 **ARTICLE VII**

5 **EFFECT OF PLAN CONFIRMATION**

6 7.1 Injunction.

7 Except as otherwise specifically provided in this Plan or in the Confirmation
8 Order, confirmation of the Plan shall act as a permanent injunction applicable to all entities
9 against (i) the commencement or continuation, including the issuance or employment of process,
10 of a judicial, administrative or other action or proceeding against the Debtor that was or could
11 have been commenced before the entry of the Confirmation Order, in each case on account of
12 any Claim (other than actions or proceedings brought to enforce any rights or obligations under
13 this Plan or appeals, if any, from the Confirmation Order or with respect to such Claims); (ii) the
14 enforcement against the Debtor or the Reorganized Debtor of any judgment, award, decree or
15 order obtained before the Petition Date, in each case on account of any Claim; (iii) any act to
16 obtain possession of, or to exercise control over, or to create, perfect or enforce a lien upon, any
17 of the property of the Reorganized Debtor, on account of any Claim; (iv) the assertion of any
18 setoff, right of subrogation, reimbursement or recoupment of any kind, directly or indirectly,
19 against any obligation due the Debtor or the Estate on account of any Claim except in the context
20 of a Disputed Claim and only if allowed by the Court; and (v) the exercise of any provision
21 contained in any contract, lease or instrument which is or was entered into or issued by the
22 Debtor prior to the Petition Date and which is not cancelled or rejected under the Plan that allows
23 a Claimant to declare, or that declares, a default based upon the filing of the petition in this Case,
24 the insolvency or financial condition of the Debtor or the subjective insecurity of such Claimant.

25 7.2 Binding Effect.

26 Except as otherwise specifically provided in this Plan or in the Confirmation

1 Order, on and after the Confirmation Date, the provisions of this Plan shall bind each Holder of a
2 Claim or Interest, and each of their respective successors, heirs, legal representatives and assigns,
3 whether or not the Claim or Interest of such Holder is impaired under this Plan and whether or
4 not such Holder has filed a proof of claim with the Court or has accepted this Plan.

5 **ARTICLE VIII**

6 **DEFAULT**

7 8.1 Default.

8 Except as otherwise provided in the Plan, in the event the Reorganized Debtor
9 shall default in the performance of any of its obligations under the Plan and the Reorganized
10 Debtor fails to cure such default within thirty (30) days after written notice delivered as set forth
11 in paragraph 10.2 below, then a claimant may pursue such remedies as are available at law or in
12 equity. An event of default occurring with respect to one Allowed Claim shall not be an event of
13 default with respect to any other Allowed Claim. Nothing contained in the Plan shall limit the
14 right of any party to reopen this Case or to move to convert this Case to a liquidation case under
15 Chapter 7 of the Code if cause for such relief exists.

16 **ARTICLE IX**

17 **RETENTION OF JURISDICTION**

18 9.1 Jurisdiction.

19 Notwithstanding the entry of the order confirming the Plan, the court shall retain
20 jurisdiction of this Case pursuant to and for the purposes set forth in 11 U.S.C. § 1127(b) and
21 (a) to classify the Claim of any Claimant, reexamine claims which have been allowed for voting
22 purposes and determine any objection that may be filed to claims; (b) to determine requests for
23 payment of claims entitled to priority under 11 U.S.C. § 507(a)(1), including compensation and
24 reimbursement of expenses in favor of Professional Persons; (c) to avoid transfers or obligations
25 and to subordinate claims under Chapter 5 of the Code; (d) to resolve all controversies and
26 disputes regarding the interpretation of the Plan; (e) to implement the provisions of the Plan and

1 enter orders in aid of Confirmation; (f) to adjudicate any and all adversary proceedings and
2 contested matters pending or hereafter commenced in this Case; and (g) to enter a final decree
3 closing this Case.

4 **ARTICLE X**

5 **MISCELLANEOUS**

6 10.1 Headings.

7 The headings in this Plan are for convenience of reference only and shall not limit
8 or otherwise affect meanings of the Plan.

9 10.2 Notices.

10 Unless otherwise agreed to between a Claimant and the Debtor or the
11 Reorganized Debtor, as may be applicable, or otherwise stated in this Plan, all notices required or
12 permitted to be made in accordance with the Plan shall be in writing and shall be delivered
13 personally or by regular or certified mail, return receipt requested. Notice to the Trustee or the
14 Liquidating Trustee shall be sent to Christopher L. Parnell, c/o Farleigh Wada Witt, 121 SW
15 Morrison Street, Suite 600, Portland, Oregon 97204. Notices to the Reorganized Debtor shall be
16 sent to: Pamela Pattani, PO Box 177, McMinnville, Oregon 97128-0177. Notice to a holder of
17 an Allowed Claim shall be directed to the address set forth within its proof of claim filed with the
18 Court, or if none, to its address set forth in the Schedules. Notices shall be deemed given upon
19 delivery, if personally delivered, and upon mailing, if mailed. Any person may change the
20 address at which such person is to receive notices under the Plan by sending written notice,
21 pursuant to the provisions of this section, to the Trustee and the Reorganized Debtor and any
22 other person to be charged with knowledge of such change.

23 10.3 Reservation of Rights.

24 Neither the filing of the Plan nor any statement nor provision contained herein,
25 nor the taking by any Claimant of any action with respect to the Plan, shall, until the Effective
26 Date, (i) be or be deemed to be an admission against interest and (ii) be or be deemed to be a

1 waiver of any rights any Claimants may have against the Debtor or any of its assets or any other
2 Claimant, and, until the Effective Date, all such rights are specifically reserved. In the event that
3 the Effective Date cannot be determined, neither the Plan nor any statement contained herein
4 may be used or relied upon in any manner in any suit, action, proceeding or controversy within
5 or without this Case involving the Debtor.

6 10.4 Computation of Time Periods.

7 In computing any period of time prescribed or allowed by this Plan, the day or
8 month of the act, event or default from which the designated period of time begins to run shall
9 not be included. The last day or month of the period so computed shall be included. In the event
10 that the last day is a Saturday, Sunday, or legal holiday, then the period shall run until the end of
11 the next day that is not a Saturday, Sunday, or legal holiday.

12 10.5 Claimant's Change of Address.

13 Any Claimant who fails to notify in writing of that Claimant's change of address,
14 with the result that the Reorganized Debtor's communications to the Claimant are returned by the
15 United States Postal Service for insufficient or improper address, shall forfeit that Claimant's
16 rights to distributions made during the time of such failure, but will be entitled to amounts to be
17 distributed after notifying the Reorganized Debtor of the new or corrected address. The
18 Reorganized Debtor need not distribute property unclaimed within three (3) months of the final
19 distribution.

20 Dated: June 21, 2010.

21 FARLEIGH WADA WITT

22 By: /s/ Christopher L. Parnell
23 Peter C. McKittrick, OSB #852816
24 PMcKittrick@fwwlaw.com
25 Christopher L. Parnell, OSB #054352
26 CParnell@fwwlaw.com
(503) 228-6044
Of Attorneys for Conrad Myers, Chapter 11
Trustee

Case 08-34585-rd-11 Doc 347 Filed 06/21/10
 Marshall Group
Income and Expense Projections (Summary)
 March 2010 - Sept 2013

Schedule 1

	Year Ended December 2010										
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
	ACTUAL			Projected Effective Date (8/31/10) --->							
Beginning Cash Balance	166,345	313,007	349,090	305,119	313,851	322,707	101,349	96,988	89,005	85,119	
Total Collections	276,631	181,590	187,796	157,517	157,753	181,097	181,380	196,500	199,754	196,304	
Beginning Cash & Collections	442,976	494,597	536,886	462,636	471,605	503,804	282,728	293,487	288,760	281,423	
Operating Expenses											
Labor including Payroll Taxes & Insurance	97,907	97,907	97,907	92,660	90,400	90,400	90,400	95,142	95,142	94,358	
Billing Services	12,647	13,244	13,710	11,439	11,456	11,446	11,465	12,447	12,659	12,110	
Management Fees	10,000	10,000	10,000	10,000	10,000	8,000	8,000	8,000	8,000	8,000	
Occupancy costs including maintenance & utilities	7,631	15,849	29,332	14,869	14,869	14,869	14,869	14,869	14,869	14,869	
Insurance	125	125	125	125	125	125	125	125	125	125	
Malpractice Insurance	4,900	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	
Office Expenses	700	700	700	700	700	700	700	700	700	700	
Accounting & Payroll Processing	5,943	7,343	4,943	6,343	3,943	3,943	2,943	4,343	2,943	2,943	
Tax Preparation (Post Confirmation)	0	5,000	0	0	0	0	0	0	0	0	
Personal Property Taxes	0	0	0	0	0	0	0	0	1,100	0	
Misc Expenses	5,941	4,931	5,835	4,749	4,629	4,404	4,339	5,203	6,009	4,813	
Marketing and Advertising	5,000	5,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	
Total Operating Expenses	150,795	163,250	168,702	147,035	142,273	140,038	138,991	146,980	147,697	144,068	
Cash Available after Operating Expenses	292,181	331,348	368,184	315,601	329,332	363,765	143,738	146,507	141,062	137,355	
Payment of Administrative Expenses & Claims											
Post Confirmation Admin Expenses & UST Fees	0	4,875	0	0	4,875	0	1,000	8,375	3,500	3,500	
Payment of Secured Claims											
Internal Revenue Service - Claim Payment	0	0	0	0	0	10,000	0	3,278	3,278	3,278	
Interest	0	0	0	0	0	0	0	98	82	66	
Summit Leasing	0	0	0	1,750	1,750	1,750	1,750	1,750	1,750	1,750	
Payment of Professional Fees	0	0				248,000	41,333	41,333	47,333	47,333	
Payment of Priority Unsecured Claims											
Internal Revenue Service - Claim	0	0	0	0	0	0	0	0	0	0	
Interest	0	0	0	0	0	0	0	0	0	0	
Oregon Department of Revenue	0	0	0	0	0	0	0	0	0	0	
Interest	0	0	0	0	0	0	0	0	0	0	
Payment of General Unsecured Claims											
General Unsecured Claims	0	0	0	0	0	0	0	0	0	0	
Patient refund Claims	0	0	0			2,667	2,667	2,667	0	0	
Net Increase (Decrease) in Cash	0	4,875	0	1,750	6,625	262,417	46,750	57,502	55,943	55,927	
Ending Bash Balance	292,181	326,473	368,184	313,851	322,707	101,349	96,988	89,005	85,119	81,428	

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 Marshall Group
Income and Expense Projections (Summary)
 March 2010 - Sept 2013

Schedule 1

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Beginning Cash Balance	81,428	83,494	144,709	145,573	114,460	213,710	153,401	141,758	70,174	190,457	109,395
Total Collections	616,891	590,839	488,066	591,829	629,229	602,656	497,828	603,666	641,814	614,709	507,784
Beginning Cash & Collections	698,319	674,333	632,775	737,402	743,689	816,366	651,229	745,424	711,988	805,166	617,180
Operating Expenses											
Labor including Payroll Taxes & Insurance	317,501	316,751	290,342	315,350	316,101	316,852	315,253	314,504	314,504	314,504	314,504
Billing Services	40,098	38,405	31,724	38,469	40,900	39,173	32,359	39,238	41,718	39,956	33,006
Management Fees	15,000	15,000	15,000	15,000	15,001	15,002	15,003	15,004	15,005	15,006	15,006
Occupancy costs including maintenance & utilities	45,096	45,340	45,340	45,340	45,926	46,219	46,219	46,219	46,219	46,219	46,219
Insurance	375	375	375	375	375	375	375	375	375	375	375
Malpractice Insurance	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450	9,450
Office Expenses	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100
Accounting & Payroll Processing	8,829	10,229	8,829	10,229	10,229	10,229	10,229	10,229	10,229	10,229	10,229
Tax Preparation (Post Confirmation)	5,000	0	0	0	5,000	0	0	0	5,000	0	0
Personal Property Taxes	0	0	0	1,150	0	0	0	1,200	0	0	0
Misc Expenses	24,854	22,534	23,773	22,792	22,792	22,792	22,792	22,792	22,792	22,792	22,792
Marketing and Advertising	10,000	5,000	5,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Operating Expenses	478,302	465,183	431,933	470,254	477,873	472,191	463,779	471,111	477,391	470,630	463,680
Cash Available after Operating Expenses	220,017	209,150	200,843	267,148	265,816	344,175	187,450	274,314	234,596	334,535	153,499
Payment of Administrative Expenses & Claims											
Post Confirmation Admin Expenses & UST Fees	8,500	7,000	5,000	3,000	3,000	4,000	3,000	3,000	3,000	4,000	3,000
Payment of Secured Claims											
Internal Revenue Service - Claim Payment	3,278	6,556	0	0	0	0	0	0	0	0	0
Interest	49	33	0	0	0	0	0	0	0	0	0
Summit Leasing	5,250	5,250	5,250	5,250	5,250	3,500	0	0	0	0	0
Payment of Professional Fees	90,208	0	0	0	0	0	0	0	0	0	0
Payment of Priority Unsecured Claims											
Internal Revenue Service - Claim	12,184	36,551	36,551	36,551	36,551	36,551	36,551	36,551	36,551	36,551	36,551
Interest	15,351	6,396	5,848	5,300	4,752	4,203	3,655	2,193	2,193	2,193	2,193
Oregon Department of Revenue	753	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260
Interest	949	395	362	328	294	260	226	136	136	136	136
Payment of General Unsecured Claims											
General Unsecured Claims	0	0	0	100,000	0	140,000	0	160,000	0	180,000	0
Patient refund Claims	0	0	0	0	0	0	0	0	0	0	0
Net Increase (Decrease) in Cash	136,523	64,441	55,270	152,688	52,106	190,774	45,691	204,140	44,140	225,140	44,140
Ending Cash Balance	83,494	144,709	145,573	114,460	213,710	153,401	141,758	70,174	190,457	109,395	109,360

Case 08-34585-11 Doc 347 Filed 06/21/10
 The Marshall Group
Liquidation Analysis
June 1, 2010

	Book Value May 31, 10	Ch 7 Liquidation Value
ASSETS		
Current Assets		
Cash - unrestricted	305,119	305,119
TOTAL CASH	305,119	305,119
Accounts Receivable	650,674	200,000
Less IRS Secured Claim		(29,669)
Allowance for Doubtful Accounts	(390,000)	0
NET ACCOUNTS RECEIVABLE	260,674	170,331
Deposits in Transit	11,851	11,851
Prepaid Expenses	8,000	0
Other Current Assets (Medical & Office Supplies)	35,280	1,500
TOTAL CURRENT ASSETS	55,131	13,351
Fixed Assets		
Real Property & Buildings	8,970,000	0
Equipment	180,740	7,500
Less Accumulated Depreciation	(149,842)	0
NET FIXED ASSETS	9,000,898	7,500
Other Assets (Goodwill)	3,000,000	0
Book Value of Assets	12,613,005	
Liquidation Proceeds from Assets (Ch 7)		496,301
Bankruptcy Administration Costs (Ch 7)		
Chapter 7 Trustee Fees		28,065
Chapter 7 Professionals		40,000
Wind- Up Costs		50,000
Total		118,065
Cash Available		378,236
Chapter 11 Administration Costs		
Professional Fees		466,500
Priority Unsecured (Tax) Claims		463,393
Total Admin Costs, Secured & Priority Claims		1,426,194
Available for Distribution to Unsecured Claimants		0

LIQUIDATING TRUST AGREEMENT

This Liquidating Trust Agreement (the "**Agreement**") is entered into as of _____, 2010, by and between The Marshall Group, LLC, the debtor (the "**Debtor**") in that certain Chapter 11 case pending in the United States Bankruptcy Court for the District of Oregon (the "**Bankruptcy Court**") as Case No. 08-34585-rld11 (the "**Chapter 11 Case**") and Conrad Myers (with any successors, the "**Liquidating Trustee**").

On September 4, 2008 (the "**Petition Date**"), the Debtor filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code (the "**Bankruptcy Code**") in the Bankruptcy Court and thereby commenced the Chapter 11 Case. On _____, the Court entered an order (the "**Confirmation Order**") confirming the Trustee's Second Amended Plan of Reorganization. The Trustee's Second Amended Plan of Reorganization as confirmed is referred to herein as the "**Plan**".

By way of this Agreement, the Debtor hereby creates a Liquidating Trust (the "**Liquidating Trust**") to be administered by the Liquidating Trustee. The Plan provides, among other things, that on the Effective Date the membership interests of Debtor currently held by Mark and Cathy Jo Marshall ("Marshalls") shall be cancelled and re-issued in the name of the Liquidating Trust. On the Effective Date of the Plan, all assets of Debtor shall vest in the Reorganized Debtor.

NOW, THEREFORE, in consideration of the premises and agreements contained herein, the parties hereto agree as follows:

SECTION 1

DEFINITIONS

Unless otherwise defined herein, all capitalized terms used in this Agreement shall have the meanings assigned to them in the Plan or in the Bankruptcy Code (as in effect on the date hereof). If there is any discrepancy between a definition herein and a definition in the Plan, the definition in the Plan shall govern.

1.1 "**Beneficiaries**" means any holders of Claims in the Chapter 11 Case to be paid after the Effective Date.

1.2 "**Trust Assets**" means the membership interests of Debtor currently held by the Marshalls.

SECTION 2

THE LIQUIDATING TRUST

2.1 Creation and Name. There is hereby created the Liquidating Trust which shall be known as the "**Marshall Group, LLC Liquidating Trust**."

2.2 Declaration of Trust. In order to declare the terms and conditions hereof, and in consideration of the confirmation of the Plan, the Debtor and the Liquidating Trustee have executed this Agreement for the purpose of creating the Liquidating Trust.

2.3 Purpose of Liquidating Trust. The Liquidating Trust is organized for the primary purpose of transferring the membership interests of Debtor currently held by the Marshalls to the Liquidating Trust, and liquidating the assets transferred to it in accordance with Treasury Regulation Section 301.7701-4(d).

2.4 Trust Beneficiaries. The beneficiaries of the Liquidating Trust shall be the Beneficiaries.

2.5 Liquidating Trust Beneficial Interests. The beneficial interests in the Liquidating Trust shall be uncertificated.

2.6 Intention of the Debtor to Establish a Liquidating Trust. This Agreement is intended to create a liquidating trust with the Debtor as the grantor, and the trust created hereunder shall be governed and construed in all respects as a liquidating trust.

2.7 Investment Company Act. The Liquidating Trust is organized as a liquidating entity in the process of liquidation, and therefore should not be considered, and the Liquidating Trust does not and will not hold itself out as, an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act.

2.8 Taxation. For United States federal income tax purposes, it is intended that the Liquidating Trust be classified as a liquidating trust under Treasury Regulation § 301.7701-4. Accordingly, the parties agree that, for United States federal income tax purposes, the Debtor and respective Beneficiaries will treat the formation of the Liquidating Trust as if such Beneficiary had received a distribution of an undivided interest in the assets of the Liquidating Trust from the Debtor and then contributed such interest to the Liquidating Trust. The Liquidating Trustee shall operate and maintain the Liquidating Trust in compliance with the guidelines for liquidating trusts set forth in Internal Revenue Service Procedure 94-45, 1994-2 C.B. 684, and Treasury Regulation Section 1.671-4(a) and all subsequent guidelines regarding liquidating trusts issued by the Internal Revenue Service.

SECTION 3

RIGHTS OF BENEFICIARIES

3.1 Rights of Beneficiaries. Each Beneficiary will be entitled to participate in the rights due to a Beneficiary hereunder. Each Beneficiary shall take and hold its uncertificated beneficial interest subject to all of the terms and provisions of this Agreement and the Plan. The interest of a Beneficiary of the Liquidating Trust is in all respects personal property, and upon the death, insolvency or incapacity of an individual Beneficiary, such Beneficiary's interest shall pass to the legal representative of such Beneficiary and such death, insolvency or incapacity shall not terminate or affect the validity of this Agreement. A Beneficiary shall have no title to, right to, possession of, management of, or control of, the Trust Assets except as expressly provided in this Agreement or the Plan. Title to all the Trust Assets shall be vested in the Liquidating

Trustee, and the sole interest of the Beneficiaries shall be the rights and benefits given to such persons under this Agreement.

3.2 Limit on Transfer of Interests of Beneficiaries.

(a) The interest of a Beneficiary in the Liquidating Trust shall be transferable, upon reasonable notice to, and subject to any reasonable limitations that may be placed thereon by, the Liquidating Trustee. The Liquidating Trustee shall cause to be kept a register (the "**Register**") in which the Liquidating Trustee shall at all times maintain the names, addresses, and interests of the Beneficiaries; provided, however, that the Liquidating Trustee need not recognize as valid any transfer (nor make any distribution to any transferee) and will give notice to such Beneficiary that no transfer has been recognized in the event the Liquidating Trustee reasonably believes that such transfer (or the distribution to such transferee) may constitute a violation of applicable laws or might cause the Liquidating Trust to be required to register beneficial interests under the Securities Exchange Act of 1934, as amended.

(b) Prior to any transfer, assignment, hypothecation, pledge, exchange or conveyance of a beneficial interest in the Liquidating Trust (each, a "**Transfer**"), the transferring Beneficiary shall submit to the Liquidating Trustee a duly endorsed assignment of the beneficial interest to the transferee (in a form reasonably acceptable to the Liquidating Trustee) together with the service charge, if any, to be specified by the Liquidating Trustee pursuant to this subsection (b). No such Transfer shall be effective until, and the transferee shall succeed to the rights of a Beneficiary only upon, final acceptance and registration of the Transfer by the Liquidating Trustee in the Register. Prior to the registration of any Transfer by a Beneficiary, the Liquidating Trustee shall treat the Person in whose name the beneficial interest is registered as the owner for all purposes, and the Liquidating Trustee shall not be affected by notice to the contrary. When a request to register the Transfer of a beneficial interest is presented to the Liquidating Trustee, the Liquidating Trustee shall register the Transfer as requested if the requirements for Transfers hereunder are met. The Liquidating Trustee shall charge a service charge in an amount sufficient to cover the expenses of the Liquidating Trustee and his agents and any tax or governmental charge that may be imposed on any Transfer of a beneficial interest. Failure of any Beneficiary to comply with these provisions shall void any Transfer of the related beneficial interest and the proposed transferee shall have no rights under this Agreement. Upon the Transfer of a transferring Beneficiary's entire beneficial interest in the Trust as evidenced by the Register, such transferring Beneficiary shall have no further right, title or interest in the Trust Assets or the Liquidating Trust.

3.3 No Legal Title in Beneficiaries. No Beneficiary shall have legal title to any part of the Trust Assets. No transfer by operation of law or otherwise, of the right, title and interest of any Beneficiary in and to the Trust Assets or the Liquidating Trust shall operate to terminate this Liquidating Trust or entitle any successor or transferee of such Beneficiary to an accounting or to the transfer to it of legal title to any part of the Trust Assets.

3.4 Service List. Each Beneficiary and the Debtor has the right to receive all reports prepared by the Liquidating Trustee, all pleadings and other notices regarding the Liquidating Trust. To receive such information the Beneficiary shall prepare a written request, stating in the request the name and number of the chapter 11 case (*In re The Marshall Group, LLC*, Case No.

08-34585-rld11) and mail a copy to the Liquidating Trustee at the address set forth in Section 11 of this Agreement or to such address as the Liquidating Trustee has otherwise designated by service to all parties, including all Beneficiaries. The persons and entities having made such a request for notice, together with the Debtor, the Proponents, the Liquidating Trustee, and the US Trustee, are collectively referred to herein as the "**Service List.**" The right to receive notices to be sent to the Service List shall terminate when a person on the Service List ceases to be a Beneficiary or requests to be excluded. Notwithstanding the above, parties who file a request for special notice with the Bankruptcy Court in the Chapter 11 Case will continue to receive all pleadings and other notices filed in the Chapter 11 Case.

SECTION 4

THE LIQUIDATING TRUSTEE

4.1 Liquidating Trustee's Acceptance. The Liquidating Trustee accepts his appointment as trustee of the Liquidating Trust and agrees to serve in such capacity, subject to the terms and conditions set forth in this Agreement, effective on the Effective Date. In connection with and in furtherance of the purposes of the Liquidating Trust, the Liquidating Trustee hereby expressly accepts the transfer of the Trust Assets in accordance with the provisions of the Plan, this Agreement, and the Confirmation Order and will take all actions required pursuant to the Plan, this Agreement, and the Confirmation Order.

4.2 Vesting of Trust Assets. On and as of the Effective Date, all Trust Assets shall vest in the Liquidating Trust, and the Liquidating Trustee shall administer the Trust Assets and take actions as provided in the Plan and this Agreement.

SECTION 5

GENERAL POWERS, RIGHTS AND OBLIGATIONS OF THE LIQUIDATING TRUSTEE

5.1 Legal Title. The Liquidating Trustee shall hold legal title to the Trust Assets, except that the Liquidating Trustee may cause legal title or evidence of title to any of the Trust Assets to be held by any nominee or person, on such terms, in such manner and with such power as the Liquidating Trustee may determine advisable. The Trust Assets shall be held for payment and distribution in accordance with the Plan and this Agreement.

5.2 General Powers.

(a) Fiduciary Capacity of Liquidating Trustee. The Liquidating Trustee's powers are exercisable solely in a fiduciary capacity consistent with, and in furtherance of the purposes of, the Liquidating Trust and Plan and not otherwise. Except as otherwise provided in this Agreement or the Plan, and subject to the retained jurisdiction of the Court as provided for in the Plan, but without prior or further authorization, the Liquidating Trustee may control and exercise authority over the Trust Assets, and over the acquisition, management and disposition thereof to the same extent as if the Liquidating Trustee were the sole owner of the Trust Assets in his own right, but shall for all purposes hereunder be acting in the capacity as Liquidating Trustee and not individually. No person dealing with the Liquidating Trust shall be obligated to

inquire into the Liquidating Trustee's authority in connection with the acquisition, management or disposition of the Trust Assets.

(b) Powers. In connection with the administration of the Trust Assets, the Liquidating Trustee, except as otherwise expressly limited in this Agreement, the Plan, or the Confirmation Order, shall have all the rights, powers and duties set forth in this Agreement and the Plan available under applicable law for accomplishing the purposes of the Liquidating Trust and Plan. The Liquidating Trustee is hereby authorized to file with any governmental authorities any documents necessary or helpful to establish the Liquidating Trust. In addition to any powers conferred by any other provision of this Agreement, the Liquidating Trustee shall have the power and responsibility to take all actions necessary or advisable to effectuate the purposes of the Liquidating Trust and the Plan.

5.3 Limitation of Liquidating Trustee's Authority.

(a) The Liquidating Trustee shall not and is not authorized to engage in any trade or business using the Trust Assets except to the extent reasonably necessary to, and consistent with, the purposes of the Liquidating Trust and Plan, and shall take such actions consistent with the expeditious but orderly disposition of the Trust Assets as is required by applicable law and consistent with the treatment of the Liquidating Trust as a Liquidating Trust under Treasury Regulation Section 301.7701-4(d), and such actions permitted herein.

5.4 Retention of Attorneys, Accountants and Other Professionals. Except as otherwise provided in this Agreement or the Plan, and subject to the retained jurisdiction of the Bankruptcy Court as provided for in the Plan, the Liquidating Trustee may retain professionals, including, but not limited to, attorneys, accountants, disbursing agents, experts, advisors, consultants, investigators, appraisers or auctioneers as he may deem necessary, in his sole discretion, to aid in the performance of his responsibilities pursuant to the terms of this Agreement and the Plan. Such retained professionals shall prepare monthly statements and serve such statements on the Liquidating Trustee no later than the 10th day of the following month. The Liquidating Trustee shall send copies of the statements to the Service List, along with notice that he plans to pay such statements (in full or in part) unless a notice of hearing and objection is filed. In the event the Liquidating Trustee objects to the reasonableness of such fees and expenses, or any Beneficiary or the Debtor files a notice of hearing and objection with the Court as the reasonableness of such fees and expenses and serves such objection on the Liquidating Trustee within fifteen (15) days after service of the statement, the Bankruptcy Court shall resolve the dispute. If no notice and objection is filed and served within fifteen (15) days, the Liquidating Trustee shall pay such statements.

5.5 Compensation of Liquidating Trustee. As set forth in the Plan, the Liquidating Trustee shall receive compensation of the lesser of \$3,000 per month or his hourly rate. As to his expenses, the Liquidating Trustee shall be authorized to receive payment from the Reorganized Debtor for reimbursement of expenses incurred in fulfilling the Liquidating Trustee's duties pursuant to this Agreement. The Liquidating Trustee shall provide a statement of expenses to the Service List, along with notice that he plans to request payment of such expenses unless an objection is filed. In the event any Beneficiary or the Debtor files a notice of hearing and objection with the Court as to the reasonableness of such fees and expenses and serves such

notice and objection on the Liquidating Trustee within fifteen (15) days after service of the statement, the Bankruptcy Court shall resolve the dispute. If no notice and objection is filed and served within fifteen (15) days, the Liquidating Trustee shall be reimbursed for such expenses.

5.6 Standard of Care; Exculpation; Indemnification. The Liquidating Trustee and the Liquidating Trustee's professionals and representatives shall be and hereby are exculpated by all persons, including without limitation, the Beneficiaries (or successors of such entities), the Debtor, and other parties in interest, from any and all claims, causes of action and other assertions of liability arising out of the discharge of the powers and duties conferred upon such Liquidating Trustee by the Plan, this Agreement or any Order except for actions or omissions to act that are determined by Final Order of the Bankruptcy Court to be due to negligence, breach of fiduciary duty, gross negligence, willful misconduct or fraud. No Beneficiary or other party in interests will have or be permitted to pursue any claim or cause of action against the Liquidating Trustee, the Liquidating Trust or the professionals or representatives of either the Liquidating Trustee or the Liquidating Trust for making payments in accordance with or implementing the provisions of the Plan. The Liquidating Trust, but not any Beneficiary, shall indemnify, defend and hold harmless the Liquidating Trustee and the Liquidating Trustee's professionals or representatives from and against any and all claims, causes of action, liabilities, obligations, losses, damages or reasonable expenses (including reasonable attorneys' fees and expenses) arising in connection with or in any manner relating to the discharge of any powers and duties conferred upon the Liquidating Trustee or any such professional or representative by, or the performance of the services of the Liquidating Trustee or any such professional or representative under, this Agreement, the Plan or any Order, including, without limitation, any liability or reimbursement obligation of the Liquidating Trustee under any bond obtained by the Liquidating Trustee in connection with such services, other than and only to the extent determined by a Final Order of the Bankruptcy Court to be due to such parties' negligence, breach of fiduciary duty, gross negligence, willful misconduct or fraud, to the fullest extent permitted by applicable law; provided, that nothing in this Agreement shall preclude actions by the Liquidating Trustee against any professionals engaged by him as Liquidating Trustee for negligence or professional malpractice. Any action taken or omitted to be taken with the express approval of the Bankruptcy Court will conclusively be deemed not to constitute negligence, breach of fiduciary duty, gross negligence, willful misconduct or fraud.

5.7 Reliance by Liquidating Trustee. The Liquidating Trustee may rely, and shall be fully protected in acting on, any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order on other instrument or document that it has no reason to believe to be other than genuine and to have been signed or presented other than by the proper party or parties, or in the case of facsimile transmissions, to have been sent other than by the proper party or parties, in each case without obligation to satisfy himself that the same was given in good faith and without responsibility for errors in delivery, transmission or receipt. In the absence of his negligence, breach of fiduciary duty, willful misconduct, gross negligence, willful disregard of his duties or fraud, the Liquidating Trustee may rely as to the truth of statements and correctness of the facts and opinions expressed therein and shall be fully protected in acting thereon. The Liquidating Trustee may consult with legal counsel and shall be fully protected in respect of any action taken or suffered by the Liquidating Trustee in accordance with the written opinion of legal counsel selected by him with due care. The Liquidating Trustee may at any time seek

instructions from the Bankruptcy Court concerning the acquisition, management or disposition of the Trust Assets.

5.8 Action Upon Instructions. If in performing the Liquidating Trustee's duties under this Agreement, the Liquidating Trustee is required to decide between alternative courses of action, or the Liquidating Trustee is unsure of the application of any provision of this Agreement or the Plan, then the Liquidating Trustee shall be under no duty to take or refrain from taking such action not inconsistent with this Agreement as the Liquidating Trustee shall deem advisable. The Liquidating Trustee may at any time apply to the Bankruptcy Court for a determination as to the course of action to be taken by the Liquidating Trustee.

5.9 Books and Records. The Liquidating Trustee shall maintain, in respect of the Liquidating Trust estate, the Beneficiaries and all others to receive distributions under this Agreement, books and records relating to the assets and income of the Liquidating Trust and the payment of expenses, and liabilities of and, claims against or assumed by the Liquidating Trust, in such detail and for such period of time as may be necessary to enable it to make full and proper accounting in respect thereof in accordance with Section 5.9 hereof and to comply with applicable provisions of law. Except as provided in Section 5.9 hereof, nothing in this Agreement requires the Liquidating Trustee to file any accounting or seek approval of any court with respect to the administration of the Liquidating Trust or as a condition for making any payment or distribution out of the Trust Assets. The US Trustee shall have the right at any time during regular business hours to inspect such books and records.

5.10 Annual Reports and Notices. Within 120 days after the end of each calendar year (unless the Liquidating Trust was terminated during that calendar year, and in such case, within 120 days after such termination), the Liquidating Trustee shall submit to the Bankruptcy Court (if the Case is still open), the U.S. Trustee and the Service List a written report disclosing transactions for the prior calendar year, including: (i) financial statements of the Liquidating Trust at the end of such calendar year and the receipts and disbursements of the Liquidating Trustee for the year, and (ii) a description of any action taken by the Liquidating Trustee in the performance of his duties which materially affects the Liquidating Trust. Within 60 days after the end of each calendar year, the Liquidating Trustee shall prepare and mail to each Beneficiary (not only those on the Service List) a separate statement for that Beneficiary setting forth the Beneficiary's share of items of income, gain, loss, deduction or credit for tax-reporting purposes.

5.11 Compliance with Securities Laws. The parties intend that the rights or interests of the Beneficiaries arising under this Liquidating Trust shall not be "securities" under applicable laws, but none of the parties hereto represent or warrant that such rights or interests shall not be securities or shall be entitled to exemption from registration under applicable securities laws. If such rights or interests constitute securities, the parties hereto intend for the exemption from registration provided by Section 1145 of the Bankruptcy Code and under applicable securities laws to apply to their issuance under the Plan. The Liquidating Trustee shall file with the Securities Exchange Commission and other applicable federal and state governmental agencies the reports and other documents and take any other actions necessary to comply with federal or state securities laws, including, but not limited to, in the event that the Liquidating Trust becomes subject to the registration requirements of the Exchange Act, causing the Liquidating Trust to register pursuant to, and to comply with, the applicable reporting requirements of the

Exchange Act and issuing reports to all beneficiaries of such Liquidating Trust in accordance therewith.

5.12 Timely Performance. The Liquidating Trustee will make continuing efforts to not unduly prolong the duration of the Liquidating Trust.

5.13 Actions Taken on Other Than Business Day. If any payment or act under the Plan is required to be made or performed on a date that is not a business day, then the making of such payment or the performance of such act may be completed on the next succeeding business day, but shall be deemed to have been completed as of the required date.

5.14 Identification of Trust Beneficiaries. In order to determine the actual names and addresses of Holders of Allowed Administrative Claims and Allowed Priority Claims and the Beneficiaries, the Liquidating Trustee shall be entitled to rely on the names and addresses set forth in the Schedules or filed proofs of claim or provided to the Liquidating Trustee by the Debtor; provided, that if there is a discrepancy between the Debtor's schedules and a filed proof of claim to which an objection has not been interposed, the proof of claim shall control. Each payment and distribution by the Liquidating Trustee shall be made in accordance with the Plan, any order of the Bankruptcy Court, and this Agreement. In the event of any inconsistency between the Plan, any order of the Bankruptcy Court, and this Agreement, the terms of the Plan shall govern.

5.15 No Implied Obligations. No other further covenants or obligations shall be implied into this Agreement. The Liquidating Trustee shall not be responsible in any manner whatsoever for the correctness of any recital, statement, representation, or warranty herein, or in any document or instrument evidencing or otherwise constituting a part of the Trust Assets.

5.16 Unknown Property and Liabilities. The Liquidating Trustee shall be responsible for only that property delivered to it, and shall have no duty to make, nor incur any liability for failing to make, any search for unknown property or for any liabilities.

5.18 Compliance with Laws. Any and all distributions of Trust Assets and proceeds of borrowings, if any, shall be in compliance with applicable laws, including, but not limited to, applicable federal and state securities law.

5.19 Resignation; Successor Liquidating Trustee.

(a) Resignation. The Liquidating Trustee may resign as Liquidating Trustee by giving ten (10) days written notice of his resignation to the Advisory Committee. The Liquidating Trustee shall continue to serve as Liquidating Trustee at least until Administrative Expense Claims are paid in full.

(b) Removal. The Liquidating Trustee may be removed by the Advisory Committee after the Administrative Expense Claims have been paid in full.

(c) Selection of Successor. Upon any resignation or removal of the Liquidating Trustee or any vacancy in such position, a successor Liquidating Trustee may be appointed by the Advisory Committee or with the approval of the Bankruptcy Court.

(d) Successor Trustee. Any successor Trustee appointed hereunder shall execute an instrument accepting such appointment, file such acceptance with the Bankruptcy Court and in the Liquidating Trust records and mail a copy to the United States Trustee. Thereupon, such successor Trustee shall, without any further act, become vested with all the estates, properties, rights, powers, trusts and duties of his predecessor trustee with like effects as if originally named herein; provided, however, that a removed or resigning Trustee shall, nevertheless, when requested in writing by the successor Trustee, execute and deliver an instrument or instruments conveying and transferring to such successor Trustee under the Liquidating Trust all the estates, properties, rights, powers and trusts of such predecessor Trustee.

5.20 Continuance of Liquidating Trust. The death, dissolution, resignation, incompetency or removal of the Liquidating Trustee shall not operate to terminate the Liquidating Trust created by this Agreement, to revoke any existing agency created under the terms of this Agreement or invalidate any action theretofore taken by the Liquidating Trustee. In the event of resignation or removal, the Liquidating Trustee promptly (a) shall execute and deliver such documents, instruments and other writings as may be ordered by the Bankruptcy Court or requested by a successor Trustee to effect the termination of the Liquidating Trustee's capacity under this Agreement and the conveyance of the Trust Assets then held by the Liquidating Trustee to the successor, (b) shall deliver to the Bankruptcy Court or the successor Trustee all documents, instruments, records and other writings related to the Liquidating Trust as may be in the possession of the Liquidating Trustee and (c) shall otherwise assist and cooperate in effecting the assumption of his obligations and functions by such successor Trustee, and (d) may seek and obtain Bankruptcy Court discharge of obligations and liabilities as the Liquidating Trustee as if the Liquidating Trust were terminated pursuant to Section 8.

5.21 Preservation of Privilege. Any attorney-client privilege, work-product privilege, or other privilege or immunity in effect with respect to any documents or communications (whether written or oral), and any causes of action and other assets transferred to the Liquidating Trust (the "**Privileges**") shall vest in the Liquidating Trust and his representatives, to the full extent permitted by law. The Debtor shall be deemed to irrevocably transfer to the Liquidating Trustee, as legal successor, all rights of the Debtor and the bankruptcy estate to exercise or waive any Privileges. This transfer is self-executing, provided however, that the Liquidating Trustee and the Debtor are authorized and directed to take any and all necessary actions to effectuate the transfer of such Privileges.

5.22 No Liability for Acts of Predecessor. No successor Liquidating Trustee shall be in any way responsible or liable for the acts or omissions of any predecessor Liquidating Trustee in office prior to the date on which such Person becomes the Liquidating Trustee, nor shall such successor Trustee be obligated to inquire into the validity or propriety of any such act or omission unless such successor Trustee expressly assumes such responsibility. Any successor Trustee shall be entitled to accept as conclusive any final accounting and statement of Trust Assets furnished to such successor Trustee by the predecessor Liquidating Trustee and shall further be responsible only for those Trust Assets properly includable in such statement.

SECTION 6

ESTATE REPRESENTATIVE

6.1 Status of Liquidating Trustee as Estate Representative. In addition to his rights and duties as Liquidating Trustee of the Debtor's Liquidating Trust as set forth herein, the Liquidating Trustee shall be the representative of the Estate within the meaning of Section 1123(b)(3)(B) of the Bankruptcy Code and shall have the rights and powers provided for in the Bankruptcy Code in addition to any rights and powers granted in this Agreement and in the Plan (acting in such capacity, the "**Estate Representative**"). The Liquidating Trustee shall be a party in interest as to all matters over which the Bankruptcy Court has jurisdiction.

6.2 Compensation as Estate Representative and Retention of Professionals. The compensation of the Liquidating Trustee, as described in Section 5.5 above, shall include the Liquidating Trustee's service in his or her capacity as Estate Representative. Professionals hired by the Liquidating Trustee may also represent the Liquidating Trustee in his or her capacity as Estate Representative pursuant to the provisions of Section 5.4 above.

6.3 Limited Liability of the Estate Representative. For the avoidance of doubt, the provisions of Sections 5.6, 5.7 and 5.8 above, to the extent applicable, shall include the Liquidating Trustee acting in his capacity as Estate Representative.

SECTION 7

DEBTOR'S DUTY OF COOPERATION AND ASSISTANCE

The Debtor shall use all reasonable efforts to assist the Liquidating Trustee as necessary or appropriate to effectuate the purposes of the Plan and this Agreement and make available all books and records of the Debtor to enable the Liquidating Trustee to perform the Liquidating Trustee's tasks and duties under this Agreement and the Plan.

SECTION 8

TERMINATION

The Liquidating Trustee shall continue until the earlier of (i) termination of the Liquidating Trust as approved by the Bankruptcy Court after either payment of all Beneficiaries under the Plan or the liquidation and distribution of the proceeds of all Trust Assets; (ii) resignation pursuant to Section 5.19 of this Agreement; or (iii) five (5) years after the Effective Date. Upon termination, any remaining Trust Assets shall be immediately transferred back to the Reorganized Debtor. Notwithstanding the foregoing, in the event the Liquidating Trustee shall have been unable after continuing reasonable efforts to complete the liquidation and/or distribution of all Trust Assets in the initial term of the Liquidating Trust or other circumstances require extension, the Liquidating Trustee shall apply to the Bankruptcy Court to extend the term of the Liquidating Trust for such periods as are necessary in the Liquidating Trustee's judgment to accomplish the purposes of the Liquidating Trust, (on notice to the Beneficiaries, the Debtor, the US Trustee, and such other parties as the Bankruptcy Court directs), provided that each such extension must be approved by the Bankruptcy Court before the beginning of the extended term.

The Liquidating Trustee shall at all times endeavor to liquidate and/or distribute the Trust Assets expeditiously, and in no event shall the Liquidating Trustee unduly prolong the duration of the Liquidating Trust. On termination of the Liquidating Trust, the Liquidating Trustee shall advise the US Trustee, the Service List and the Bankruptcy Court in writing of his termination. Notwithstanding the foregoing, after the termination of the Liquidating Trust, the Liquidating Trustee may exercise all powers, authorities and discretions herein conferred solely for the purpose of liquidating and winding up the affairs of the Liquidating Trust. Upon termination, the Liquidating Trustee shall retain the books, records and files that shall have been delivered to or created by the Liquidating Trustee. At the Liquidating Trustee's discretion, all of such records and documents may be destroyed at any time after four years from the date of termination. The Liquidating Trustee may request Bankruptcy Court approval of the final annual report filed pursuant to Section 5.10, and upon court approval, the Liquidating Trustee shall be discharged from all obligations and liabilities to the Liquidating Trust or any Person who has had or may then or thereafter have an interest in the Liquidating Trust for acts or omissions in the Liquidating Trustee's capacity as the Liquidating Trustee or in any other capacity contemplated by this Trust Agreement or the Plan and the surety or sureties on any bond provided by the Liquidating Trustee under this Agreement shall be discharged and exonerated.

SECTION 9

MISCELLANEOUS

9.1 Notices. All notices, requests or other communications required or permitted to be made in accordance with this Agreement shall be in writing and shall be mailed by first-class mail or by overnight delivery service:

If to the Liquidating Trustee, at:

Conrad Myers, CPA
Myers & Company
6327 SW Capitol Hwy Ste 222
Portland, OR 97239

If to the Debtor, at:

Marshall Group, LLC
PO Box 887
McMinnville, OR 97128

Notices shall be deemed delivered when actually received.

9.2 Effectiveness. This Agreement shall become effective on the Effective Date.

9.3 Counterparts. This Agreement may be executed in one or more counterparts (via facsimile or otherwise), each of which shall be deemed an original but which together shall constitute but one and the same instrument.

9.4 Governing Law. This Agreement shall be governed by construed under and interpreted in accordance with the laws of the State of Oregon.

9.5 Headings. Sections, subheadings and other headings used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

9.6 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable any such provision in any other jurisdiction.

9.7 Amendment and Waiver. This Agreement may be amended from time to time, (a) with respect to non-material amendments or waivers without the consent of the Beneficiaries and (b) with respect to material amendments or waivers, pursuant to an order of the Bankruptcy Court on notice to the Beneficiaries, the Debtor, and the US Trustee.

9.8 Successors. This Agreement shall bind and inure to the benefit of the parties and their respective successors and assigns.

9.9 Irrevocability. The Liquidating Trust is irrevocable, but is subject to amendment as provided in this Agreement.

9.10 Enforcement and Administration. The Bankruptcy Court shall enforce and administer the provisions of this Agreement as set forth in the Plan.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused this Agreement to be duly executed as of the date first above written.

THE MARSHALL GROUP, LLC AS
DEBTOR AND DEBTOR-IN-POSSESSION

CONRAD MYERS, AS LIQUIDATING
TRUSTEE

By: _____

Title: _____

Conrad Myers

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