

Honorable Brian D. Lynch  
Chapter 11  
Hearing Date: November 22, 2016  
Hearing Time: 10:00 a.m.  
Hearing Location: Tacoma, WA; Courtroom I  
Response Date: November 17, 2016

IN THE UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON AT TACOMA

In re: ) Case No. 16-44188-BDL  
NORTH FORK COMPOSITES LLC, )  
Debtor. ) MOTION FOR AUTHORIZATION TO  
and ) SELL ASSETS FREE AND CLEAR OF  
NOTICE OF HEARING )

**NOTICE OF HEARING**

**PLEASE TAKE NOTICE** that a hearing on the Debtor's Motion to Sell Assets Free and Clear of Liens, Claims, and Interests, **IS SET FOR HEARING as follows:**

**JUDGE:** Brian D. Lynch  
**DATE:** November 22, 2016  
**TIME:** 10:00 a.m.  
**PLACE:** Union Station, Courtroom I  
1717 Pacific Avenue  
Tacoma, WA 98402-3233

**IF YOU OPPOSE** the Motion, you must file your written response with the court clerk, serve two copies on the Judge's chambers, and deliver copies on the undersigned **NOT LATER THAN** the **RESPONSE DATE**, which is November 17, 2016.

MOTION FOR AUTHORIZATION TO SELL ASSETS  
FREE AND CLEAR OF LIENS, CLAIMS, AND INTERESTS  
AND NOTICE OF HEARING - Page 1

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ATTORNEYS AT LAW  
1000 SW BROADWAY, SUITE 1400  
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1 **IF NO RESPONSE IS TIMELY FILED AND SERVED**, the Court may, in its discretion,  
2 **GRANT THE MOTION PRIOR TO THE HEARING, WITHOUT FURTHER NOTICE**, and  
3 strike the hearing.

4 **MOTION**

5 North Fork Composites LLC (the “Debtor”) moves the Court for an order pursuant  
6 to 11 USC § 363(b) and (f) authorizing it to sell all of its equipment, inventory, supplies,  
7 raw materials, and general intangibles, including, without limitation, the trade names  
8 “North Fork Composites,” and the Debtor’s 100% membership interest in Edge Rods  
9 LLC (the “Assets”) free and clear of liens, claims, and interests to Composite Ventures  
10 LLC (“Purchaser”), with the net proceeds of the sale to be impressed with the liens of  
11 Columbia Bank (the “Bank”), pursuant to the terms of the Asset Purchase Agreement  
12 attached to the Declaration of Aleksandr Maslov (“Maslov Decl.”) as Exhibit 1 (the  
13 “APA”).

14 1. On October 7, 2016 (the “Petition Date”), the Debtor filed a petition for  
15 relief under Chapter 11 of the Bankruptcy Code.

16 2. The Bank holds a perfected security interest in inventory, equipment,  
17 accounts, and general intangibles, which includes all of the items to be sold.  
18 Declaration of Aleksandr Maslov (“Maslov Decl.”), ¶ 3. As of the Petition Date, the  
19 Debtor owed approximately \$57,000 to the Bank. Maslov Decl., ¶ 3. The Debtor  
20 proposes to pay the balance owing to the Bank out of the net sales proceeds.

21 3. Debtor filed this Chapter 11 case in the face of mounting litigation  
22 expenses in a lawsuit entitled *North Fork Composites LLC v. Jon Bial, et al* pending in  
23 Clark County Superior Court, in which the Debtor and Bial were both claiming breach of  
24 Bial’s employment relationship with the Debtor. Bial was the former general counsel  
25 and general manager of the Debtor. Maslov Decl., ¶ 5. Upon filing this bankruptcy  
26 case, the Debtor removed the Bial lawsuit to this Court and Bial has filed a motion to

1 remand the lawsuit to state court and for relief from stay to allow the lawsuit to proceed.  
2 (See ECF Doc. No. 20 (Main Case); ECF Doc. No. 3 (Adv. Proc. 16-04214)).

3 4. Debtor's current revenues total approximately \$100,000 per month and its  
4 expenses approximately \$90,000-\$100,000 per month, not including litigation expenses  
5 associated with the Bial lawsuit, or the administrative expenses of this Chapter 11 case.  
6 In addition to the Bank debt of approximately \$57,000, the Debtor owes its unsecured  
7 creditors, not including Bial, approximately \$1,608,181 in undisputed debts. Maslov  
8 Decl., ¶ 4.

9 5. Debtor has received an offer from Composite Ventures LLC ("Purchaser")  
10 for all of the Debtor's equipment, inventory, raw materials, supplies, and general  
11 intangibles, and its 100% membership interest in Edge Rods LLC (the "Assets") for  
12 (i) \$100,000 plus the value of Debtor's inventory at cost in cash as of the closing date,  
13 and (ii) additional consideration in the form of assumption of all trade debt totaling  
14 approximately \$143,746 plus warranty claims, and waiver of claims against the estate  
15 totaling approximately \$1,454,746.<sup>1</sup> Maslov Decl., ¶ 6. The claimants and their  
16 relationship to the Debtor, and the approximate amounts being waived are as follows:

17	a.	Michael Darland (guaranty claims, loans to Loomises) -	\$659,033
18			
19	b.	Gary and Susan Loomis (members, loans to the Debtor) -	\$881,567
20			
21	c.	Aleksandr Maslov (CEO, loans and deferred compensation) -	\$328,392
22	d.	Nicole Darland – (VP Mkt & Dev, loans and deferred compensation) -	\$157,234
23	e.	Collins Illich – (Pres Fishing, loans and deferred compensation) -	\$87,234
24			

25 Maslov Decl., ¶ 7. Purchaser will be solely responsible for the cost and expense of  
26 removing the Assets from their current location, which will likely require the removal and

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<sup>1</sup> The claims will only be waived against the Debtor and the bankruptcy estate, but not against any third parties or any third party's property securing such claims.

1 replacement of at least two sides of the building in which the Assets are located. After  
2 payment of administrative expenses and approximately \$10,000 in priority claims, Bial's  
3 and C6's unliquidated and disputed claims are expected to be the only remaining claims  
4 to be paid from the sales proceeds. See Debtor's schedules (ECF Doc. No. 35 (Main  
5 Case)).

6 6. Debtor envisioned filing a plan of reorganization in this case, but has  
7 determined that both its creditors and the estate will be better served if the Debtor  
8 promptly sells its assets under Section 363 and ceases further manufacturing and sales  
9 operations. Debtor is currently operating at a profit of only approximately \$10,000 per  
10 month (Maslov Decl., ¶ 4), and even if Debtor were to propose a multi-year payment  
11 plan to its creditors, it is unlikely that a distribution could be made to unsecured creditors  
12 that would exceed the amounts that will be distributed from the sale, and most of that  
13 would be paid to the creditors that have agreed to waive claims of \$1,454,427. Rather,  
14 a sale pursuant to which the Purchaser will assume all of the \$143,746 in trade debt  
15 and claims totaling \$1,454,427 will be waived, will provide a greater benefit to creditors  
16 and the estate than any perceived alternative.

17 7. The Purchaser, Composite Ventures, LLC, has been formed by the  
18 Debtor's members and its officers, who are the largest unsecured creditors of the  
19 Debtor, and who are willing to waive their claims against the Debtor in a sale to  
20 Purchaser. They are, however, unwilling to make additional loans or infuse additional  
21 capital into the Debtor without the Bial lawsuit being resolved. Maslov Decl., ¶ 8.  
22 Without additional funds to supplement its sales revenues, litigation of the Bial lawsuit  
23 will likely cause the Debtor to become administratively insolvent and it will be left with no  
24 option other than to cease operations and convert the case to Chapter 7. Maslov Decl.,  
25 ¶ 8. That result would be beneficial to no one, whereas the sale to Purchaser will result  
26 in Bial and C6 receiving the net proceeds without the need to resolve their claims

1 against the Debtor.

2 8. The sale to Purchaser as proposed will result in Columbia Bank's secured  
3 claim being paid in full, trade creditors receiving payment in full along with the ability to  
4 do further business with the Purchaser, and the remaining cash proceeds being  
5 available for payment of any unpaid administrative expenses and priority claims, with a  
6 projected distribution to general unsecured creditors of approximately \$50,000-  
7 \$100,000, depending on the value of the remaining inventory and cash at closing.<sup>2</sup> The  
8 Debtor therefore believes that a sale to Purchaser, or to a competing buyer for a higher  
9 and better bid, is in the best interest of creditors and the estate, and is the only viable  
10 alternative absent conversion of the case to Chapter 7 and the potential loss of the sale  
11 to Purchaser. Furthermore, in the event Purchaser is the successful bidder, it intends to  
12 operate its business in the Woodland, Washington area, and will provide employment  
13 opportunities to all of the Debtor's existing employees. Maslov Decl., ¶ 6.

14 9. As a condition of the sale to Purchaser, the APA provides that the Debtor  
15 will waive any preferential or fraudulent transfer claims against the Purchaser, its  
16 members, managers, and employees. Within the one year period prior to the Debtor's  
17 filing of its Chapter 11 petition, the Debtor made the following payments to its members  
18 and other insiders who will be principals of the Purchaser:

19 a. Gary and Susan Loomis - \$37,014.73 - reimbursement for out of  
20 pocket expenses, and rent at \$5,000 per month for the Debtor's  
21 manufacturing facility and offices; and

22 b. Aleksandr Maslov - \$43,020 - accrued wages and healthcare  
23 reimbursements.

24 Even if these payments were to be recovered as preferential or fraudulent transfers, the  
25 waiver of claims being provided by the Loomises, Mr. Maslov, and others totaling

26 \_\_\_\_\_  
<sup>2</sup> After payment of approximately \$10,000 in priority tax claims and estimated professional fees  
of approximately \$35,000 in excess of existing retainers, Bial and C6 are expected to be the  
only remaining creditors entitled to share in the proceeds.

1 approximately \$1,454,427, will more than adequately compensate the estate for the  
2 release of any preferential or fraudulent transfer claims against the Debtor's insiders.

3 10. The Debtor believes the purchase price to be paid by Purchaser for the  
4 Assets is likely the best price obtainable. The equipment consists of steel mandrels,  
5 rolling tables, cellophane machines, and ovens. The steel mandrels are specific to the  
6 Debtor's rod patterns, tapers, and actions. Specifically the joint/ferrule that the Debtor  
7 uses in its products is unique. A different rod blank manufacturer would not be able to  
8 use a large portion of the Debtor's mandrels without changing its method of  
9 manufacturing and the style of its ferrule joints. It is highly unlikely that other  
10 manufacturers would be willing to do so to incorporate the Debtor's machinery into its  
11 operations, as the Debtor's machinery is well over 20 years old (and about 80% of it, is  
12 customized to manufacture tapered tubular fishing rod blanks). The rolling tables are  
13 used in conjunction with trade secrets and know-how taught by Gary Loomis, which are  
14 not available to the rest of the market. Similarly, the cellophane machines use  
15 specialized attachments for fine tips which allow them to be used almost exclusively on  
16 fishing rod blanks. Maslov Decl., ¶ 9.

17 11. In an attempt to arrive at a fair valuation of the equipment, the Debtor  
18 used information from two different sources. The Debtor called the manufacturer of the  
19 Debtor's most valuable equipment, Century Design Inc., which was able to provide the  
20 estimated used resale value of the machinery. In addition, the Debtor considered  
21 current prices for similar equipment being offered for sale by BST Nano Carbon, who is  
22 in the process of selling its own used carbon fiber tube manufacturing equipment for  
23 hiking sticks and golf club shafts. Utilizing that information, and considering the age and  
24 condition of the Debtor's equipment, the Debtor has valued its machinery and other  
25 tooling at approximately \$100,000, before deducting the cost to remove the equipment  
26 and repair the building where the equipment is located, which is estimated to cost

1 approximately \$30,000. Debtor estimates that new replacement equipment could be  
2 purchased for approximately \$150,000. Maslov Decl., ¶ 10. When the additional  
3 consideration being offered by Purchaser is taken into account, a competing bidder  
4 would likely have to offer approximately \$250,000 or more in cash for the Assets, plus  
5 assume the \$143,746 in Trade Claims, to provide unsecured creditors with a  
6 comparable distribution to that anticipated from a sale to Purchaser.

7 12. The Debtor has requested that the Bank consent to the sale and  
8 anticipates that it will do so prior to the hearing on this Motion.

9 13. The Debtor will provide at least 21 days' notice of the proposed sale by  
10 sending copies of: (a) this Motion, (b) Notice of Proposed Sale of Assets in the form  
11 attached hereto as Exhibit A (the "Sale Notice"), (c) Bid Procedures in the form attached  
12 hereto as Exhibit B (the "Bid Procedures"), (d) the APA, and (e) the proposed Sale  
13 Order, to the Bank, Bial, and C6, all creditors, the U.S. Trustee, and all parties  
14 requesting special notice. Debtor will also publish an online ad on the Composites  
15 World website and post a notice of the proposed sale on its own website, with a link to  
16 the Sale Notice, Motion, Bidding Procedures, APA, and proposed Sale Order.

17 This motion is supported by the Court's records and files, the Declaration of  
18 Aleksandr Maslov, and the following Memorandum of Points and Authorities. A  
19 proposed Order approving the sale is submitted herewith.

#### 20 **MEMORANDUM OF POINTS AND AUTHORITIES**

21 The Court has jurisdiction to hear and determine this Motion pursuant to 28 USC  
22 §§ 157(b)(1) and 1334(a). This is a core proceeding pursuant to 28 USC § 157(b)(2)(A),  
23 (N) and (O). Venue is proper in this District and in the Court pursuant to 28 USC §§ 1408.  
24 The statutory predicates for the relief requested in the Motion are Sections 363(b) and (f)  
25 of the Bankruptcy Code and Bankruptcy Rules 2002(a)(2) and (c)(1), 6004(a), (c), (f), (h),  
26 and 9014.



1 Section 363 of the Bankruptcy Code provides authority for a debtor in possession  
2 “after notice and a hearing, [to] use, sell or lease, other than in the ordinary course of  
3 business, property of the estate.” 11 USC § 363(b)(1). In considering a proposed sale  
4 under Section 363, courts generally focus on whether the sale is in the best interest of  
5 the estate based on the facts and history of the case. *In re America West Airlines*, 166  
6 B.R. 908, 912 (Bankr. D. Ariz. 1994) (citations omitted). This requires examination of  
7 the “business justification” for the proposed sale. *See, e.g., In re 240 North Brand*  
8 *Partners Ltd.*, 200 B.R. 653 (BAP 9<sup>th</sup> Cir. 1996). A debtor in possession is generally  
9 permitted to sell property of the estate outside the ordinary course of business where  
10 the proposed sale is a sound exercise of the debtor’s business judgment and when the  
11 sale is proposed in good faith and for fair value. *See Committee of Equity Security*  
12 *Holder v. Lionel Corporation (In re Lionel Corp.)*, 722 F.2d 1063, 1070 (2d Cir. 1983);  
13 *In re Ernst Home Ctr., Inc.*, 209 B.R. 974, 980 (Bankr. W.D. Wash. 1997). When a  
14 debtor or trustee articulates a reasonable basis for its business decisions, the “court will  
15 generally not entertain objections to the debtor’s conduct.” *Comm. Of Asbestos-Related*  
16 *Litigants v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr.  
17 S.D. NY 1986).

18 Courts have also required that the debtor provide reasonable and adequate  
19 notice of the sale, that the sale price be fair and reasonable, and that the sale be the  
20 result of good faith negotiations with the buyer. *See, e.g., In re Ewell*, 958 F.2d 276 (9<sup>th</sup>  
21 Cir. 1992) (declining to set aside or modify a sale pursuant to 11 USC § 363 because  
22 the price was fair and reasonable and the buyer was a good faith purchaser pursuant to  
23 11 USC § 363(m)). The Debtor is providing notice of the Motion to the Purchaser, the  
24 Bank, Jon Bial and C6 and their attorneys, the Office of the United States Trustee, all  
25 creditors, and all parties requesting special notice. The Debtor submits that such notice  
26 is adequate and no other or further notice is necessary or required.



1           The Purchaser is purchasing the Assets in good faith. The Purchaser may  
2 constitute an “insider” of the Debtor as that term is defined in 11 USC § 101(31) of the  
3 Bankruptcy Code because the Debtor’s members, Gary and Susan Loomis, are  
4 participating as equity interest owners in the Purchaser, however, the negotiation of the  
5 sales price is consistent with what the Debtor believes is a fair valuation of the Assets  
6 considering the costs of removal and repair of the building where the Assets are located,  
7 and is subject to higher and better bids.

8           The Debtor has requested authorization to sell the Assets free and clear of liens,  
9 claims, and interests. Section 363(f) of the Bankruptcy Code authorizes a debtor in  
10 possession to sell property “free and clear of any interest in such property of an entity  
11 other than the estate” if one or more of the following conditions is satisfied:

- 12           (1) Applicable nonbankruptcy law permits the sale of such property free and  
13 clear of such interest;
- 14           (2) Such entity consents;
- 15           (3) Such interest is a lien and the price at which such property is to be sold is  
16 greater than the aggregate value of all liens on such property;
- 17           (4) Such interest is in bona fide dispute; or
- 18           (5) Such entity could be compelled, in a legal or equitable proceeding, to  
19 accept a money satisfaction of such interest.

20 11 USC § 363(f).

21           Consistent with the use of the term elsewhere in the Bankruptcy Code, courts  
22 construe the term “interest” broadly to include all legal and equitable interests in the  
23 property and arising from the property. See, *In re Trans World Airlines, Inc.*, 322 F.3d  
24 283, 289 (3d Cir. 2003). Applicable case law provides that a sale of a debtor’s assets  
25 free and clear of liens, claims, and interests, with such liens, claims, and interests  
26 attaching to the net proceeds of the sale, is permissible under 11 USC § 363(f). See,  
*e.g.*, *In re Goffena*, 175 B.R. 386, 387 (Bankr. D. Mont. 1994); *Folger Adam Sec., Inc. v.*  
*DeMatteis/MacGregor, JV*, 209 F.3d 252, 259 (3d Cir 2000) (“[T]he holdings of the

1 courts suggest that any interest in property that can be reduced to a money satisfaction  
2 constitutes a claim for purposes of § 363(f) and, therefore, attaches to the proceeds of  
3 the sale.”).

4 One or more of the conditions set forth in 11 USC § 363(f) are satisfied here.  
5 The sale may be authorized free and clear of liens pursuant to § 363(f)(2), (3), and (5),  
6 because the only person or entity other than the Debtor that holds an interest in the Assets  
7 is the Bank. The Debtor anticipates that the Bank will consent to the sale, and even  
8 absent the Bank’s consent, the Bank’s interest is a lien and the price at which the Assets  
9 are to be sold is greater than the value of the Bank’s lien. § 363(f)(3).

10 In addition, the absence of an objection by holders of interests in the assets to be  
11 sold can constitute consent to the sale free and clear of such claims and interests. See  
12 *Futuresource LLC v. Reuters Ltd.*, 312 F.3d 281, 285-86 (7<sup>th</sup> Cir. 2002) (in a sale  
13 conducted pursuant to Section 363 of the Bankruptcy Code, “lack of objection (provided  
14 of course there is notice) counts as consent.”); *In re Tabone, Inc.*, 175 B.R. 855, 858  
15 (Bankr. D. N.J. 1994); *Veltman v. Whetzal*, 93 F.3d 517 (8<sup>th</sup> Cir. 1996).

16 WHEREFORE, the Debtor prays that the Court enter an order authorizing the  
17 sale in the form filed herewith.

18 Dated this 28<sup>th</sup> day of October, 2016.

19 SUSSMAN SHANK LLP

20 /s/ Thomas W. Stilley  
21 By: \_\_\_\_\_  
22 Thomas W. Stilley, WSBA #21718  
23 Attorneys for Debtor

24 \*23775-002MOTION TO SELL ASSETS (02419079);1  
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IN THE UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON AT TACOMA

In re: )  
NORTH FORK COMPOSITES LLC, )  
Debtor. )

Case No. 16-44188-BDL  
NOTICE OF PROPOSED SALE OF  
ASSETS FREE AND CLEAR OF LIENS,  
CLAIMS, AND INTERESTS, AND  
OPPORTUNITY FOR SUBMISSION OF  
COMPETING BIDS

To: **ALL CREDITORS**  
**ALL LIENHOLDERS**  
**AII INTEREST HOLDERS**  
**AII PROSPECTIVE BIDDERS, and**  
**AII OTHER INTERESTED PARTIES**

**NOTICE IS HEREBY GIVEN**, that North Fork Composites LLC (the “Debtor”) has filed a Motion for Authorization to Sell Assets Free and Clear of Liens, Claims, and Interests and Notice of Hearing (the “Sale Motion”). As provided in the Sale Motion, the Debtor has entered into an Asset Purchase Agreement (the “APA”) with Composite Ventures LLC (“Purchaser”) regarding the purchase and sale of all of the Debtor’s equipment, inventory, and general intangibles, and Debtor’s 100% membership interest in Edge Rods LLC (collectively, the “Assets”), that would result in the Debtor ceasing operations and Purchaser commencing like operations at the Debtor’s current location or at another facility in the Woodland, Washington area. Purchaser also intends to hire

NOTICE OF PROPOSED SALE OF ASSETS FREE AND CLEAR OF LIENS, CLAIMS, AND INTERESTS, AND OPPORTUNITY FOR SUBMISSION OF COMPETING BIDS - Page 1

SUSSMAN SHANK LLP  
ATTORNEYS AT LAW  
1000 SW BROADWAY, SUITE 1400  
PORTLAND, OREGON 97205-3089  
TELEPHONE (503) 227-1111  
FACSIMILE (503) 248-0130

1 all of the Debtor's employees to work for Purchaser following the sale. Copies of the  
2 Sale Motion, Declaration of Aleksandr Maslov, the APA, Bid Procedures, and a  
3 proposed Sale Order are enclosed with this notice.

4 The APA includes various terms and conditions, including the requirement of  
5 Bankruptcy Court approval of the sale pursuant to 11 U.S.C. § 363(f), with the Assets to  
6 be sold to Purchaser for a Purchase Price of: (a) \$100,000, plus the value of the  
7 Debtor's inventory at cost, (b) assumption of all trade debt totaling approximately  
8 \$143,746 plus warranty claims, and (c) waiver of approximately \$1,454,427 in  
9 unsecured claims against the Debtor held by the Debtor's members and officers. The  
10 Assets will be sold to Purchaser free and clear of liens, claims, and interests, with such  
11 liens, claims, and interests to attach to the proceeds of the sale. The proposed sale  
12 includes substantially all assets of the Debtor excluding cash and accounts receivable.

13 Upon executing the APA, Purchaser agreed to be the stalking horse bidder,  
14 meaning that its offer would be subjected to higher and better bids pursuant to the Bid  
15 Procedures enclosed herewith. If no other qualified bids are received, the Debtor will  
16 seek final approval of the sale of the Assets to Purchaser at hearing to be held on  
17 November 22, 2016 in the United States Bankruptcy Court for the Western District of  
18 Washington, 1717 Pacific Avenue, Tacoma, Washington. If one or more qualified bids,  
19 other than the Purchaser's offer, is received, the Debtor will conduct an auction to  
20 identify the highest and best bid and will seek final approval of the sale of the Assets to  
21 the successful bidder at the hearing.

22 The Bid Procedures include provisions governing qualification of bidders and  
23 bids, including demonstration of the financial wherewithal to consummate a sale, and  
24 submission of a competing bid together with a fully executed asset purchase agreement  
25 and deposit of \$35,000.00 by the Bid Deadline of 4:00 p.m., Prevailing Pacific Time, on  
26 November 18, 2016. A qualified bid must be for at least \$10,000 more than the Cash

1 Component of the Purchaser's stalking horse bid, include assumption of the Trade Debt  
2 of approximately \$143,747, provide additional cash compensation of at least \$150,000  
3 to compensate the estate for loss of the approximately \$1,454,427 in waived claims  
4 included in the stalking horse bid, and must include a written commitment to pay for and  
5 indemnify Debtor for any damages and repairs to the building where the equipment is  
6 located caused by removal of the equipment.

7 **The specific terms of the Bid Procedures, the APA, and the Sale Order shall**  
8 **control the terms and conditions of the proposed sale under 11 USC § 363(f) and**  
9 **should be reviewed carefully for all details.**

10 **IF YOU WISH TO SUBMIT A COMPETING BID, YOU MUST COMPLY WITH**  
11 **ALL OF THE TERMS AND CONDITIONS SET FORTH IN THE BID PROCEDURES**  
12 **AND SUBMIT YOUR BID BY THE BID DEADLINE OF 4:00 P.M., PREVAILING**  
13 **PACIFIC TIME, ON NOVEMBER 18, 2016, AS SET FORTH IN THE BID**  
14 **PROCEDURES.**

15 Dated this 28<sup>th</sup> day of October, 2016

16 SUSSMAN SHANK LLP

17 /s/ Thomas W. Stilley

18 \_\_\_\_\_  
19 Thomas W. Stilley, WSBA # 27178  
Attorneys for Debtor and Debtor in Possession

20 \*23775-002\NOTICE OF MOTION TO SELL ASSETS (02427812);1

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## **Bid Procedures for Sale of North Fork Composites LLC's Assets**

These Bid Procedures describe the process by which North Fork Composites LLC (the "Debtor") will conduct the sale (the "Sale") by auction of specific assets of Debtor (the "Assets,") including, without limitation, inventory, equipment, supplies and intangibles, and the Debtor's 100% membership interest in Edge Rods LLC, as defined in the Asset Purchase Agreement executed on October 27, 2016 (the "APA"), between the Debtor and Composite Ventures LLC ("Purchaser"). Please take notice that all capitalized terms used but not otherwise defined hereon are defined in the APA.

These Bid Procedures set forth the terms by which prospective bidders may qualify for and participate in the Auction (defined below), thereby competing to make the highest or otherwise best offer for the Assets.

Interested parties have until November 18, 2016 at 4:00 p.m. prevailing Pacific Time (the "Bid Deadline"), which is four business days prior to the Sale Hearing on November 22, 2016 to conduct due diligence and submit a qualified competing bid. Access to the Debtors' records and inspection of assets may be obtained by contacting the Debtor's Chief Executive Officer, Alex Maslov, by telephone at (360) 225-2211 (office), (425) 892-5327 (cell), or email [alex.maslov@northforkcomposites.com](mailto:alex.maslov@northforkcomposites.com).

### **A. Stalking Horse Bidder.**

On October 27, 2016, the Debtors and Purchaser entered into the APA for the acquisition of the Assets pursuant to which, Purchaser agreed to provide the following Consideration:

1. \$100,000 cash;
2. Additional cash equal to the value of the Debtor's inventory remaining at Closing, valued at cost;
3. Assumption of all trade claims against the Debtor totaling approximately \$143,746, plus assumption of warranty claims (the "Trade Debt");
4. Payment of all costs and expenses to remove the Assets from the building where they are currently located, including the cost to repair and replace any damage caused to the building by the removal, and to indemnify the Debtor and the estate for same; and
5. Waiver of claims against the Debtor held by Purchaser's members and others totaling approximately \$1,454,427 (the "Claims Waiver").

### **B. Participation and Bid Requirements.**

To participate in the bidding process, a person (other than Purchaser) (a "Potential Bidder") must deliver the following documents (unless previously delivered) to Sussman Shank LLP, 1000 S.W. Broadway, Suite 1400, Portland, Oregon 97205, Attn: Thomas W. Stillely, Telephone: (503) 227-1111, Facsimile: (503) 248-0130,

email: tstillley@sussmanshank.com, not later than 4:00 p.m. (prevailing Pacific Time) four (4) business days prior to the Sale Hearing (i.e. November 18, 2016):

1. Preliminary written proof by the Potential Bidder of its financial capacity to close and perform the proposed transaction, including, but not limited to, its ability to timely pay the purchase price and satisfy the standards to provide adequate assurance of repairs to the building for any damage caused by removal of the Assets, which proof may include current audited financial statements or unaudited financial statements verified under penalty of perjury, and verified financial commitments (i.e. banking or capital references) obtained by, the Potential Bidder (or, if the Potential Bidder is an entity formed for the purpose of acquiring the property to be sold, the party that will bear liability for a breach), the adequacy of which must be deemed satisfactory to the Debtor;

2. The Bid must identify the Potential Bidder(s), i.e. including any party on whose behalf the Bid is made, any party otherwise participating in connection with such bid and the terms of any such participation, and whether the Potential Bidder or such other party is a party to any agreement limiting the Potential Bidders or bidding at the Auction. The Bid must identify whether the Potential Bidder is a creditor of the Debtor, and if so how the amount of such creditor's claim, if any, is being taken into consideration as part of the Bid; and

3. The Bid must include a signed asset-purchase agreement in substantially the form of the APA (the "Competing Purchase Agreement"), and a comparison of such Competing Purchase Agreement marked to show all changes from the APA. A Competing Purchase Agreement must provide for a purchase price that meets or exceeds the following requirements (the "Overbid Amount"):

(a) Provide for cash consideration of at least \$110,000, plus the value of the inventory remaining at Closing, valued at cost;

(b) Provide for assumption or payment in cash of the Trade Debt of approximately \$143,746;

(c) Provide additional cash consideration of at least \$150,000, which the Debtor estimates is the minimum amount necessary to compensate the Debtor and the estate for its failure to receive the waiver of approximately \$1,454,427 in claims included in the Purchaser's offer;

(d) Provide for payment of all costs and expenses to remove the Assets from the building where they are currently located, including the cost to repair and replace any damage caused to the building by the removal, and to indemnify the Debtor and the estate for same;

(e) Provide that the Potential Bidder will forfeit the Sale Deposit (defined below), as liquidated damages if such Potential Bidder defaults under the Competing Purchase Agreement;

(f) Not be subject to any financing contingency, contingency relating to the completion of unperformed due diligence, contingency relating to the approval of the



Potential Bidder's board of directors or other internal approvals or consents, contingency relating to approval by any Governmental Entity, or any conditions precedent to the Potential Bidder's obligation to purchase the Assets, consummate the Transaction and perform its obligations under the Competing Purchase Agreement other than those included in the Competing Purchase Agreement;

(g) Not require payment to the Potential Bidder of any breakup fee, topping fee, expense reimbursement, or other similar arrangement; and

(h) Provide for a Closing Date that is no later than the Closing Date in the APA.

4. The Bid must also include a deposit (the "Sale Deposit") in the form of either a wire transfer to the client trust account of Sussman Shank LLP or a certified check in the amount of Thirty-Five Thousand Dollars (\$35,000) payable to the order of Debtor. The Sale Deposit shall be held in the trust account of Debtor's bankruptcy counsel pending the closing of the asset sale. The full amount of the Sale Deposit shall be forfeited to Debtor as liquidated damages if such Potential Bidder is the Successful Purchaser (defined below) and fails to close the transaction because of a breach or failure to perform the Competing Purchase Agreement on the part of the Successful Purchaser.

5. Each Potential Bidder must confirm in writing the Potential Bidder's agreement to accept and abide by the terms, conditions, and procedures of these Bid Procedures.

6. A Bid must provide that it is irrevocable until two (2) business days after the closing of the Sale. Each Potential Bidder that participates in the Auction (as defined below), at its option, further agrees that its final and best bid at the conclusion of the Auction, if not deemed the Successful Bid, shall serve, without modification, as a back-up bid as may be designated by the Debtors at the Sale Hearing, in the event the Successful Purchaser fails to close as provided by these Bid Procedures and the order authorizing the sale.

7. A Bid must be submitted to counsel for the Debtors so as to be received not later than the Bid Deadline. Counsel shall, as soon as practicable, send a copy of each Bid received, if any, to the following parties: (i) counsel to Buyer, (ii) counsel to Columbia Bank, (iii) counsel to John Bial and C6 Inc., and (iv) counsel to each Potential Bidder submitting a bid, or if a Potential Bidder does not have counsel, to the Potential Bidder.

8. Within one (1) business day after a Potential Bidder delivers the above Bid documents, the Debtor in its sole exercise of its reasonable business judgment shall determine and notify the Potential Bidder whether such Potential Bidder has submitted acceptable Bid documents. A Bid submitted by a Potential Bidder that meets these requirements in the Debtor's sole exercise of its reasonable business judgment is a "Qualified Bid" and the Potential Bidder for such Bid is a "Qualified Bidder." The Purchaser is deemed a Qualified Bidder.

9. The Debtor may work with Potential Bidders during the one (1) business day period to attempt to correct or cure any deficiencies in any Bid documents. Only those

Potential Bidders whose Bid documents have been deemed acceptable by the end of such one (1) business day period (as it may be extended by the Debtor in its sole exercise of its reasonable business judgment) shall be considered Qualified Bidders. Once submitted, a Qualified Bidder may not amend, modify, or withdraw its Qualified Bid, except for proposed amendments to increase the amount or otherwise improve the terms of the Qualified Bid, during the period that such Qualified Bid is required to remain irrevocable and binding as provided herein.

**C. Evaluation of Qualified Bids.**

Before the Auction, the Debtor will evaluate Qualified Bids and identify the Qualified Bid that is, in the Debtor's sole exercise of its reasonable business judgment, the highest or otherwise best bid (the "Starting Bid"). No later than 10:00 a.m. Pacific time one business day prior to the Sale Hearing the Debtor will notify the Purchaser and all parties who have submitted Qualified Bids as to whether there will be an Auction, and if so, which Qualified Bid is the Starting Bid.

**D. "As Is, Where Is."**

The sale of the Assets that are the subject of the sale shall be on an "as is, where is" basis without representations or warranties of any kind or nature, except to the extent set forth in the APA of the Purchaser or a comparable definitive purchase agreement(s) with the Successful Purchaser. Except as may be set forth in the APA or a comparable definitive purchase agreement(s), any and all of the Debtor's assets shall be sold free and clear of any and all existing liens, claims, and interests, with such liens, claims, and interests to attach to the proceeds of sale in their order of validity and priority.

**E. No Qualified Bids.**

If no Qualified Bids are received by the Bid Deadline, then the Debtor will promptly notify the Bankruptcy Court and the Notice Parties of that fact, the Auction will not occur, and Purchaser will be deemed the Successful Purchaser. Subject to any termination rights under the APA, the Debtor will seek approval of the Sale to Purchaser at the Sale Hearing, including approval of the APA and authorization for the sale of the Assets and the transfer of the assumed liabilities.

**F. Auction and Sale Hearing.**

In the event one or more Qualified Bids is received by the Bid Deadline, then the Debtor will conduct the auction (the "Auction") on the day immediately preceding the Sale Hearing to determine the highest and best bid for the Assets. All bids must be for cash and assumption of liabilities as provided for in these Bid Procedures. The Debtor will determine the highest and best bid in its reasonable business discretion, subject to approval of the Bankruptcy Court.

The Auction will be conducted in accordance with the following procedures (the "Auction Procedures"):

1. The Qualified Bidders, including Purchaser, shall appear in person or through duly-authorized representatives at the Auction (which may be by telephone at the discretion of Debtor);
2. Only Qualified Bidders, including the Purchaser and their duly authorized representatives shall be entitled to bid at the Auction;
3. The Debtor and its advisors will direct the Auction;
4. Bidding at the Auction will begin with the Starting Bid;
5. Subsequent bids at the Auction, including any bids by Purchaser, shall be made in minimum increments of \$5,000;
6. Each Qualified Bidder will be informed of the terms of the previous bids;
7. The bidding will be recorded to ensure an accurate record of the bidding at the Auction;
8. At the Auction, all Qualified Bidders including the Purchaser may submit further bids. The Auction will be conducted in rounds. A bidder must participate in each round of bidding or it will forfeit its right to further participate in the Auction. At any time, a Qualified Bidder including the Purchaser may request that the Debtor announce, subject to any potential new bids, the then current highest and best bid. If requested, the Debtor will use reasonable efforts to clarify any and all questions any Qualified Bidder including the Purchaser may have regarding the Debtor's announcement of the then current highest and best bid. All Qualified Bidders shall bid in the order determined by the Debtor;
9. Each Bid made at the Auction must remain open and binding on the Qualified Bidder for (a) each round of bidding and, (b) if made by a Qualified Bidder not selected as the Successful Purchaser, for purposes of serving as a Back-up Bid as defined below;
10. The Debtor may announce at the Auction such additional rules for bidding that in its reasonable business judgment will better promote the goals of the bidding process and that are not inconsistent with the Bid Procedures or any order in the Debtor's Chapter 11 case;
11. No Qualified Bidder participating in the Auction shall engage in any collusion: (a) regarding the Bidding Procedures, (b) with any other Qualified Bidder, (c) with respect to the Auction, or (d) with respect to any proposed transaction relating to the Assets; and
12. Absent irregularities in the implementation of these Bid Procedures, the Debtor will not consider bids made after the Auction is closed.

## **G. Conclusion of the Auction and Sale Hearing.**

Upon the conclusion of the Auction, the Debtor, in the exercise of its reasonable business judgment, and after consulting with its advisors, will identify the highest or otherwise best bid for approval by the Bankruptcy Court pursuant to Section 363 of the Bankruptcy Code (the "Successful Bid"). The Qualified Bidder that submitted the Successful Bid will be the "Successful Purchaser." The Successful Purchaser and the Debtor will, as soon as commercially reasonable and practicable, complete and sign all agreements, contracts, instruments, or other documents evidencing and containing the terms upon which such Successful Bid was made.

## **H. Section 365(b)(1)(C) Finding.**

Before the Bankruptcy Court approves a sale to the Successful Purchaser, the Successful Purchaser will supplement the Bankruptcy Court's record with evidence, to the extent necessary, establishing the Successful Purchaser's provision of adequate assurance of future performance of liabilities assumed and assigned to the Successful Purchaser, and payment of the costs and expense of removing the Assets and repairs to the building in which the Assets are located.

## **I. Section 363(m) Finding.**

Any Potential Bidder that intends to request that the Bankruptcy Court make a finding under Bankruptcy Code Section 363(m) regarding such bidder's good faith purchase of the Assets will in advance of the Sale Hearing file with the Bankruptcy Court and serve on the Notice Parties (defined below), a written declaration of a competent witness demonstrating the bidder's good faith, and the absence of fraud or collusion between the bidder and any other bidder, or between the bidder and the Debtor or any agent or employees of the Debtor. The declaration must also disclose any facts material to the good faith determination, including:

1. The bidder's pre- and post-petition relationships with any other bidder, the Debtor, and the Debtor's current or former members, managers, officers, directors, agents, or employees, and any of the Debtor's major creditors or equity security holders;
2. The bidder's anticipated relationship after the sale with any of the Debtor's current or former members, managers, officers, directors, or agents;
3. Whether any offers of employment or compensation have been or will be made to any of the Debtor's current or former members, managers, officers, directors, agents, or employees; and
4. Whether the bidder has paid or contemplates paying consideration in connection with the sale to any person other than the Debtor.

## **J. Sale Hearing.**

A hearing to consider approval of the sale of the Assets and the transfer of the assumed liabilities to the Successful Purchaser (or to approve the APA if no Auction is held) (the "Sale Hearing") is presently scheduled to take place on the day following the Auction, or as soon thereafter as counsel may be heard, before the Honorable Brian D. Lynch, United States Bankruptcy Judge for the United States Bankruptcy Court for the Western District of Washington, Tacoma Division, at Union Station Courthouse, 1717 Pacific Avenue, Tacoma, Washington 98402-3233. The Debtor and the Successful Purchaser, once the Successful Purchaser has been determined, will each use their commercially reasonable efforts, and will cooperate, assist, and consult with each other, to secure the entry of a sale order (the "Sale Order") approving the APA or Competing Purchase Agreement and authorizing the sale of the Assets pursuant to Section 363 of the Bankruptcy Code, free and clear of all liens, claims, and interests (except with respect to the assumed liabilities), to the fullest extent allowed by applicable law including appropriate good faith findings and similar provisions.

Subject to the terms of the APA, the Sale Hearing may be continued to a later date by the Debtor by sending appropriate notice to the Notice Parties and all prospective bidders, including the Purchaser, to be received prior to the Sale Hearing, or by making an announcement at the Sale Hearing. No further notice of any such continuance will be required to be provided to any party.

#### **K. Designation of Back -Up Bidder.**

Upon the conclusion of the Auction and the selection of the Successful Purchaser, the Debtor may, in consultation with its advisors, select the entity submitting the next highest or otherwise best Qualified Bid (the "Back-Up Bidder") subject to the Bankruptcy Court's approval. The bid of the Back-Up Bidder shall remain open until the first business day following the earlier of the closing or deadline for closing of a sale of the Assets to the Successful Purchaser. If for any reason the Successful Purchaser is unable or unwilling to timely consummate an approved sale because of breach or failure to perform on the part of the Successful Purchaser, it will forfeit its Sale Deposit to the Debtor, and the Back-Up Bidder shall be deemed to be the Successful Purchaser. The purchase price will then be the amount of such Back-Up Bidder's last bid, and the Debtor will be authorized to complete the sale to the Back-Up Bidder without further order of the Bankruptcy Court.

#### **L. Return of Sale Deposit.**

The Sale Deposit of the Successful Purchaser, upon timely consummation of the purchase of the Assets, will be credited to the purchase price paid for the Assets. If the Successful Purchaser fails to timely consummate the purchase of the Assets for a reason other than the Debtor being in material breach of its obligations under the APA or Competing Purchase Agreement, then the Successful Purchaser shall be deemed a "Defaulting Purchaser" without further order of the Bankruptcy Court, at which time the Successful Bid shall be deemed rejected and Sale Deposit of the Defaulting Purchaser shall be forfeited to, and be retained irrevocably by, the Debtor.

The Sale Deposit of any unsuccessful Qualified Bidders, except for the Back-up Bidder, will be returned within seven (7) days after entry of the Sale Order. The Sale Deposit of

the Back-up Bidder will be returned within seven (7) days following closing of the sale to the Successful Purchaser.

**M. Reservation of Rights to Modify Bid Procedures.**

The Debtor reserves the right, following consultation with its advisors, to modify these Bid Procedures in any manner that is not inconsistent with the APA and any Competing Purchase Agreements and that will best promote the goals of the bidding process and to impose, at or prior to the Auction, additional customary terms and conditions on the sale of the Assets and the transfer of the assumed liabilities. Allowed modifications include, without limitation, modifying the requirements for a Qualified Bid, extending the deadlines set forth in these Bid Procedures, and adjourning the Auction, or the Sale Hearing in open court without further notice. Notwithstanding the foregoing, the Debtor may not accept any Qualified Bid that does not comply with these Bid Procedures, or does not equal or exceed the Overbid Amount. The Debtors may not impose any terms and conditions on a purchaser that are contrary to or in breach of the terms of the APA of Competing Purchase Agreement other than any such terms or conditions set forth in these Bid Procedures to which the purchaser may agree.

**N. Notice Parties.**

The Notice Parties hereunder are as follows: (i) North Fork Composites LLC c/o Thomas W. Stilley, Sussman Shank LLP, 1000 S.W. Broadway, Suite 1400, Portland, Oregon 97205, Email: [tstilley@sussmanshank.com](mailto:tstilley@sussmanshank.com), Telephone (503) 227-1111, Facsimile (503) 248-0130; and (ii) Columbia Bank c/o Alexander S. Kleinberg, Eisenhower Carlson PLLC, 1201 Pacific Ave., Suite 1200, Tacoma, Washington 98402, Email: [AKleinberg@Eisenhowerlaw.com](mailto:AKleinberg@Eisenhowerlaw.com), Telephone: (253) 572-4500, Facsimile: (253) 272-5732.

\*23775-002\BID PROCEDURES (02421452);1



Honorable Brian D. Lynch  
Chapter 11  
Hearing Date: November 22, 2016  
Hearing Time: 10:00 a.m.  
Hearing Location: Tacoma, WA - Courtroom 1  
Response Date: October 17, 2016

IN THE UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON AT TACOMA

In re: ) Case No. 16-44188-BDL  
NORTH FORK COMPOSITES LLC, )  
Debtor. )  
DECLARATION OF ALEKSANDR  
MASLOV IN SUPPORT OF MOTION  
FOR AUTHORIZATION TO SELL  
ASSETS FREE AND CLEAR OF LIENS,  
CLAIMS, AND INTERESTS

I, Aleksandr Maslov, declare as follows:

1. I am a manager and the Chief Executive Officer of North Fork Composites LLC (the "Debtor"). I am over 18 years of age. Except as otherwise stated herein, if I were called as a witness, I could and would competently testify to the matters set forth herein from my own personal knowledge and based on my review of the Debtor's books and records.

2. The Debtor is a Washington limited liability company headquartered in Woodland, Washington that is engaged in the design, manufacture, and sale of composite products for the outdoor sports and athletic industries, including fishing rod blanks and golf club shafts. Debtor's sole members are Gary and Susan Loomis. Gary Loomis is a high-end fishing rod designer known throughout the industry. The Debtor employs approximately 20 people on a full and part-time basis.

DECLARATION OF ALEKSANDR MASLOV IN SUPPORT  
OF MOTION FOR AUTHORIZATION TO SELL ASSETS  
FREE AND CLEAR OF LIENS, CLAIMS, AND INTERESTS  
- Page 1

SUSSMAN SHANK LLP  
ATTORNEYS AT LAW  
1000 SW BROADWAY, SUITE 1400  
PORTLAND, OREGON 97205-3089  
TELEPHONE (503) 227-1111  
FACSIMILE (503) 248-0130



1           3. Debtor owes Columbia Bank (“Columbia”) approximately \$57,000 (the  
2 “Columbia Obligations”). The Columbia Obligations are secured by inventory,  
3 equipment, accounts receivable, and general intangibles. Columbia’s security interest  
4 was perfected by a UCC financing statement filed on March 30, 2015.

5           4. Debtor’s current revenues total approximately \$100,000 per month and its  
6 expenses approximately \$90,000-\$100,000 per month, not including litigation expenses  
7 associated with the Bial lawsuit, or the administrative expenses of this Chapter 11 case.  
8 In addition to the Bank debt of approximately \$57,000, the Debtor owes its undisputed  
9 unsecured creditors, approximately \$1,608,181.

10          5. Debtor filed this Chapter 11 case in the face of mounting litigation  
11 expenses being incurred in a lawsuit entitled *North Fork Composites LLC v. Jon Bial, et*  
12 *al* pending in Clark County Superior Court, in which the Debtor and Bial were both  
13 claiming breaches of Bial’s employment relationship with the Debtor. Bial was the  
14 former general counsel and general manager of the Debtor.

15          6. Debtor has received an offer from Composite Ventures LLC (“Purchaser”)  
16 for all of the Debtor’s equipment, inventory, raw materials, supplies, and general  
17 intangibles, and its 100% membership interest in Edge Rods LLC (the “Assets”) for  
18 (i) \$100,000 plus the value of Debtor’s inventory at cost in cash as of the closing date,  
19 and (ii) additional consideration in the form of assumption of trade debt totaling  
20 approximately \$143,746 and waiver of claims against the estate totaling approximately  
21 \$1,454,746. In the event Purchaser is the successful bidder, it intends to operate its  
22 business in the Woodland, Washington area, and will provide employment opportunities  
23 to all of the Debtor’s existing employees. Debtor and Purchaser have entered into an  
24 Asset Purchase Agreement setting forth the terms and conditions of the sale, a copy of  
25 which is attached hereto as Exhibit 1.

26          7. Purchaser will be solely responsible for the cost and expense of removing

1 the Assets from their current location, which will likely require the removal and  
2 replacement of at least two sides of the building in which the Assets are located. In  
3 addition to the \$100,000 plus cash for the inventory, Purchaser will assume all trade  
4 claims owed by the Debtor (approximately \$143,746) plus warranty claims, and the  
5 Debtor's members and officers holding approximately \$1,454,427 in unsecured claims  
6 will waive their claims against the Debtor and the bankruptcy estate.<sup>1</sup> The claimants  
7 and their relationship to the Debtor, and the approximate amounts being waived are as  
8 follows:

- 9 a. Michael Darland (guaranty claims for loans  
10 made to Loomises) - \$659,033
- 11 b. Gary and Susan Loomis (members, loans  
12 made to the Debtor) - \$881,567
- 13 c. Aleksandr Maslov (CEO, loans and  
14 deferred compensation) - \$328,392
- 15 d. Nicole Darland – (VP Mkt & Dev, loans  
16 and deferred compensation) - \$157,234
- 17 e. Collins Illich – (President Fishing, loans and  
18 deferred compensation) - \$87,234

19 8. The Purchaser has been formed by the Debtor's members and its officers,  
20 who are the largest unsecured creditors of the Debtor, and who are willing to waive their  
21 claims against the Debtor in a sale of the Assets to Purchaser. They are, however,  
22 unwilling to make additional loans or infuse additional capital into the Debtor without the  
23 Bial lawsuit being resolved. Without additional funds to supplement its sales revenues,  
24 litigation of the Bial lawsuit will likely cause the Debtor to become administratively  
25 insolvent and it will have no option other than to cease operations and convert the case  
26 to Chapter 7.

<sup>1</sup> The claims will only be waived against the Debtor and the bankruptcy estate, but not against any third parties or any third party's property securing such claims.

1           9.     The Debtor believes the purchase price to be paid by Purchaser for the  
2 Assets is likely the best price obtainable. The equipment consists of steel mandrels,  
3 rolling tables, cellophane machines, and ovens. The steel mandrels are specific to the  
4 Debtor's rod patterns, tapers, and actions. Specifically the joint/ferrule that the Debtor  
5 uses in its products is unique. A different rod blank manufacturer would not be able to  
6 use a large portion of the Debtor's mandrels without changing their method of  
7 manufacturing and the style of their ferrule joints, and it is unlikely that other  
8 manufactures would be willing to do so in order to incorporate the Debtor's machinery  
9 into their operations. The Debtor's machinery is well over 20 years old (and about 80%  
10 of it, is customized to manufacture tapered tubular fishing rod blanks). The rolling tables  
11 are used in conjunction with trade secrets and know-how taught by Gary Loomis, which  
12 are not available to the rest of the market. Similarly, the cellophane machines use  
13 specialized attachments for fine tips which allow them to be used almost exclusively on  
14 fishing rod blanks.

15           10.    In an attempt to arrive at a fair valuation of the machinery, the Debtor used  
16 information from two different sources. Debtor called the manufacturer of certain items  
17 of the Debtor's machinery, Century Design Inc., which was able to provide the used  
18 resale value of such machinery. In addition, the Debtor considered list prices for similar  
19 equipment being offered for sale by BST Nano Carbon, who is in the process of selling  
20 its used tapered carbon fiber tube manufacturing equipment for hiking sticks and golf  
21 club shafts. Utilizing that information, and considering the age and condition of the  
22 Debtor's equipment, the Debtor has valued its machinery and other tooling equipment at  
23 approximately \$100,000, before deducting the cost to remove the equipment and repair  
24 the building where the equipment is located, which is likely to cost approximately  
25 \$30,000. Debtor estimates that new replacement equipment could be purchased for  
26 approximately \$150,000. Considering the age and condition of the Debtor's equipment,

1 Debtor does not believe anyone is likely to pay more than approximately \$70,000 for the  
2 Debtor's equipment, after considering the cost to dismantle and repair the building to  
3 remove the equipment.

4 I declare under penalty of perjury that the foregoing is true and correct.

5 Dated this 28<sup>th</sup> day of October, 2016, at Woodland, Washington.

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*/s/ Aleksandr Maslov*

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Aleksandr Maslov

10 \*23775-002\DECLARATION OF ALEKSANDR MASLOV 363 SALE (02424618);1

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## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "Agreement") is made and entered into as of the 27<sup>th</sup> day of October, 2016, by and between North Fork Composites LLC ("Seller"), and Composite Ventures LLC ("Purchaser").

### RECITALS

- A. On October 7, 2016 (the "Petition Date"), Seller filed a petition to reorganize its business under Chapter 11 of the United States Bankruptcy Code ("Bankruptcy Code") and is continuing to operate as the Debtor-in-Possession in Case No. 16-44188-BDL in the United States Bankruptcy Court for the Western District of Washington ("Bankruptcy Court").
- B. Seller's operations include the design, fabrication, and sale of fishing rod blanks, golf club shafts, and similar items for the outdoor sports market. Seller operates its business out of buildings owned by Gary and Susan Loomis located on the Loomis' property at 2617 Northeast 434<sup>th</sup>, Woodland, Washington 98674 (the "Loomis Buildings").
- C. Seller currently generates approximately \$100,000 per month in sales and incurs expenses of approximately \$90,000-\$100,000 per month, not including bankruptcy related administrative expenses. Seller has determined that without a significant infusion of cash from its members or from another source, it will be unable to remain in business and propose a plan of reorganization that provides a meaningful distribution to creditors. As a result it has made the decision to sell the majority of its assets while still operating, in order to maximize the value of those assets for the benefit of its creditors and the estate, and to cease further manufacturing operations upon closing of the sale.
- D. Purchaser is a Washington limited liability company formed by Seller's members, Gary and Susan Loomis, its Chief Executive Officer, Aleksandr Maslov, its Vice President of marketing and development, Nicole Darland, and its President of fishing business, Collins Illich, for the purpose of purchasing from Seller the assets described in this Agreement and submitting a stalking horse bid for the purchase of the assets.
- E. Seller has reached an agreement with Purchaser to sell, subject to Bankruptcy Court approval, all of Seller's equipment (including the equipment listed on Exhibit A hereto), inventory, raw materials, supplies, and general intangibles, and Seller's 100% membership interest in Edge Rods LLC, including, without limitation, the trade name "North Fork Composites" and "Edge Rods" (collectively, the "Assets") to Purchaser for the sum of \$100,000 plus the value of the inventory at cost, plus additional consideration in the form of assumption of the Trade Claims (defined below) totaling approximately \$143,746, and waiver and release of the Waived Claims (defined below) totaling approximately \$1,454,427 held by the Seller's members and certain employees and lenders, subject to higher and better bids, pursuant to this Agreement and Section 363 of

the Bankruptcy Code, free and clear of liens, claims, and interests (the "Sale"). Any competing overbids must be for at least ten percent (10%) more than the Cash Component of the Purchase Price (defined below), plus cash for the value of the inventory at cost, assumption, or payment of the Trade Claims, and additional cash compensation of at least \$150,000 to compensate Seller for not receiving a release of the Waived Claims, and payment of and indemnification of the Seller for all costs and expenses incurred in removing the Assets from the Loomis Buildings and for any damage to the buildings caused by the removal and the costs of repair (a "Qualifying Overbid").

- F. Columbia Bank ("Columbia") holds a first position lien upon the Assets ("Columbia's Lien"), which lien will attach to the proceeds from the sale. As of the Petition Date, Seller had incurred obligations to Columbia totaling approximately \$57,000, which were secured by all of Seller's inventory, equipment, accounts, and general intangibles. As of the Petition Date, Seller had incurred additional undisputed obligations totaling approximately \$1,608,173 to its unsecured creditors.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants of the parties set forth herein, IT IS HEREBY AGREED AS FOLLOWS:

## A G R E E M E N T

1. Recitals Incorporated. The above recitals are incorporated by reference and are a part of this Agreement.

2. Assets to be Purchased.

a. Upon the terms and conditions set forth herein, Seller will sell to Purchaser, and Purchaser will purchase from Seller, all of the Assets. Upon entry of a final order (the "Sale Order") approving the Sale by the Bankruptcy Court and closing of the Sale ("Closing"), Seller will turn over to Purchaser, and Purchaser will have the exclusive right to take possession of the Assets, subject to Paragraph 4 below.

b. As of Closing, Purchaser will bear all risk of loss or damage to the Assets from all causes and will be responsible for any and all *ad valorem* taxes associated with the Assets.

3. Seller's Liabilities. Purchaser will assume Seller's obligations to its suppliers, vendors, and customers, including warranty obligations regarding Seller's products sold prior to Closing (the "Trade Claims"). Except for the Trade Claims, Purchaser will not assume any other liabilities of Seller. Purchaser will not assume or agree to pay, perform, or discharge, any debts, liabilities, obligations, claims, expenses, taxes, or commitments of any kind or character, whether accrued or fixed, absolute or contingent, matured or unmatured, or determined or undetermined (collectively, "Liabilities") of Seller or become liable to Seller or any other person, for any Liabilities of Seller. Liabilities include, without limitation, any liability of Seller relating to or arising from: (i) any infringement by Seller on the rights of others in connection with the business of

Seller; (ii) any and all taxes of any nature with respect to the period prior to Closing; (iii) any liability arising from a violation by Seller of any laws governing employee relations, including anti-discrimination laws, wage and hour laws, labor relations laws, occupational safety and health laws or any other laws applicable to Seller or the business of Seller or the Assets with respect to the period prior to Closing; (v) liability arising from Seller's fraud, breach, malfeasance, misfeasance, negligence, strict liability in tort, injury to persons or property or under any other theory relating to Seller's business, the Assets, or the conduct, performance, or non-performance of Seller; (vi) liabilities and obligations arising out of or resulting from the ownership of the Assets before the Closing; (vii) liabilities and obligations arising out of or resulting from any failure by Seller to comply with any applicable law, judgment, or order; (viii) liabilities and obligations arising out of or resulting from any legal proceeding; (ix) liabilities and obligations to any employee of Seller arising out of or resulting from the employee's service as an employee of Seller through the close of business on the Closing date, whether or not the employee is hired by Purchaser, including, without limitation, all obligations, liabilities, losses, damages, taxes, and/or sanctions arising from or relating to the WARN Act (the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §2101 *et seq.*) or any similar Washington statute; (x) liabilities and obligations under any employee benefits plan; (xi) liabilities and obligations to any current or former member, manager, or officer of Seller or of any affiliate of Seller; and (xi) liabilities and obligations arising out of or resulting from any act or omission of Seller after the Closing.

4. Waiver of Claims Against Seller. Purchaser will cause the following persons holding claims against the Seller and its bankruptcy estate to, upon Closing, provide Seller and its bankruptcy estate with written waivers and releases of the following described claims (the "Waived Claims"), but only as to the liability of Seller and its bankruptcy estate, and not as to any other person or entity or their property securing such claims:

a. Michael Darland (guaranty obligations for loans to Gary and Susan Loomis) -	\$659,033
b. Gary Loomis (loans and unpaid rent) -	\$881,567
c. Aleksandr Maslov (loans, unpaid compensation, and reimbursable expenses) -	\$328,392
d. Nicole Darland (loans, unpaid compensation, and reimburseable expenses) -	\$157,234
e. Collins Illich (loans and unpaid compensation) -	\$ 87,234

5. Removal of Assets/As Is, Where Is. Seller will have no obligation to move or remove the purchased Assets from the Loomis Buildings. The Assets will be sold as is, where is, and Purchaser will bear all of the costs, if any, of removal or relocation of the Assets, including any damages or costs for repairs to the Loomis Buildings, and will indemnify Seller therefor.



6. Purchase Price; Deposit; Free and Clear of Liens, Claims, and Interests. The purchase price payable by Purchaser for the Assets (the "Purchase Price") will consist of the following: (a) \$100,000, plus the value of the inventory at cost as of the date of Closing, payable in cash or by wire transfer within three (3) business days following entry of the Sale Order (the "Cash Component"); (b) assumption of the Trade Claims; and, (c) the furnishing of Seller with written waivers and releases of the Waived Claims duly signed by the holders of such claims. Upon the execution of this Agreement, Purchaser will provide Seller with a cash deposit of \$25,000 (the "Deposit"), which will be fully refundable to Purchaser if it is not the successful bidder for the Assets. If Purchaser is the successful bidder, the deposit will be applied to the purchase price at Closing. It is a condition of Closing that the Bankruptcy Court enter the Sale Order providing that the purchase of the Assets will be free and clear of liens, claims, and interests, including, without limitation, Columbia's Lien.

7. Competing Bids; Auction. The Sale to Purchaser will be subject to higher and better bids. Seller will provide Purchaser and other prospective bidders with access to the Loomis Building by appointment to inspect the Assets. In order to submit a competing bid, a competing bidder must: (a) execute an asset purchase agreement in substantially the same form, and containing the same terms and conditions, as this Agreement; (b) submit an upset bid that includes: (i) cash equal to at least the Cash Component of the Purchase Price contained in this Agreement plus \$10,000, (ii) assumption or payment of the Trade Claims, and (iii) additional cash compensation of at least \$150,000 to compensate Seller for the bidder's failure to provide Seller with a release of the Waived Claims; (c) agree to indemnify the Seller for all costs and expenses incurred in removing the Assets from the Loomis Buildings and for any damage to the buildings caused by the removal; and (d) provide Seller with a cash deposit of \$35,000, which will be fully refundable to bidder if its bid is not accepted as the highest and best bid for the Assets. If its bid is accepted as the highest and best bid, and the bidder fails to close the sale, its deposit will be forfeited to Seller. If one or more qualifying upset bids are received, Seller will conduct an auction of the Assets among the Purchaser and all bidders having submitted qualifying upset bids, with the auction rules to be established by Seller prior to the auction. Upon conclusion of the auction, the Seller will, in its business judgment, and subject to approval of the Bankruptcy Court, proceed to close the sale to the bidder having submitted the highest and best bid.

8. Remedies for Breach by Purchaser. Should Purchaser fail, for any reason other than Seller's breach, to pay the Purchase Price or otherwise proceed with closing of the Transaction upon entry of the Sale Order, then Purchaser will forfeit the Deposit and the Seller will be entitled to exercise any and all available remedies at law or in equity.

9. Representations and Warranties.

a. The sale and transfer of the Assets to Purchaser is made on an AS-IS, WHERE-IS basis, and Seller makes no representations or warranties regarding the Assets, or the condition thereof.

b. Without limiting the foregoing, Seller makes no express or implied warranties concerning any of the Assets being sold, including any warranty of merchantability or suitability for any particular purpose.

c. Both Seller and Purchaser represent and warrant that, other than the necessary approval of the Bankruptcy Court, each of their respective signatories to this Agreement have the requisite authority to sign and enter into this Agreement on behalf of Seller and Purchaser, respectively.

d. Purchaser represents and warrants that it has the financial ability to pay the Purchase Price as of the date of signing this Agreement.

10. Release and Indemnification.

a. On behalf of itself, its affiliates, successors, members, managers, agents, and employees, Purchaser releases, indemnifies, and holds Seller harmless for any and all costs, damages, and/or claims of any nature whatsoever incurred by Purchaser, its affiliates, successors, members, managers, agents, employees, and representatives in connection with the Assets and/or the activities involved in taking possession of or using the Assets, including any costs, damages, and/or claims incurred by Purchaser, its successors, members, managers, agents, employees, and representatives, or by such persons' respective heirs, representatives, or successors, for injuries incurred in connection with the Assets, including injuries incurred while in the Loomis' Buildings or on the Loomis' property, including any claims asserted by the Loomises against Purchaser arising from Purchaser's removal of the Assets from the Loomis' Buildings.

b. Seller on behalf of itself and its bankruptcy estate, releases the Purchaser and its members, managers, agents, employees, representatives, heirs, successors, and assigns, from any and all costs, damages, and/or claims of any nature arising prior to the date of this Agreement that Seller or its bankruptcy estate may have against such persons or entities, including, without limitation, any claims under Chapter 5 of the Bankruptcy Code for preferential or fraudulent transfers.

**c. IN NO CASE WILL EITHER PARTY HERETO BE LIABLE FOR ANY SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, DAMAGES SUCH AS LOST PROFITS, LOSS OF USE, OR INJURY TO ANY OTHER PROPERTY, ARISING UNDER OR WITH RESPECT TO THIS AGREEMENT, INCLUDING CLAIMS ARISING FROM LATENT DEFECTS IN PURCHASED ASSETS.**

11. Applicable Law, Venue, Type of Action. Washington law will govern the interpretation and enforcement of this Agreement. If a dispute arises during the pendency of the Bankruptcy Case, it will be resolved in the Bankruptcy Court. The exclusive jurisdiction and venue for any litigation arising after closure of the Bankruptcy Case relating to this Agreement will be the Clark County Superior Court in Vancouver, Washington, and Seller and Purchaser consents thereto. The prevailing party in any litigation or arbitration will be entitled to recover its reasonable attorney fees, at trial (or hearing), or on appeal.

12. Miscellaneous.

a. Severability. If any provision of this Agreement is determined to be invalid or unenforceable in any respect for any reason, the validity and enforceability of any such provision in any other respect and of the remaining provisions of this Agreement will not be in any way impaired.

b. Waiver. The failure of a party at any time to require performance of any provision of this Agreement will not limit such party's right to enforce the provision, nor will any waiver by any party of any breach of any provision be a waiver of any succeeding breach of that provision or a waiver of that provision itself or any other provision. No waiver will be binding unless it is in writing and signed by both parties.

c. Binding Effect. This Agreement will be binding on and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors, and permitted assigns.

d. Further Assurances. Each party agrees: (i) to execute and deliver such other documents, and (ii) to do and perform such other acts and things, as any other party may reasonably request from time to time, in order to carry out the intent and accomplish the purposes of this Agreement, including, without limitation, documents necessary to perfect Seller's security interest to secure payment of the Purchase Price and to obtain approval of the Transaction by entry of a Sale Order by the Bankruptcy Court.

e. Modification. This Agreement may not be amended or modified in any respect whatsoever except by instrument in writing signed by the parties hereto. This Agreement constitutes the entire agreement between the parties hereto and supersedes all prior negotiations, discussions, writings, and agreements between them.

f. Attorney Fees and Costs. In the event of litigation or other proceedings involving the parties to this Agreement to enforce any provision of this Agreement, to enforce any remedy available upon default under this Agreement, or seeking a declaration of the rights of either party under this Agreement, the prevailing party will be entitled to recover from the other such reasonable attorney fees and costs as may be actually incurred, including its costs and fees on appeal or in any bankruptcy, insolvency, receivership, or other proceeding.

g. Time of the Essence. Time is of the essence of this Agreement and of all of the terms and provisions of this Agreement.

h. Notices. Any notice, request, or other communication to be given by any party hereunder must be in writing and sent by: (a) personal delivery, or (b) reputable overnight delivery service, or (c) United States Mail, postage prepaid, registered or certified mail, return receipt requested. Any such notice will be deemed to have been given either at the time of personal delivery, or, in the case of expedited delivery service

or mail, as of the date of first attempted delivery at the address and in the manner provided herein.

To Seller: North Fork Composites LLC  
2617 NE 434<sup>th</sup> Street  
Woodland, WA 98674

With copies to: Sussman Shank LLP  
1000 SW Broadway  
Suite 1400  
Portland, Oregon 97205  
Attn: Thomas W. Stilley  
E-mail: [tstilley@sussmanshank.com](mailto:tstilley@sussmanshank.com)

To Purchaser: Composite Ventures LLC  
16231 2nd Dr SE  
Bothell, WA 98012

With copies to: Horenstein Law Group PLLC  
500 Broadway, Suite 120  
Vancouver, WA 98660  
Attn: Stephen Horenstein  
E-mail: [steve@horensteinlawgroup.com](mailto:steve@horensteinlawgroup.com)

i. Execution. This Agreement may be executed in any number of counterparts, each of which will be an original; but such counterparts will together constitute but one and the same instrument. Electronic transmission of any signed original document, and retransmission of any signed electronic transmission, will be the same as delivery of an original. At the request of any party to this Agreement, all other parties hereto will confirm electronic transmitted signatures by signing an original document.

j. Entire Agreement. This Agreement is the entire and final agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior negotiations, discussions, writings, or agreements.

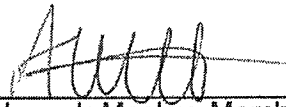
k. Neutral Interpretation. Each of the parties acknowledges and agrees that it has participated in the drafting and negotiation of this Agreement. Accordingly, in the event of a dispute between the parties hereto with respect to the interpretation or enforcement of the terms hereof, no provision will be construed so as to favor or disfavor either party hereto.

**IN WITNESS WHEREOF**, the parties have entered into this Agreement effective as of the date first above written.

SELLER: NORTH FORK COMPOSITES LLC

By: \_\_\_\_\_  
Gary Loomis, Member and Manager

PURCHASER: COMPOSITE VENTURES LLC

By:  \_\_\_\_\_  
Aleksandr Maslov, Member and Manager

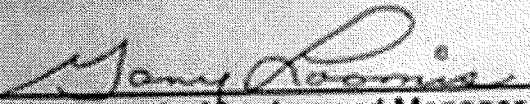
\*23775-002\ASSET PURCHASE AGREEMENT (02418845);4

Page 8 of 8 – ASSET PURCHASE AGREEMENT

**IN WITNESS WHEREOF**, the parties have entered into this Agreement effective as of the date first above written.


**SELLER:**

**NORTH FORK COMPOSITES LLC**

By:   
Gary Loomis, Member and Manager

**PURCHASER:**

**COMPOSITE VENTURES LLC**

By:   
Aleksandr Maslov, Member and Manager

"23775-002 ASSET PURCHASE AGREEMENT (02418849)/4



**List of Current Machinery**

Custom Rolling Table - 10'  
Custom Rolling Table - 6'  
Cellophane Machine Custom  
EVA Grinding Machine  
Cellophane Machine CDI  
Dust Hog  
CDI Sander  
Shop Saw  
Shop Saw  
Shipping Container Freezer (Walk In)  
Steel Mandrels - Approx 1,000  
Curing Oven  
Little Curing Oven 2 (Partially Dis-assembled)  
Air Compressor  
Hydraulic Reservoirs  
Total

Exhibit A  
Page 1 of 1