

Honorable Brian D. Lynch  
Chapter 11  
Hearing Date: December 12, 2016  
Hearing Time: 10:00 a.m.  
Hearing Location: By Telephone  
{Contact Chambers for Dial- In Information}  
Response Date: December 9, 2016 by Noon

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 ORDERS APPROVING  
) (A) MARKETING PLAN AND BID  
) PROCEDURES FOR SALE OF ASSETS  
) FREE AND CLEAR OF LIENS, CLAIMS,  
) AND INTERESTS; (B) APPROVING  
) FORM OF NOTICE OF SALE; (C)  
) SCHEDULING A HEARING TO  
) FINALLY APPROVE THE SALE; AND  
) (D) FINALLY APPROVING THE SALE  
and  
NOTICE OF HEARING

**NOTICE OF HEARING**

**PLEASE TAKE NOTICE** that a hearing on the Debtor's Motion for Orders Approving (A) Marketing Plan and Bid Procedures for Sale of Assets Free and Clear of Liens, Claims, and Interests; (B) Approving Form of Notice of Sale; (C) Scheduling a hearing to Finally Approve the Sale; and (D) Finally Approving the Sale (the "Motion"),

**IS SET FOR HEARING as follows:**

**JUDGE:** Brian D. Lynch

**DATE:** December 12, 2016

MOTION FOR ORDERS APPROVING (A) MARKETING PLAN AND BID PROCEDURES FOR SALE OF ASSETS FREE AND CLEAR OF LIENS, CLAIMS, AND INTERESTS; (B) APPROVING FORM OF NOTICE OF SALE; (C) SCHEDULING A HEARING TO FINALLY APPROVE THE SALE; AND FINALLY APPROVING SALE - 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           **TIME:**           10:00 a.m.

2           **PLACE:**         By Telephone  
3                           Call Chambers (253-882-3952) for Dial-In Information

4   **IF YOU OPPOSE** the Motion, you must file your written response with the court clerk,  
5   serve two copies on the Judge's chambers, and deliver copies on the undersigned **NOT**  
6   **LATER THAN** the **RESPONSE DATE**, which is December 9, 2016 by 12:00 p.m.  
7   Prevailing Pacific time. **IF NO RESPONSE IS TIMELY FILED AND SERVED**, the Court  
8   may, in its discretion, **GRANT THE MOTION PRIOR TO THE HEARING, WITHOUT**  
9   **FURTHER NOTICE**, and strike the hearing.

10   **MOTION**

11           North Fork Composites LLC (the "Debtor") seeks approval to sell all of its  
12   (a) inventories, including work in process and finished goods, (b) machinery and  
13   equipment, (c) office furniture and equipment, (d) intangible assets, including intellectual  
14   property, data and records related to the business, customer and supplier lists,  
15   marketing plans, financial and technical information, trade secrets, know-how, ideas,  
16   designs, drawings, specifications, techniques, programs, systems, processes, and  
17   computer software, goodwill, trade names, Internet domain names, telephone numbers,  
18   fax numbers, e-mail addresses, and other similar items, together with associated listings  
19   and registrations, including, without limitation, the trade names "North Fork  
20   Composites," and "Edge Rods," (e) business supplies, together with the equipment and  
21   certain tangible personal property, and (f) Client's 100% membership interest in Edge  
22   Rods LLC, a Washington limited liability company (the "Assets"), free and clear of liens,  
23   claims, and interests pursuant to Sections 105(a), 363, and 365 of the Bankruptcy  
24   Code, Rules 2002, 6004, and 6006 of the Bankruptcy Rules, and applicable Local  
25   Bankruptcy Rules, and hereby moves the Court for entry of two orders.

26           First, the Debtor moves for entry of an order substantially in the form of the

1 proposed "Order Approving (1) Notice, Marketing Plan, and Bid Procedures, and  
2 (2) Setting a Hearing to Finally Approve Sale of Property," substantially in the form  
3 attached as **Exhibit A** hereto (the "Marketing & Bid Procedures Order"):

- 4 A. Authorizing and approving the marketing plan set forth in the engagement  
5 agreement between Scout and Spur Group LLC and the Debtor attached as  
6 **Exhibit 1** to the Marketing & Bid Procedures Order (the "Marketing Plan");
- 7 B. Authorizing and approving the bid procedures set forth on **Exhibit 2** to the  
8 Marketing & Bid Procedures Order (the "Bid Procedures"), including approval  
9 of CV as the Stalking Horse Bidder<sup>1</sup> and CV's bid as the Stalking Horse Bid;
- 10 C. Approving the Asset Purchase Agreement (the "APA") dated December 5,  
11 2016 between Debtor, as Seller, and CV, as Purchaser, a copy of which is  
12 attached as **Exhibit 3** to the Marketing & Bid Procedures Order for the  
13 purpose of consummating a sale to CV should it be the Successful Bidder;
- 14 D. Establishing the following dates and deadlines, subject to modification as  
15 needed, relating to competitive bidding and approval of the sale of the Assets:
- 16 • Initial Bid and Deposit Deadline: January 26, 2017 by 4:00 p.m.  
17 Prevailing Pacific time
  - 18 • Auction Date: January 30, 2017 at 10:00 a.m. Prevailing Pacific Time
  - 19 • Deadline for Filing Objections to the Sale: January 24, 2017
  - 20 • Sale Hearing: January 31, 2017 at 10:00 a.m. Prevailing Pacific Time
- 21 E. Authorizing and approving the form of notice to all creditors and interested  
22 parties of the sale (the "Sale Notice") attached as **Exhibit 4** to the Marketing  
23 & Bid Procedures Order, and authorizing and approving the form and manner  
24 of notice to all creditors and interested parties of the Marketing & Bid  
25 Procedures Order, Sale Notice, and APA, with the net proceeds of the sale to  
26 be impressed with the liens of Columbia Bank (the "Bank") and any other  
secured creditors, pursuant to the terms of the Asset Purchase Agreement  
attached to the Declaration of Aleksandr Maslov ("Maslov Decl.") as Exhibit 1  
(the "APA"); and
- F. Scheduling a hearing to finally approve the sale (the "Sale Hearing") and  
establishing requirements and a deadline for filing objections to the Sale.

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<sup>1</sup> Initially capitalized terms not defined herein have the meanings ascribed to those terms in the APA or Bid Procedures.

1 Second, the Debtor moves for entry of an order (the "Sale Order"), substantially  
2 in the form attached as **Exhibit 5** to the Marketing & Bid Procedures Order, authorizing  
3 and finally approving the sale of the Assets in the manner described in the APA (or a  
4 substantially equivalent purchase agreement with the Successful Bidder), including that  
5 the Assets will be sold free and clear of all liens, claims, and interests, and waiving the  
6 14-day waiting period in Bankruptcy Rule 6004(h).

7 This Motion is supported by the Court's records and files, the Declaration of  
8 Aleksandr Maslov [ECF No. 14], the Supplemental Declaration of Aleksandr Maslov,  
9 and the Memorandum in Support filed herewith.

10 Dated this 5<sup>th</sup> day of December, 2016.

11 SUSSMAN SHANK LLP

12 */s/ Thomas W. Stilley*

13 By: \_\_\_\_\_  
14 Thomas W. Stilley, WSBA #21718  
15 Attorneys for Debtor and Debtor-in-  
16 Possession

17 \*23775-002MOTION TO SELL ASSETS AND APPROVE BIDDING PROCEDURES (02449000);1  
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IN THE UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON AT TACOMA

In re:	}	Case No. 16-44188-BDL
NORTH FORK COMPOSITES LLC,	}	<b>[PROPOSED]</b> ORDER APPROVING MARKETING PLAN AND BID PROCEDURES FOR SALE OF ASSETS FREE AND CLEAR OF LIENS, CLAIMS, AND INTERESTS
Debtor.	}	

North Fork Composites LLC (“Debtor”) having filed a Motion for Orders Approving (A) Marketing Plan and Bid Procedures for Sale of Assets Free and Clear of Liens, Claims, and Interests; (B) Approving Form of Notice of Sale; (C) Scheduling a hearing to Finally Approve the Sale; and (D) Finally Approving the Sale (the “Motion”) in connection with the proposed sale of the operating assets of Debtor to Composite Ventures LLC, a Washington limited liability company (“Purchaser”) or a successful over bidder; the Motion having come on for hearing before the Court pursuant to an order shortening time; notice of the hearing on the Motion having been properly given under the circumstances; Thomas W. Stilley of Sussman Shank LLP having appeared on behalf of the Debtor and other appearances as noted in the Court’s record; the Court

1 having considered the Motion and the arguments of counsel; and good cause  
2 appearing, it is hereby

3 ORDERED:

4 1. The Marketing Plan included in the engagement agreement between the  
5 Debtor and Scout and Spur Group LLC, attached as Exhibit "1" to the Motion is  
6 approved.

7 2. The Bid Procedures set forth in Exhibit "2" to the Motion are approved with  
8 the following modifications as applicable:

9 A. The hearing to finally approve the sale will be held on January 31,  
10 2017 at 10:00 a.m. prevailing Pacific Time in Vancouver, Washington (the "Hearing  
11 Date");

12 B. The deadline for submission of Bids and Bid Documents (as  
13 defined in the Bid Procedures) is January 26, 2017 at 4:00 p.m. prevailing Pacific Time;

14 C. Any objections to the proposed sale, including to the request to sell  
15 free and clear of any lien, claim, or interest, shall be filed and served not later than  
16 January 24, 2017. Any reply brief may be filed not later than January 26, 2017; and

17 D. Notwithstanding the Bid Procedures or any request in the Motion,  
18 any request that the Court make good faith findings pursuant to 11 U.S.C. §363(m) is  
19 waivable by the Buyer and any bidder.

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1 4. Notice of the Motion together with a copy of the conformed Bid  
2 Procedures shall be served by email, first class mail, or through CM/ECF upon all  
3 creditors and parties in interest. The Debtors shall also cause copies to be served upon  
4 all persons and entities that have expressed an interest in potentially purchasing the  
5 assets to the Debtor, its counsel, or its sales advisor. The Debtors shall file the  
6 certificate of service of such persons under seal in order to preserve the integrity of the  
7 auction, with a copy provided only to counsel for the U.S. Trustee.

8 ### End of Order ###

9 PRESENTED BY:

10 SUSSMAN SHANK LLP

11 By: \_\_\_\_\_

12 Thomas W. Stilley, WSBA #21718  
13 Susan S. Ford, WSBA # 33415  
14 Attorneys for Debtor

15 \*23775-002\ORDER APPROVING MARKETING PLAN & BID PROCURES (02452691);1



Scout and Spur Group LLC  
9191 Sheridan Blvd #300  
Westminster, Colorado 80031

Mr. Gary Loomis  
North Fork Composites LLC  
2617 NE 434th Street  
Woodland WA 98674

November 29, 2016

Dear Mr. Loomis,

This Engagement Agreement (“Agreement”) defines the scope of services to be provided by Scout and Spur Group LLC (herein “Advisor”) to North Fork Composites LLC (the “Client”), as well as the compensation to be paid by the Client to Advisor in exchange for the transaction advisory services.

1. Background. In connection with Client’s petition for relief under Chapter 11 of the Bankruptcy Code dated October 7, 2016 and pursuant to 11 U.S.C. § 363(f), Client desires to engage Advisor to conduct a targeted search for parties to acquire substantially all of the Client’s operating business Assets associated with Client’s design, fabrication, and sale of fishing rod blanks, golf club shafts, and similar items for the outdoor sports market and Advisor desires to make reasonable and customary efforts to solicit Qualified Offers from potential buyers of the Assets.
2. Assets Defined. For the purposes of this agreement, “Assets” means all of Client’s (a) inventories, including work in process and finished goods, (b) machinery and equipment, (c) office furniture and equipment, (d) intangible assets, including intellectual property, data and records related to the business, customer and supplier lists, marketing plans, financial and technical information, trade secrets, know-how, ideas, designs, drawings, specifications, techniques, programs, systems, processes, and computer software, goodwill, trade names, Internet domain names, telephone numbers, fax numbers, e-mail addresses, and other similar items, together with associated listings and registrations, including without limitation the trade names “North Fork Composites” and “Edge Rods”, (e) business supplies, together with the equipment and certain tangible personal property, and (f) Client’s 100% membership interest in Edge Rods LLC, a Washington limited liability company (the “Assets”) free and clear of liens, claims, and interests.
3. Qualified Offer Defined. For the purposes of this Agreement, a “Qualified Offer” means a written offer, received by Advisor prior to the Bid Deadline, that addresses items (a)-(h) of this paragraph. In order for a potential buyer to enter due diligence and/or receive access to the detailed records of the company, a Qualified Offer must be submitted to Client via Advisor prior to the Bid Deadline.
  - (a) A Letter of Intent with a due diligence timeline not to exceed 30 days from the mutual acceptance,
  - (b) A contingency of Bankruptcy Court approval of the sale pursuant to 11 U.S.C. § 363(f),
  - (c) A purchase price cash component exceeding by at least \$20,000 the Stalking Horse Bid valued at \$120,000,
  - (d) Assumption and payment of the Client’s trade debt of approximately \$143,747,



- (e) Verified proof of funds to complete the proposed transaction,
  - (f) An earnest money deposit of at least \$35,000, and
  - (g) A written commitment to pay for and indemnify Debtor for any damages and repairs to the building where the equipment is located caused by removal of the equipment.
4. Call For Offers Period Defined. For the purposes of this Agreement, the “Call For Offers Period” means a 30 day time period, the exact dates which shall be mutually agreed upon by Advisor and Client, beginning on the day Advisor begins soliciting for Qualified Offers, and ending on the Bid Deadline.
  5. Due Diligence Period. In the event a Qualified Offer is received during the Call For Offers Period, Advisor will coordinate due diligence requests from the potential buyer and control access for relevant parties to an online deal room containing requested documents and files.
  6. Stalking Horse Offer Terms. The Stalking Horse Offer includes various terms and conditions, including the requirement of Bankruptcy Court approval of the sale pursuant to 11 U.S.C. § 363(f), with the Assets to be sold to the Stalking Horse Bidder for a Purchase Price of: (a) \$100,000, plus the value of the Debtor’s inventory at cost (estimated at approximately \$20,000), and (b) assumption of all trade debt totaling approximately \$143,746, plus warranty claims. The Assets will be sold to purchaser free and clear of liens, claims, and interests, with such liens, claims, and interests to attach to the proceeds of the sale. The proposed sale includes substantially all operating assets of the Client excluding cash and accounts receivable.
  7. Services. For the term of the Engagement Period, Client hereby engages Advisor for the purposes of obtaining Qualified Offers for the purchase of the Assets. In providing these services, Advisor is not providing legal, securities, or accounting advice to Client or its principals. Client shall consult appropriate professionals before entering any agreement to sell all or any of the Assets. In the event no qualified offers are received during the Call for Offers Period, Advisor shall submit an activity report to company. This report shall notes relating to interactions with each party contacted.
  8. Advisor’s Marketing Activities. In order to solicit Qualified Offers, Advisor shall conduct the following marketing activities:
    - (a) Developing a list of up to 100 prospective purchasers in the fishing industry; and
    - (b) Mailing an informational packet to each prospective purchaser; and
    - (c) Attempting to contact a representative from each prospective purchaser by phone and/or email; and
    - (d) Soliciting Qualified Offers; and
    - (e) Consulting with Client as to strategy and tactics for initiating discussions and negotiating with a prospective purchaser and participating in such discussions and negotiations; and
    - (f) Any other activities Advisor deems necessary and reasonable to effect the proposed Sale.
  9. Meaning of Sale. Client understands and agrees that the term Sale and any variations as used in this engagement Agreement including sales, leases, options, exchanges and any other disposition (or combination of dispositions) of any interest in the Assets, or any part thereof. Although the parties anticipate an outright sale of substantially all of the Assets for money, other dispositions may be available and may be acceptable to Client. Other dispositions could include sales of less than all of the Assets, leases, options, notes, exchanges and other dispositions of any of Client's interest in the



Assets, or of any interest in Client (share transfer, merger, stock option, subscription agreement or creation or assignment of a partnership interest, for example).

10. Price and Terms. Advisor shall advertise the Assets for sale at a price and terms as described in the Qualified Offer definition.
11. Total Consideration Defined. "Total Consideration" means the sum of all cash and non-cash consideration (at market or face value, whichever is higher) paid, delivered or made in connection with a Sale, including, but not only, any notes made, securities transferred or issued, debts assumed or acquired, and any amounts payable to Client or any shareholders, directors, officers, personnel and others affiliated with Client under non-compete, earn out or consulting agreements, made in connection with a Sale.
12. Engagement Period. This Agreement shall have a term of ninety days, commencing on the date of Client's execution of this Agreement.
13. Work Fee. Client shall pay to Advisor a non-refundable work fee of \$7,500, payable upon Bankruptcy Court approval of this Agreement. This offsets out of pocket expenses relating to the proactive marketing process (list generation, postage, printing, etc.).
14. Letter of Intent Fee: In the event a Qualified Offer is received by the Client (other than the offer from the Stalking Horse Bidder), Client shall pay to Advisor a \$7,500 Qualified Offer Fee, payable upon submission of a Qualified Bid (as defined in an order of the Bankruptcy Court approving bidding procedures for the Assets). If more than one Qualified Offer is obtained by Advisor, only one Qualified Offer Fee will be paid. In the event a Success Fee is earned, the Qualified Offer fee shall deducted from Success Fee.
15. Success Fee. Client agrees to pay Advisor a Success Fee amount of ten percent (10%) of Total Consideration upon occurrence of the following:
  - (a) Client consummates a Sale during the term of this Agreement to any purchaser identified or obtained by Advisor; or
  - (b) Client consummates a Sale during the twelve (12) months immediately following the expiration or termination of this agreement to any purchaser identified or obtained by Advisor during the term of this Agreement.

The net Success Fee paid to Advisor shall not be less than \$10,000 and shall be considered earned upon the closing of a Sale or Client's breach of this agreement. Client grants to Advisor a security interest in the proceeds of the closing of a Sale. The Success Fee shall be paid in full at the closing of a Sale by wire transfer or other form satisfactory to Advisor.

16. Limitation and Scope of Authority. Advisor is acting as an advisor only, and shall have no authority to enter into any commitments on the Client's behalf, or to hold any funds or securities in connection with any transaction or to perform any other acts on behalf of the Client without the Client's express written consent. Advisor is an independent contractor engaged solely for the services defined in Agreement. Client agrees to immediately refer to Advisor all inquiries of any party interested in the Business. Client agrees that all offers from interested parties must be presented in writing to Advisor before they will be presented to Client.
17. Confidentiality. Advisor agrees to hold in strict confidentiality all proprietary information provided by Client in connection with this project. Advisor agrees not to share any confidential information



with persons outside of Advisor's office without Client's prior consent. Client's consent shall be deemed automatically given upon a prospect's signing of a proper confidentiality agreement.

18. Closing Procedures. Client shall furnish Advisor with a copy of the purchase and sale agreement and all other closing documents, and notify Advisor in writing of the time and place of the closing. All remaining fees, expenses and other amounts due to Advisor under this Agreement shall be first deducted and paid to Advisor from the first disbursement of any funds to Client.
19. Accuracy of Information/Indemnification. Client recognizes and confirms that Advisor will rely upon information and data furnished by Client and that Advisor does not assume responsibility for accuracy and completeness of the information. Client represents and warrants to Advisor that all information furnished to Advisor will be materially correct and complete. Client will promptly provide to Advisor all documents necessary to understand the financial and operational components of its business as it relates to the Assets.
20. No Verification or Appraisal. Client affirms that Advisor will not undertake to independently verify information and data furnished by Client and that Advisor will not make an appraisal of the Assets. Client understands that Advisor makes no representations or warranties about any purchaser or any representations or warranties other than what is contained herein.
21. Limitation of Liability In recognition of the relative risks and benefits of the project to both the Client and the Advisor, the risks have been allocated such that the Client agrees, to the fullest extent permitted by law, the Advisor's maximum liability relating to the services rendered under this agreement (regardless of form of action, whether in contract, negligence, strict liability in tort or otherwise) shall not exceed the amounts paid to Advisor for the portion of its services or work products giving rise to the liability. In no event shall either party be liable for consequential, special, incidental, indirect, exemplary or punitive loss, damage, or expenses (including but not limited to client loss of time, lost profits, money of goodwill, opportunity costs, etc.) arising under this agreement, even if either party has been advised of the possible existence of such potential damages.
22. Advisor not Securities Broker or Dealer. Client understands Advisor is marketing the Assets as an asset sale. Client acknowledges that Advisor is not licensed as a securities broker or dealer, and Client will not seek to have Advisor participate in the sale or offering for sale of Client's shares of stock in a business. If Advisor obtains a purchaser who agrees to complete a stock sale transaction, Client will not seek to avoid payment of the Advisor's Success Fee by claiming that the Advisor functioned as a securities broker or dealer.
23. [reserved]
24. Publicity. Upon completion of the Sale, Advisor may publicize its role in arranging the Sale, subject to Client's reasonable editorial approval.
25. Interpretation. Each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but, if any such provision is held to be prohibited or invalid, such provision will be ineffective only to the extent of such prohibition invalidity, without invalidating the remainder of the Agreement.
26. Assignment. Client shall not assign this Agreement without Advisor's consent. Advisor may assign and transfer this agreement or all or any part of its rights hereunder to an entity affiliated with Advisor by common ownership or cooperative agreement. This agreement shall be binding upon and inure to the benefit of the parties hereto and their successors, representatives and assigns forever.

27. Entire Agreement. This Agreement and the attachments referred to herein contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, promises or warranties other than as set forth herein.
28. Client Authority Subject to Bankruptcy Court Approval. Client warrants that it has the full legal right to sell the Assets, subject to Bankruptcy Court approval. The person signing this document hereby represents and warrants that he/she has the authority to enter into this contract on behalf of said entity, subject to Bankruptcy Court Approval. Client warrants that there is no other exclusive right to sell or listing contracts for the Assets is in force at the time this Agreement is signed. Client understands this is a legal instrument and if not understood, legal counsel should be consulted before signing.

If the foregoing is acceptable, please sign and return to Advisor a copy of this Agreement, which shall represent the entire agreement between us with respect to the matters addressed herein. We look forward to working with you.

Sincerely,

Scout and Spur Group LLC

*/s/ Benjamin J. Brickweg*

\_\_\_\_\_  
Benjamin J. Brickweg, President

Accepted and Agreed to by:

North Fork Composites LLC

*/s/ Aleksandr Maslov*

By \_\_\_\_\_

Its: Manager

Date: December 5, 2016



# **PROJECT OVERVIEW**

## **Market-Making Proactive Sale/Merger Search**

**Mr. Gary Loomis**  
**North Fork Composites LLC**

**Presented by:**

**Benjamin J. Brickweg, Esq. MBA**  
**Scout & Spur Group**  
**9191 Sheridan Boulevard, Suite 300**  
**Westminster, Colorado 80031**  
**303-253-4557**





## OUR FIRM AT A GLANCE.

- We are a leading transactional advisory firm serving companies throughout the United States.
- Scout & Spur Group has synergistic locations across the Western United States, with a team of nearly 20 deal-makers, industry experts, and support staff.
- Our industry and sector specialties include hunting, fishing, camping, military, law enforcement, technology, environmental/green products, outdoor recreation, energy services, aviation, agriculture, hunting, fishing, camping, military, law enforcement, manufacturing, agribusiness, chemical, consumer goods, industrial & manufacturing, transportation, technology, service, healthcare, and other related businesses.
- We provide access to buyers and capital from a wide client base that includes high net worth individuals, corporations, private equity, and institutions.
- Our buyer tracking system maintains an international database of interested parties searching for specific criteria for their acquisition strategy.
- We offer superior and comprehensive management of the transaction from strategy, target evaluation, due diligence, acquisition, divestiture, transaction execution, and integration.

## YOUR SCOUT & SPUR PROACTIVE DEAL TEAM:



### **Benjamin J. Brickweg Esq. MBA, Managing Partner**

Mr. Brickweg leads the daily operations of the Scout & Spur Group. Over the past several years, he has counseled the owners of more than 250 privately held businesses on valuation, exit strategy and other strategic transaction related matters. His primary industries of focus are technology, software, recreational/enthusiast markets, and energy services. At a young age, Ben founded a promotional marketing company focused on outdoor sports manufacturers. Next, Ben helped companies develop marketing, financial, and technology strategies both through national marketing agencies and a boutique firm he founded. After earning his MBA, Ben focused on helping entrepreneurs buy and sell small businesses initially with a national business brokerage firm and later a firm he founded. After several years in the private practice of law focused on Mergers & Acquisitions and Real Estate, Ben created Scout & Spur Group to provide consulting services to businesses in transition. Ben is a licensed attorney, published author, and an avid outdoorsman.



### **Jared Brewington, Research and Analysis Manager**

Mr. Brewington manages a team of 7 Business Analysts responsible for researching, contacting, analyzing, and building relationships with potential sellers. Jared's team regularly contacts owners of technology, wholesale, manufacturing, service and distribution companies nationwide in order to find acquisition candidates for our clients.

# PROJECT SCOPE: PROACTIVE ASSET SALE SEARCH

## Full Service Transition & and Transaction Guidance:

Your Scout & Spur Deal Team's responsibilities include soliciting and responding to initial buyer inquiries, sending blind profile/Confidentiality Agreement/buyer information form, collecting and screening incoming Confidentiality Agreement/buyer profiles, sending confidential profiles, managing conference calls with principals, soliciting LOIs, scheduling buyer visits, managing due diligence, coordinating negotiations and acting as buffer between parties.

## Marketing Materials:

Your Scout & Spur Deal Team will create a one page blind executive summary or "teaser", a confidential business profile sent to buyers after they execute confidentiality docs, and advertisements professionally designed to solicit interest from potential buyers.

## Proactive Marketing:

Your Scout & Spur Deal Team will generate a list of strategic buyers derived from industry lists, professional contacts and in-depth research. Each targeted buyer will receive an initial contact and follow up phone calls to introduce the opportunity.

## Market Making Solicitations:

- **Letter & postcard mailings** to target list of strategic buyers in client's industry.
- **Email contacts** to house list of matching buyers, private equity firms and professional network with an active interest in client's industry.
- **Direct phone solicitations** to strategic buyers in client's industry.



# OVERVIEW OF AGREEMENT TERMS & FEE STRUCTURE

## Proactive marketing plan details:

We will work together with you to create a list of up to 100 potential buyers in the fishing rod manufacturing and related markets. Each target will be contacted by phone, email, and postal mail so we can determine the target's current interest in buying a company and specific interest in buying your company. Blind ads (those that don't disclose your actual company name) will be placed on our network of business for sale listing websites.

## Disclosure of 363 Sale/Stalking Horse Bid

Our proactive marketing project will include disclosing to potential buyers the fact that the company is pursuing a 363 Sale, and the existence and amount of the Stalking Horse Bid from

## Marketing Timeline

As part of our process for seeking additional offers to purchase the assets of the company, we will conduct our marketing as described below. Exact dates will be determined upon execution of an Engagement Agreement between advisor and company.

- **Call for Offers Period:** We will conduct the initial search and call for offers for 30 days from the day when our letters/postcards are placed into the mail stream. We will attempt to reach each targeted buyer by phone at least one time during the Call for Offers period. In order to enter due diligence and/or receive access to the detailed records of the company, interested buyers will be required to submit a qualified offer. For the purposes of this project a qualified offer must be received during the Call for Offers Period and shall include:
  - A written Letter of Intent with a due diligence timeline not to exceed 30 days from the mutual acceptance. The letter of intent must include proposed price and terms offered by the buyer, a narrative relating to buyer's proposed compensation to creditors, and exceed the stalking horse bid by at least \$20,000.
  - Verified proof of funds to complete the proposed transaction.
  - An earnest money deposit of at least \$35,000.
- **Due Diligence Period:** In the event a qualified offer is received during the Call for Offers Period, Advisor will coordinate due diligence requests from the potential buyer and control access for relevant parties to an online deal room containing requested documents and files. In the event no qualified offers are received during the Call for Offers Period, Advisor shall submit an activity report to company. This report shall notes relating to interactions with each party contacted.

## Proposed Initial Deal Terms:

- **Target Price:** We will work together with you to determine the appropriate “ask” regarding proposed price and deal structure.

## Fee Structure & Engagement Agreement Terms:

- **Marketing & Work Fee:** \$7,500, payable at execution of the engagement letter and not deducted from success fee at closing. This offsets out of pocket expenses relating to the proactive marketing process (list generation, postage, printing, etc.).
- **Letter of Intent Fee:** \$7,500, payable at mutual execution of a qualified offer and deducted from success fee at closing.
- **Success Fee:** Based on total consideration for transaction. 10% of the first million dollars, 8% of the second million, 6% of the third million, 4% of everything thereafter.
- **Other Expenses:** At client’s option, Advisor will expand search for potential acquirers and partners. Client will pay Advisor’s pre-agreed upon expenses related to expansion of search parameters.
- **Initial term of engagement:** We will work with you as your exclusive seller’s advisor for an initial term of 90 days.
- **Protective tail period:** If, during the 12 months after termination of the engagement agreement, you sell to anyone we had spoken with during the term of the agreement, the Success Fee will still be payable.

## **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 the Debtor's (a) inventories, including work in process and finished goods, (b) machinery and equipment, (c) office furniture and equipment, (d) intangible assets, including intellectual property, data and records related to the business, customer and supplier lists, marketing plans, financial and technical information, trade secrets, know-how, ideas, designs, drawings, specifications, techniques, programs, systems, processes, and computer software, goodwill, trade names, Internet domain names, telephone numbers, fax numbers, e-mail addresses, and other similar items, together with associated listings and registrations, including without limitation, the trad names "North Fork Composites," and "Edge Rods", (e) business supplies, together with the equipment and certain tangible personal property, and (f) Client's 100% membership interest in Edge Rods LLC, a Washington limited liability company (the "Assets"), as defined in the Asset Purchase Agreement executed on December 5, 2016 (the "APA"), between the Debtor and Composite Ventures LLC (the "Stalking Horse Bidder"). 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 January 26, 2017 at 4:00 p.m. prevailing Pacific Time (the "Bid Deadline"), which is three business days prior to the Sale Hearing on January 31, 2016 to submit a qualified competing bid. Access to the Debtors' records and inspection of assets may be obtained by contacting the Debtor's selling advisor, Scout & Spur Group LLC, Attn: Benjamin J. Brickweg, President, by telephone at 970-221-9950 (office), or email ben.brickweg@scoutspur.com.

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

On December 2, 2016, the Debtors and Stalking Horse Bidder entered into the APA for the acquisition of the Assets pursuant to which, Stalking Horse Bidder 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. Waiver of administrative expense claims against the Debtor held by Debtor's members, managers, and employees (the "Claims Waiver") in exchange for the Debtor's waiver of any avoidance claims against such persons; and,

5. Indemnification of Debtor for 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.

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

To participate in the bidding process, a person (other than Stalking Horse Bidder) (a "Potential Bidder") must deliver its initial Bid, including the following documents (unless previously delivered) to Sussman Shank LLP, 1000 S.W. Broadway, Suite 1400, Portland, Oregon 97205, Attn: Thomas W. Stilley, Telephone: (503) 227-1111, Facsimile: (503) 248-0130, email: tstilley@sussmanshank.com, not later than 4:00 p.m. (prevailing Pacific time) on January 26, 2017:

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 \$120,000, plus the value of the inventory remaining at Closing, valued at cost;

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

(c) Indemnification of the Debtor for 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;



(d) 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;

(e) 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;

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

(g) 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 Bidder (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 Bidder.

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 Bidder 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) Scout and Spur Group LLC, (ii) counsel to Stalking Horse Bidder, (iii) counsel to Columbia Bank, (iv) counsel to John Bial and C6 Inc., (v) the U.S. Trustee, and (vi) 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 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 is a “Qualified Bid” and the Potential Bidder for such Bid is a “Qualified Bidder.” The Stalking Horse Bidder 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) 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 exercise of its reasonable business judgment, the highest or otherwise best bid (the “Starting Bid”). No later than 10:00 a.m. prevailing Pacific time one business day prior to the Sale Hearing the Debtor will notify the Stalking Horse Bidder 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 Stalking Horse Bidder or a comparable Competing Purchase Agreement with the Successful Bidder. Except as may be set forth in the APA or the Competing Purchase Agreement, 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 Stalking Horse Bidder will be deemed the Successful Bidder. Subject to any termination rights under the APA, the Debtor will seek approval of the Sale to Stalking Horse Bidder 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 Stalking Horse Bidder, 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 Stalking Horse Bidder, 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 Stalking Horse Bidder, 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 Stalking Horse Bidder 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 Stalking Horse Bidder 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 Stalking Horse Bidder 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 Bidder, 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 Bidder." The Successful Bidder 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 Bidder, the Successful Bidder will supplement the Bankruptcy Court's record with evidence, to the extent necessary, establishing the Successful Bidder's provision of adequate assurance of future performance of liabilities assumed and assigned to the Successful Bidder, 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 Bidder (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 the United States Federal Building, 500 West 12<sup>th</sup> Street, 2<sup>nd</sup> Floor, Vancouver, WA 98660. The Debtor and the Successful Bidder, once the Successful Bidder 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 Stalking Horse Bidder, 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 Bidder, 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 Bidder. If for any reason the Successful Bidder is unable or unwilling to timely consummate an approved sale because of breach or failure to perform on the part of the Successful Bidder, it will forfeit its Sale Deposit to the Debtor, and the Back-Up Bidder shall be deemed to be the Successful Bidder. 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 Bidder, upon timely consummation of the purchase of the Assets, will be credited to the purchase price paid for the Assets. If the Successful Bidder 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 Bidder 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 Bidder.

**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; (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; (iii) Jon Bial and C6, Inc., c/o Timothy A. Solomon, Leonard Law Group, Email: [tsolomon@llg-llc.com](mailto:tsolomon@llg-llc.com), Telephone (971) 634-0194; and (iv) United States Trustee, c/o Kathryn E. Perkins, 700 Stewart St., Suite 5103, Seattle, WA 98101, Email: [Kathryn.E.Perkins@usdoj.gov](mailto:Kathryn.E.Perkins@usdoj.gov), Telephone: (206) 553-2000.

\*23775-002\BID PROCEDURES (FINAL) (02453483);1

## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "Agreement") is made and entered into as of the 5th day of December, 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 (a) inventories, including work in process and finished goods, (b) machinery and equipment, (c) office furniture and equipment, (d) intangible assets, including intellectual property, data and records related to the business, customer and supplier lists, marketing plans, financial and technical information, trade secrets, know-how, ideas, designs, drawings, specifications, techniques, programs, systems, processes, and computer software, goodwill, trade names, Internet domain names, telephone numbers, fax numbers, e-mail addresses, and other similar items, together with associated listings and registrations, including without limitation, the trade names "North Fork Composites," and the " and "Edge Rods", (e) business supplies, together

with the equipment and certain tangible personal property, and (f) Client's 100% membership interest in Edge Rods LLC, a Washington limited liability company equipment (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 and payment of the Trade Claims (defined below) totaling approximately \$143,746, and waiver and release of the Waived Claims (defined below) 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 \$20,000 more than the Purchase Price (defined below) 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"). The Assets do not include those items of machinery and equipment listed on Exhibit 1 hereto, which are owned by Gary and Susan Loomis.

- 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:

## AGREEMENT

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 and pay all of 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/Waiver of Avoidance Claims Against Purchaser, and Its Members, Managers, Officers, and Employees. Purchaser will cause the following persons holding postpetition administrative expense 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"): Gary Loomis, Aleksandr Maslov, Nicole Darland, and Collins Illich. In exchange, Seller and its bankruptcy estate will release Purchaser, its members, managers, officers, and employees, from any preferential or fraudulent transfer claims under 11 USC §§ 544, 547, 548, 550 or 551 for payments made to such persons or for their benefit prior to October 7, 2016.

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; (b) assumption and payment 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 \$120,000, and (ii) assumption and payment of the Trade 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 \$25,000, 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 sale 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 consent 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 sale 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

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

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.

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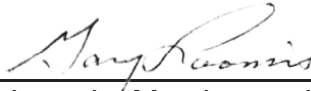
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**IN WITNESS WHEREOF**, the parties have entered into this Agreement effective as of the date first above written.

SELLER:

NORTH FORK COMPOSITES LLC

By:   
Gary Loomis, Member and Manager

PURCHASER:

COMPOSITE VENTURES LLC

By:   
Aleksandr Maslov, Manager

\*23775-002\ASSET PURCHASE AGREEMENT (VERSION 2) (02452498);1

**EXHIBIT 1**  
**Machinery and Equipment Owned by Gary and Susan Loomis**

Industrial Lathe  
Ferrule Sander  
Industrial Fans (2)  
Hydraulic Motor & Arm  
Rolling Tables (2)  
Seeker Mandrels (1000 Pcs)  
Shop Tables (4)  
Radial Arm Saw  
Air Conditioners (3)  
Racks (10)  
Ladder  
Sofas (2)  
Conference Table (1)  
Dining Room Table (1) & Chairs (4)  
Office Desks (4)  
Industrial Drill Press  
Cabinets/Shelves (6)  
Cleaning cart (Mop & Bucket)  
Tools (Hand Drill, Hand Saw, Router)

\*23775-002\ASSET PURCHASE AGREEMENT (FINAL) (02453470);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**  
**ALL INTEREST HOLDERS**  
**ALL PROSPECTIVE BIDDERS, and**  
**ALL OTHER INTERESTED PARTIES**

**NOTICE IS HEREBY GIVEN**, that North Fork Composites LLC (the “Debtor”) has filed a motion for authorization to sell its operating assets free and clear of liens, claims, and interests (the “Sale Motion”). As provided in the Sale Motion, the Debtor has entered into an Asset Purchase Agreement (the “APA”) with Composite Ventures LLC (the “Purchaser”) regarding the purchase and sale of all of the Debtor’s (a) inventories, including work in process and finished goods; (b) machinery and equipment; (c) office furniture and equipment; (d) intangible assets, including intellectual property, data, and records related to the business, customer and supplier lists, marketing plans, financial and technical information, trade secrets, know-how, ideas, designs, drawings,

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 specifications, techniques, programs, systems, processes, and computer software,  
2 goodwill, trade names, Internet domain names, telephone numbers, fax numbers, e-mail  
3 addresses, and other similar items, together with associated listings and registrations,  
4 including without limitation, the trade names “North Fork Composites,” and “Edge  
5 Rods”; (e) business supplies, together with the equipment and certain tangible personal  
6 property; and (f) Client’s 100% membership interest in Edge Rods LLC, a Washington  
7 limited liability company (collectively, the “Assets”), that will result in the Debtor ceasing  
8 operations and Purchaser commencing like operations at the Debtor’s current location  
9 or at another facility in the Woodland, Washington area. Purchaser also intends to hire  
10 all of the Debtor’s employees to work for Purchaser following the sale. Copies of the  
11 Sale Motion, Declaration of Aleksandr Maslov, Supplemental Declaration of Aleksandr  
12 Maslov, the APA, Bid Procedures, and a proposed Sale Order are enclosed with this  
13 notice.

14 The APA includes various terms and conditions, including the requirement of  
15 Bankruptcy Court approval of the sale pursuant to 11 U.S.C. § 363(f), with the Assets to  
16 be sold to Purchaser for a Purchase Price of: (a) \$100,000, plus the value of the  
17 Debtor’s inventory at cost; (b) assumption and payment of all trade debt totaling  
18 approximately \$143,746, plus warranty claims; and (c) waiver of administrative expense  
19 claims against the Debtor held by the Debtor’s members, managers, officers, and  
20 employees in exchange for the Debtor’s release of any avoidance claims against those  
21 persons. The Assets will be sold to Purchaser free and clear of liens, claims, and  
22 interests, with such liens, claims, and interests to attach to the proceeds of the sale.

23 Upon executing the APA, Purchaser agreed to be the Stalking Horse Bidder,<sup>1</sup>  
24 meaning that its offer would be subjected to higher and better bids pursuant to the Bid  
25 Procedures enclosed herewith. If no other qualified bids are received, the Debtor will

26 \_\_\_\_\_  
<sup>1</sup> Capitalized terms not defined herein have the meanings ascribed to those terms in the  
APA and the Bid Procedures.



1 seek final approval of the sale of the Assets to Purchaser at hearing to be held on  
2 January 31, 2017 at 10:00 a.m. in the United States Bankruptcy Court for the Western  
3 District of Washington, 500 W. 12<sup>th</sup> Street, 2<sup>nd</sup> Floor, Vancouver, WA 98660. If one or  
4 more qualified bids, other than the Stalking Horse Bidder's offer, is received, the Debtor  
5 will conduct an auction on January 30, 2017 to identify the highest and best bid and will  
6 seek final approval of the sale of the Assets to the Successful Bidder at the hearing.

7 The Bid Procedures include provisions governing qualification of bidders and  
8 bids, including demonstration of the financial wherewithal to consummate a sale, and  
9 submission of a competing bid together with a fully executed asset purchase agreement  
10 and deposit of \$35,000.00 by the Bid Deadline of 4:00 p.m., prevailing Pacific time, on  
11 January 26, 2017. A qualified bid must be for at least \$20,000 more than the Stalking  
12 Horse Bidder's bid, including assumption and payment of the Trade Debt of  
13 approximately \$143,747 and all warranty claims, and must include a written  
14 commitment to pay for and indemnify Debtor for any damages and repairs to the  
15 building where the equipment is located caused by removal of the equipment.

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

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NOTICE OF PROPOSED SALE OF ASSETS FREE AND  
CLEAR OF LIENS, CLAIMS, AND INTERESTS, AND  
OPPORTUNITY FOR SUBMISSION OF COMPETING  
BIDS Page 3

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1           **IF YOU WISH TO SUBMIT A COMPETING BID, YOU MUST COMPLY WITH**  
2           **ALL OF THE TERMS AND CONDITIONS SET FORTH IN THE BID PROCEDURES**  
3           **AND SUBMIT YOUR BID BY THE BID DEADLINE OF 4:00 P.M., PREVAILING**  
4           **PACIFIC TIME, ON JANUARY 26, 2017, AS SET FORTH IN THE BID**  
5           **PROCEDURES.**

6           Dated this \_\_\_\_ day of December, 2016

7           SUSSMAN SHANK LLP

8

9

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

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

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NOTICE OF PROPOSED SALE OF ASSETS FREE AND  
CLEAR OF LIENS, CLAIMS, AND INTERESTS, AND  
OPPORTUNITY FOR SUBMISSION OF COMPETING  
BIDS Page 4

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

In re:	}	Case No. 16-44188-BDL
NORTH FORK COMPOSITES LLC,	}	<b>[PROPOSED]</b> ORDER AUTHORIZING SALE OF ASSETS FREE AND CLEAR OF LIENS, CLAIMS, AND INTERESTS
Debtor.	}	
<hr style="border: 0.5px solid black;"/>		

The Debtor’s Motion for Orders Approving (A) Marketing Plan and Bid Procedures for Sale of Assets Free and Clear of Liens, Claims, and Interests; (B) Approving Form of Notice of Sale; (C) Scheduling a hearing to Finally Approve the Sale; and (D) Finally Approving the Sale [ECF Doc. No. \_\_\_\_] (the “Motion”) came on for hearing on January 31, 2017; Thomas W. Stilley appeared on behalf of the Debtor, and other appearances were noted in the Court’s record; reasonable and adequate notice of the hearing on the Motion and the relief sought therein having been provided to all parties required to be given notice under the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Western District of Washington; the objections to the Motion having either been resolved, overruled, or withdrawn on the record for the

1 reasons stated; the Court having considered the Motion, as well as any opposition to  
2 the Motion, any reply thereto, the evidence presented, offers of proof, and the  
3 arguments of counsel; the Court having stated its findings of fact and conclusions of law  
4 on the record; and good cause appearing, it is hereby

5 ORDERED:

6 1. The Motion is granted;

7 2. The sale of assets (the "Assets") by the Debtors to Composite Ventures  
8 LLC, a Washington limited liability company ("Purchaser"), as described in the Asset  
9 Purchase Agreement attached hereto as Exhibit "A" (the "APA") and pursuant to the  
10 terms set forth in the Motion is approved pursuant to Sections 105(a), 363(b) and (f) of  
11 the Bankruptcy Code,<sup>1</sup> on the terms and conditions set forth in the APA;

12 3. The sale to Purchaser under the APA and this Order shall be binding in all  
13 respects upon the Debtor, its estate, its creditors, its interest holders, any affected third  
14 parties, including, but not limited to, all persons asserting a lien, claim, or interest in the  
15 Assets, and all parties in interest in the case and their respective successors and  
16 assigns, including any subsequently appointed trustee for the Debtor under any chapter  
17 of the Bankruptcy Code, and shall inure to the benefit of Purchaser, and its affiliates,  
18 successors, and assigns;

19 4. The purchase of the Assets shall not subject the Purchaser to any liability  
20 for any claims from any person or entity, except as expressly provided for in the APA,  
21 and the purchase of the Assets shall not constitute a consolidation, merger, or *de facto*  
22 merger of the Purchaser and the Debtor or its bankruptcy estate, or a continuation of  
23 the business of the Debtor or the bankruptcy estate, and the Purchaser is released from  
24 any potential liability in connection with the purchase of the Assets;

25

26 \_\_\_\_\_  
<sup>1</sup>Capitalized terms not defined herein shall have the meaning ascribed to them in the  
Motion, or the APA, as applicable.

ORDER AUTHORIZING SALE OF ASSETS FREE AND  
CLEAR OF LIENS, CLAIMS, AND INTERESTS - Page 2

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1           5.       The Debtor is authorized to execute, deliver, and perform the terms of the  
2 APA. Pursuant to Section 363(f) of the Bankruptcy Code, effective upon closing, the  
3 sale of the Assets will vest in the Purchaser all right, title, and interest of the Debtor and  
4 its bankruptcy estate in the Assets, free and clear of liens, claims, and interests,  
5 including, without limitation, the liens, claims, and interests of Columbia Bank (the  
6 “Bank”) and any other party holding a lien in the Assets. The liens, claims, and  
7 interests, if any, of the Bank and any other party holding a lien, shall attach to the  
8 proceeds of the sale with the same force, effect, validity, and priority that previously  
9 existed against the Assets and subject to any claims and defenses the Debtor and its  
10 bankruptcy estate may possess with respect thereto;

11           6.       This Order is and shall be effective as a determination that, upon and  
12 subject to the occurrence of the closing of the sale of the Assets, all liens, claims, and  
13 interests of the Bank and any other person or entity have been and hereby are  
14 adjudged and declared to be unconditionally released as to the Assets, and the Bank  
15 and any other person or entity is barred from asserting claims (including, without  
16 limitation, any claims for successor liability and any claims arising from unexpired  
17 leases or executory contracts that are not assumed by the Debtor and assigned to  
18 Purchaser), liens, or interests of any kind or nature against the Purchaser or the Assets  
19 that arose prior to closing in accordance with the APA;

20           7.       The Debtor is authorized to execute any releases, termination statements,  
21 assignments, consents, or instruments that are necessary or appropriate to effectuate  
22 or consummate the sale. The Debtor, and any escrow agent upon the written  
23 instructions of the Debtor, are authorized to make such disbursements on or after the  
24 closing as are required by the APA or order of this Court. The Debtor is further  
25 authorized to execute such other documents related to the APA as may be reasonably  
26 necessary or appropriate to complete the sale, and the Debtor is authorized to

1 undertake such other actions as may be reasonably necessary or appropriate to  
2 complete the sale;

3 8. Except as expressly set forth in the APA, Purchaser has not assumed any  
4 liabilities of the Debtor. The purchase of the Assets by the Purchaser shall not cause  
5 the Purchaser to become liable for, and the Purchaser shall not assume, any liabilities  
6 owed to the Debtor's employees, including any liabilities related to employment  
7 practices, COBRA, equal employment opportunity, nondiscrimination, harassment,  
8 wrongful termination, breach of contract, immigration, wage and hour laws, any other  
9 state, federal, or local labor and employment laws, liability under the WARN Act or any  
10 similarly applicable state law, salaries, vacation, sick pay, incentives, severance pay,  
11 bonus, overtime, meal period, pension, profit sharing, retirement and/or deferred  
12 compensation and any other compensation or benefits, which claims, if any, shall  
13 remain the liability of the Debtor;

14 9. The Debtor is authorized to assume and assign to the Purchaser any  
15 executory contracts and intellectual property rights associated with the Assets that  
16 require an assignment pursuant to Section 365 of the Bankruptcy Code;

17 10. The Court finds that the Debtor has taken all necessary steps to obtain the  
18 highest or best value for the Assets, the purchase price being paid by the Purchaser is  
19 the highest and best price obtainable for the Assets, the APA is on the best terms  
20 available under the circumstances, the terms of the APA are fair and reasonable, the  
21 sale will provide a greater recovery for the bankruptcy estate than would be provided by  
22 any other alternative, and the sale is in the best interest of creditors;

23 11. The APA and any related documents or instruments may be modified,  
24 amended, or supplemented by the parties thereto, in a writing, signed by both parties,  
25 without further order of the Court, provided, however, that any such modification,  
26 amendment, or supplement does not have a material adverse effect on the Debtor or its



1 bankruptcy estate;

2 12. The Court retains jurisdiction to enforce and implement the terms and  
3 provisions of this Order, all amendments thereto, any waivers and consents thereunder,  
4 and each of the documents executed in connection therewith in all respects. The APA  
5 and the transactions contemplated thereby may be specifically enforced against and  
6 binding upon, and not subject to rejection or avoidance by, the Debtor or any Chapter 7  
7 or Chapter 11 trustee of the bankruptcy estate; and

8 13. The stay under Rules 6004(h) and 6006(d) of the Federal Rules of  
9 Bankruptcy Procedure are hereby ordered waived. This Order is effective and  
10 enforceable immediately upon its entry, and the sale may close immediately upon entry  
11 of this Order, notwithstanding any otherwise applicable waiting periods.

12 ### End of Order ###

13 PRESENTED BY:

14 SUSSMAN SHANK LLP

15

16 By: \_\_\_\_\_  
17 Thomas W. Stilley, WSBA #21718  
Susan S. Ford, WSBA # 33415  
Attorneys for Debtor

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19 \*23775-002\ORDER APPROVING SALE OF ASSETS (VERSON 2) (02452682);1

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ORDER AUTHORIZING SALE OF ASSETS FREE AND  
CLEAR OF LIENS, CLAIMS, AND INTERESTS - Page 5

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Honorable Brian D. Lynch  
Chapter 11  
Hearing Date: December 12, 2016  
Hearing Time: 10:00 a.m.  
Hearing Location: By Telephone  
{Contact Chambers for Dial- In Information}  
Response Date: December 9, 2016 by Noon

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

In re:	}	Case No. 16-44188-BDL
NORTH FORK COMPOSITES LLC,	}	MEMORANDUM IN SUPPORT OF MOTION FOR ORDERS APPROVING (A) MARKETING PLAN AND BID PROCEDURES FOR SALE OF ASSETS FREE AND CLEAR OF LIENS, CLAIMS, AND INTERESTS; (B) APPROVING FORM OF NOTICE OF SALE; (C) SCHEDULING A HEARING TO FINALLY APPROVE THE SALE; AND (D) FINALLY APPROVING THE SALE
Debtor.	}	

North Fork Composites LLC submits this Memorandum in support of its Motion for Orders Approving (A) Marketing Plan and Bid Procedures for Sale of Assets Free and Clear of Liens, Claims, and Interests, (B) Approving Form of Notice of Sale; (C) Scheduling a Hearing to Finally Approve the Sale; and (D) Finally Approving the Sale (the "Motion").

**JURISDICTION**

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

1 and 9014.

## 2 **FACTUAL BACKGROUND**

3 1. On October 7, 2016 (the "Petition Date"), the Debtor filed a petition for  
4 relief under Chapter 11 of the Bankruptcy Code.

5 2. Columbia Bank (the "Bank") holds a perfected security interest in  
6 inventory, equipment, accounts, and general intangibles, which includes all of the items  
7 to be sold. Declaration of Aleksandr Maslov [ECF No. 14] ("Maslov Decl."), ¶ 3. As of  
8 the Petition Date, the Debtor owed approximately \$57,000 to the Bank. Maslov Decl.,  
9 ¶ 3. The Debtor proposes to pay the balance owing to the Bank out of the net sales  
10 proceeds.

11 3. Debtor filed this Chapter 11 case in the face of mounting litigation  
12 expenses in a lawsuit entitled *North Fork Composites LLC v. Jon Bial, et al* pending in  
13 Clark County Superior Court, in which the Debtor and Bial were both claiming breach of  
14 Bial's employment relationship with the Debtor. Bial was the former general counsel  
15 and general manager of the Debtor. Maslov Decl., ¶ 5. Upon filing this bankruptcy  
16 case, the Debtor removed the Bial lawsuit to this Court. Bial filed a motion to remand  
17 the lawsuit to state court and for relief from stay to allow the lawsuit to proceed. (See  
18 ECF Doc. No. 20 (Main Case); ECF Doc. No. 3 (Adv. Proc. 16-04214)). The Court  
19 denied both motions at a hearing on November 22, 2014 [ECF No. 58, Main Case; ECF  
20 No. 12, Adv. Proc.].

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

1           5. Debtor has received an offer from Composite Ventures LLC (“CV”) for all  
2 of the Debtor’s (a) inventories, including work in process and finished goods;  
3 (b) machinery and equipment; (c) office furniture and equipment; (d) intangible assets,  
4 including intellectual property, data and records related to the business, customer and  
5 supplier lists, marketing plans, financial and technical information, trade secrets, know-  
6 how, ideas, designs, drawings, specifications, techniques, programs, systems,  
7 processes, and computer software, goodwill, trade names, Internet domain names,  
8 telephone numbers, fax numbers, e-mail addresses, and other similar items, together  
9 with associated listings and registrations, including without limitation the trade names  
10 “North Fork Composites” and “Edge Rods”; (e) business supplies, together with the  
11 equipment and certain tangible personal property; and (f) Client’s 100% membership  
12 interest in Edge Rods LLC, a Washington limited liability company equipment, inventory,  
13 raw materials, supplies, and general intangibles, and its 100% membership interest in  
14 Edge Rods LLC, but excluding the Debtor’s cash and accounts receivable (the “Assets”)  
15 for (i) \$100,000, plus the value of Debtor’s inventory at cost in cash as of the closing  
16 date, and (ii) additional consideration in the form of assumption of all trade debt totaling  
17 approximately \$143,746, plus warranty claims. The Asset Purchase Agreement  
18 between the Debtor and CV is attached to the Supp. Maslov Decl. as Exhibit 1 (the  
19 “APA”). Supplemental Declaration of Aleksandr Maslov (“Supp. Maslov Decl.”), ¶ 2.

20           6. CV has been formed by the Debtor’s members and its officers, who are  
21 the largest unsecured creditors of the Debtor. Supp. Maslov Decl., ¶ 3. CV is unwilling  
22 to pay the amounts offered in the APA for the Assets, including assumption of 100% of  
23 the Debtor’s trade debt and its warranty obligations, unless the Debtor continues to  
24 operate in the ordinary course of business pending the closing of a sale to CV. Supp.  
25 Maslov Decl., ¶ 3.

26           7. Any purchaser of the Assets will be solely responsible for the cost and

1 expense of removing the Assets from their current location, which will likely require the  
2 removal and replacement of at least two sides of the building in which the Assets are  
3 located at a cost of approximately \$30,000. Supp. Maslov Decl., ¶ 4.

4 8. In order to ensure that the sale process is fair, that the proposed sale has  
5 been adequately exposed to the market, and that CV is paying the highest and best  
6 price for the Assets, the Debtor intends to retain Scout & Spur Group in Westminster,  
7 Colorado, to market the Assets for sale directly to persons and entities in the fishing  
8 industry that would be most likely to make an offer for the Assets. Scout & Spur has  
9 considerable experience in marketing the assets of fishing rod manufacturers. The  
10 proposed engagement agreement with Scout & Spur, including Scout & Spur's  
11 proposed marketing plan (the "Marketing Plan"), is attached to the Supp. Maslov. Decl.  
12 as Exhibit 2. Supp. Maslov Decl., ¶ 5. Once its employment is approved, Scout & Spur  
13 intends to market the assets by directly contacting approximately 100 fishing rod  
14 companies and individuals that may be interested in purchasing the assets, which  
15 process is expected to occur over the next approximately 45 days. A hearing on  
16 approval of the sale is expected to occur on January 31, 2017.

17 9. In order to provide the Debtor with sufficient funds to pay operational and  
18 other administrative expenses, including the Debtor's professional fees, CV has agreed  
19 to provide the Debtor with up to \$50,000 in post-petition financing, which CV will be  
20 entitled to credit bid for the Assets. See Motion for Authorization to Obtain Secured  
21 Credit on an Interim and Final Basis [ECF Doc. 59].

22 10. Debtor is currently operating at a profit of only approximately \$10,000 per  
23 month (Maslov Decl., ¶ 4). Even if Debtor were to propose a multi-year payment plan to  
24 its creditors, it is unlikely that a distribution could be made to unsecured creditors that  
25 would exceed the amounts that will be distributed from a sale of the Assets. Rather, a  
26 sale pursuant to which CV or another Successful Bidder will pay over \$100,000 for the

1 Assets and assume and pay all of the \$143,746 owed by the Debtor to its trade  
2 creditors, will provide a greater benefit to creditors and the estate than any perceived  
3 alternative.

4 11. The sale to CV or another Successful Bidder will result in Columbia Bank's  
5 secured claim being paid in full, all trade creditors receiving payment in full along with  
6 the ability to do further business with the Purchaser, and the remaining cash proceeds  
7 being available for payment of any unpaid administrative expenses and unsecured  
8 claims. The Debtor believes that a sale to Purchaser, or to a competing bidder for a  
9 higher and better bid, is in the best interest of creditors and the estate, and is the only  
10 viable alternative absent conversion of the case to Chapter 7 and the potential loss of a  
11 sale to CV or another Successful Bidder for better than liquidation prices and non-  
12 payment of the \$143,746 in trade debt. Furthermore, in the event CV is the Successful  
13 Bidder, it intends to operate its business in the Woodland, Washington area, and will  
14 provide employment opportunities to all of the Debtor's existing employees. Supp.  
15 Maslov Decl., ¶ 6.

16 12. The Debtor has requested that the Bank consent to the sale and  
17 anticipates that it will do so prior to the sale hearing.

### 18 PROPOSED SALE TRANSACTION

19 Pursuant to 11 USC § 363(f), the Debtor proposes to sell the Assets to CV, on  
20 the terms and conditions listed in the APA, unless another "Qualified Bid" is timely  
21 received and is the "Successful Bid" after an "Auction" of the Assets, as those terms are  
22 defined and used in the Bid Procedures (attached as **Exhibit 2** to the Marketing & Bid  
23 Procedures Order). If no other Qualified Bids are received, the Debtor will seek final  
24 approval of the sale of the Assets to CV at the Sale Hearing. If one or more Qualified  
25 Bids, other than the CV bid, is received, then Debtor will conduct an Auction to identify  
26 the Successful Bid and will seek final approval of the sale of the Assets to the



1 Successful Bidder at the Sale Hearing.

2 For convenience the Debtor sets forth some of the material terms of the APA with  
3 CV below. The Debtor observes that the APA itself, and not the contents of this motion  
4 or any other document filed in this Chapter 11 case, shall control in all regards and for  
5 all purposes with respect to the sale of the Assets to CV:

6 Assets to be Sold: All of the Debtor's equipment, inventory, and general  
7 intangibles, including trade secrets, the trade names  
8 "North Fork Composites" and "Edge Rods", and the  
9 Debtor's 100% membership interest in Edge Rods  
10 LLC, excluding cash, accounts receivable, and certain  
11 other property described in the APA (the "Assets"  
12 herein, as noted above).

13 Purchase Price: One Hundred Thousand Dollars (\$100,000) plus  
14 assumption and payment of all pre-petition trade debt  
15 totaling approximately \$143,746 and all warranty  
16 claims (the "Purchase Price", as defined in the APA).

17 Sale to  
18 Insider: CV is an LLC formed by certain of the Debtor's  
19 members, managers, and employees, all of whom  
20 hold prepetition and postpetition claims against the  
21 Debtor for wages, consulting fees, employee benefits,  
22 rent, and/or loans to the Debtor, for which  
23 approximately \$1,600,000 remains unpaid.

24 Agreements with  
25 Insiders or  
26 Management: Upon closing, all of the Debtor's employees will  
become at-will employees of CV, and the Debtor's  
members, managers, and officers will be involved in  
the operation of CV as members, managers, officers,  
employees, and/or consultants.

Sale Free & Clear: The Sale will be free and clear of liens, claims, and  
interests.

Leases: Debtor will reject its real property lease with Gary and  
Susan Loomis effective upon closing of the sale and  
CV will negotiate an arrangement with the Loomises  
for occupation of the property following closing or  
removal of the Assets from the premises.

1           Releases &  
2           Insider Benefits:

Debtor will release any Avoidance Rights it has against CV, its members, managers, and employees in exchange for those parties release of their administrative expense claims against the Debtor.

4           Competitive  
5           Bidding:

6           Qualified Bidders (as defined in the Bid Procedures) will be allowed to submit competing bids for the Assets. Competing bids must be Qualified Bids (as defined in the Bid Procedures) as determined by the Debtor as provided in the Bid Procedures. Any party may object to the Debtor's determination of the Successful Bidder and/or to the Alternative Backup Bidder (as defined in the Bid Procedures) and be heard at the Sale Hearing.

11           Closing, Other  
12           Deadlines and  
13           Contingencies:

Closing (as defined in the APA) shall occur on or before February 10, 2016, which date shall not be later than the last to occur of: (i) five days after the Sale Order has become a Final Order, and (ii) the full satisfaction or waiver of the conditions to Closing set forth in the APA.

16           Good Faith Deposit: Upon execution of the APA, CV shall deposit \$25,000 into an escrow account as a deposit towards the Cash Purchase Price (as defined in the APA).

18           Interim Arrangements  
19           With Proposed  
20           Buyer:

As per the APA, and subject to the terms of any cash collateral and debtor-in-possession financing orders, the Debtor will continue to manage and operate its business until Closing. CV is providing the Debtor with a \$50,000 DIP line of credit prior to closing to ensure that the Debtor has sufficient cash resources to pay its obligations prior to closing. CV will be entitled to credit bid the outstanding balance of the DIP loan as a credit against the Purchase Price.

25           Use of Proceeds:

The sales proceeds attributable to the Debtor's assets will be used to pay the Debtor's obligations in following order of priority: (1) the Debtor's sales costs and other closing expenses, (2) Columbia Bank's

1 secured claim, (3) the US Trustee's fees, and the  
2 Debtor's professional fees and expenses as approved  
3 by the Court not to exceed the Carve-Out, (4) re-  
4 payment of the debtor-in-possession financing  
5 provided by CV, and (5) the remainder, if any, to pay  
6 remaining administrative expense claims and  
7 creditors in the order of priority under the Bankruptcy  
8 Code.

9  
10 Record Retention: As per the Bid Procedures regarding access to  
11 valuation information by interested potential bidders  
12 and creation and maintenance of a record of the  
13 Auction, if any, by the Scout and Spur Group and the  
14 Debtor.

15  
16 Retention of  
17 Avoidance Rights: All Avoidance Rights will be retained by the Debtor,  
18 except for those against CV and its members,  
19 managers, officers, and employees.

20  
21 Credit Bid: As per the Bid Procedures, in general, creditors  
22 holding undisputed allowed secured claims on the  
23 Assets may credit bid. CV will be entitled to credit bid  
24 the amount of any DIP financing it provides to the  
25 Debtor.

26  
27 Standard for  
28 Approval: The Debtor will seek approval under the best interests  
29 of the estate standard and further address reasons for  
30 the sale as stated below.

31  
32 Relief from  
33 Bankruptcy  
34 Rule 6004(h): The Debtor will request relief from the 14-day stay  
35 imposed by Bankruptcy Rules 6004(h) so that Closing  
36 may proceed with all due haste because of the  
37 Debtor's mounting administrative expenses and  
38 expiration of Columbia Bank's agreed use of cash  
39 collateral and the CV DIP financing, and the  
40 requirements of the APA.

41  
42 Solicitation  
43 Process: Notice will be given to Columbia Bank and any other  
44 lienholders, the Office of the United States Trustee, all  
45 creditors, all parties requesting special notice in the  
46 Chapter 11 case, all individuals or entities, if any,

1 which have contacted the Debtor to express an  
2 interest in purchasing the Assets, all other persons or  
3 entities required to be served pursuant to orders of  
4 this Court, or known counsel for any of the foregoing.  
5 Upon entry of the Bid Procedures Order, the Sellers  
6 will serve all such parties with a copy of the Bid  
7 Procedures Order (with attached Bid Procedures) and  
8 Sale Notice (with attached APA and the proposed  
9 Sale Order). Debtor will also engage in a marketing  
campaign for the assets which will include the  
engagement of Scout & Spur Group and the direct  
solicitation of over 100 potential buyers for the Assets.  
Debtor will also continue to post notice of the sale on  
its website.

### 10 **PROPOSED AUCTION AND BIDDING PROCESS OVERVIEW**

11 The Debtor values CV's total purchase offer at approximately \$270,000, and,  
12 upon court approval, such amount will be the Stalking Horse Bid. The Assets to be sold  
13 include, without limitation, all of the Debtor's (a) inventories, including work in process  
14 and finished goods; (b) machinery and equipment; (c) office furniture and equipment,  
15 (d) intangible assets, including intellectual property, data, and records related to the  
16 business, customer and supplier lists, marketing plans, financial and technical  
17 information, trade secrets, know-how, ideas, designs, drawings, specifications,  
18 techniques, programs, systems, processes, and computer software, goodwill, trade  
19 names, Internet domain names, telephone numbers, fax numbers, e-mail addresses,  
20 and other similar items, together with associated listings and registrations; and  
21 (e) business supplies, together with the equipment and certain tangible personal  
22 property, but does not include (a) the Debtor's cash, accounts receivable, minute books  
23 and stock records, claims for tax refunds, and certain personnel and other records; or  
24 (b) rights and causes of action of the Debtor under Sections 544, 547, 548, 549, 550,  
25 551 and 553 of Title 11 of the United States Code, except any claims arising under such  
26 sections against CV, its members, managers, officers, and employees, which will be



1 extinguished upon Closing of a sale to CV (the “Avoidance Rights”).

2 The Bid Procedures include provisions governing qualification of bidders and  
3 bids, including demonstration of the financial wherewithal to consummate a sale,  
4 agreeing to confidentiality of certain information regarding the Assets and valuations  
5 thereof, submission of the competing bids together with a fully executed asset purchase  
6 agreement, and deposit of \$35,000 by the Bid Deadline of January 26, 2016. A  
7 Qualified Bid must be at least \$20,000 more than the Stalking Horse Bid.

8 Potential bidders may inspect the Assets and review other information  
9 reasonably necessary to conduct due diligence upon execution of a confidentiality  
10 agreement and due diligence must be conducted prior to the Bid Deadline. The Bid  
11 Procedures allows the Debtor to reschedule the Auction, if needed, on notice to  
12 participants as described therein, and also allows the Debtor to identify an Alternative  
13 Backup Bidder who may purchase the Assets in the event the Successful Bidder is  
14 unable to close for any reason.

15 If no Qualified Bid, other than CV’s, is received, then no Auction will occur.  
16 However, if a competing Qualified Bid is received, then the Auction will occur. The  
17 Marketing & Bid Procedures Order and Bid Procedures set forth the date, time and  
18 place of the Auction (if any Qualified Bids are received so as to trigger an Auction),  
19 including use of the Debtor’s counsel’s telephone conference line to participate. It also  
20 provides the disclosures participants must be prepared to make and states that all  
21 creditors may attend.

22 The proposed sale of the Assets is independent of any Plan of Reorganization or  
23 Liquidation to be proposed by the Debtor, or any creditor. CV has not agreed to pay,  
24 guarantee, or assume any of Debtor’s obligations or payments under any proposed  
25 Plan of Reorganization or Liquidation and the Debtor does not propose that such  
26 requirement be a condition of any Qualified Bid seeking to purchase the Assets.

1           **The specific terms of the Marketing & Bid Procedures Order and Bid**  
2 **Procedures, Sale Notice, the APA and accompanying exhibits, and the Sale Order**  
3 **shall control the terms and conditions of the proposed sale under 11 USC § 363(f)**  
4 **to CV should it be the Successful Bidder and should be reviewed carefully for all**  
5 **details.**

6                                       **MEMORANDUM OF POINTS AND AUTHORITIES**

7           The Court has jurisdiction to hear and determine this Motion pursuant to 28 USC  
8 §§ 157(b)(1) and 1334(a). This is a core proceeding pursuant to 28 USC § 157(b)(2)(A),  
9 (N) and (O). Venue is proper in this District and in the Court pursuant to 28 USC §§ 1408.  
10 The statutory predicates for the relief requested in the Motion are Sections 363(b) and (f)  
11 of the Bankruptcy Code and Bankruptcy Rules 2002(a)(2) and (c)(1), 6004(a), (c), (f), (h),  
12 and 9014.

13           Section 363 of the Bankruptcy Code provides authority for a debtor in possession  
14 “after notice and a hearing, [to] use, sell or lease, other than in the ordinary course of  
15 business, property of the estate.” 11 USC § 363(b)(1). In considering a proposed sale  
16 under Section 363, courts generally focus on whether the sale is in the best interest of  
17 the estate based on the facts and history of the case. *In re America West Airlines*, 166  
18 B.R. 908, 912 (Bankr. D. Ariz. 1994) (citations omitted). This requires examination of  
19 the “business justification” for the proposed sale. *See, e.g., In re 240 North Brand*  
20 *Partners Ltd.*, 200 B.R. 653 (BAP 9<sup>th</sup> Cir. 1996). A debtor in possession is generally  
21 permitted to sell property of the estate outside the ordinary course of business where  
22 the proposed sale is a sound exercise of the debtor’s business judgment and when the  
23 sale is proposed in good faith and for fair value. *See Committee of Equity Security*  
24 *Holder v. Lionel Corporation (In re Lionel Corp.)*, 722 F.2d 1063, 1070 (2d Cir. 1983);  
25 *In re Ernst Home Ctr., Inc.*, 209 B.R. 974, 980 (Bankr. W.D. Wash. 1997). When a  
26 debtor or trustee articulates a reasonable basis for its business decisions, the “court will

1 generally not entertain objections to the debtor's conduct." *Comm. Of Asbestos-Related*  
2 *Litigants v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr.  
3 S.D. NY 1986).

4 Courts have also required that the debtor provide reasonable and adequate  
5 notice of the sale, that the sale price be fair and reasonable, and that the sale be the  
6 result of good faith negotiations with the buyer. *See, e.g., In re Ewell*, 958 F.2d 276 (9<sup>th</sup>  
7 Cir. 1992) (declining to set aside or modify a sale pursuant to 11 USC § 363 because  
8 the price was fair and reasonable and the buyer was a good faith purchaser pursuant to  
9 11 USC § 363(m)). The Debtor is providing notice of the Motion to the Purchaser, the  
10 Bank, Jon Bial, and C6 and their attorneys, the Office of the United States Trustee, all  
11 creditors, and all parties requesting special notice. The Debtor will also engage the  
12 services of Scout & Spur Group LLC who will conduct an extensive marketing campaign  
13 over the next approximately 45 days in an effort to attract potential buyers for the  
14 Assets. The details of that marketing campaign are included in the engagement  
15 agreement with Scout & Spur Group LLC attached as Exhibit 1 to the Marketing & Bid  
16 Procedures Order. The Debtor submits that such notice is adequate and no other or  
17 further notice is necessary or required.

18 The Purchaser may constitute an "insider" of the Debtor as that term is defined in  
19 11 USC § 101(31) of the Bankruptcy Code because the Debtor's members, Gary and  
20 Susan Loomis, will be involved in the future operation of the Purchaser, however, the  
21 negotiation of the sales price is consistent with what the Debtor believes is a fair valuation  
22 of the Assets considering the costs of removal and repair of the building where the Assets  
23 are located, and is subject to higher and better bids. Furthermore, the proposed sale will  
24 be subjected to a direct marketing campaign conducted by Scout & Spur in an effort to  
25 obtain a better offer for the Assets.

26 The Debtor has requested authorization to sell the Assets free and clear of liens,

1 claims, and interests. Section 363(f) of the Bankruptcy Code authorizes a debtor in  
2 possession to sell property “free and clear of any interest in such property of an entity  
3 other than the estate” if one or more of the following conditions is satisfied:

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

11 11 USC § 363(f).

12 Consistent with the use of the term elsewhere in the Bankruptcy Code, courts  
13 construe the term “interest” broadly to include all legal and equitable interests in the  
14 property and arising from the property. See, *In re Trans World Airlines, Inc.*, 322 F.3d  
15 283, 289 (3d Cir. 2003). Applicable case law provides that a sale of a debtor’s assets  
16 free and clear of liens, claims, and interests, with such liens, claims, and interests  
17 attaching to the net proceeds of the sale, is permissible under 11 USC § 363(f). See,  
18 e.g., *In re Goffena*, 175 B.R. 386, 387 (Bankr. D. Mont. 1994); *Folger Adam Sec., Inc. v.*  
19 *DeMatteis/MacGregor, JV*, 209 F.3d 252, 259 (3d Cir 2000) (“[T]he holdings of the  
20 courts suggest that any interest in property that can be reduced to a money satisfaction  
21 constitutes a claim for purposes of § 363(f) and, therefore, attaches to the proceeds of  
22 the sale.”).

23 One or more of the conditions set forth in 11 USC § 363(f) are satisfied here.  
24 The sale may be authorized free and clear of liens pursuant to § 363(f)(2), (3), and (5),  
25 because the only person or entity other than the Debtor that holds an interest in the Assets  
26 is the Bank. The Debtor anticipates that the Bank will consent to the sale, and even

1 absent the Bank's consent, the Bank's interest is a lien and the price at which the Assets  
2 are to be sold is greater than the value of the Bank's lien. § 363(f)(3).

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

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

11 Dated this 5<sup>th</sup> day of December, 2016.

12 SUSSMAN SHANK LLP

13 /s/ Thomas W. Stilley  
14 By: \_\_\_\_\_  
15 Thomas W. Stilley, WSBA #21718  
16 Attorneys for Debtor  
17

18 \*23775-002MEMORADUM IN SUPPORT OF MOTION TO SELL ASSETS AND APPROVE BID PROCEDURES (FINAL FILED WITH THE COURT  
19 ON 120516) (02449165);1



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Honorable Brian D. Lynch  
Chapter 11  
Hearing Date: December 12, 2016  
Hearing Time: 10:00 a.m.  
Hearing Location: By Telephone  
{Contact Chambers for Dial-In Information}  
Response Date: December 9, 2016 by Noon

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

In re: ) Case No. 16-44188-BDL  
NORTH FORK COMPOSITES LLC, )  
Debtor. ) SUPPLEMENTAL DECLARATION OF  
ALEKSANDR MASLOV

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. Debtor has received an offer from Composite Ventures LLC ("CV") for all of the Debtor's (a) inventories, including work in process and finished goods, (b) machinery and equipment, (c) office furniture and equipment, (d) intangible assets, including intellectual property, data and records related to the business, customer and supplier lists, marketing plans, financial and technical information, trade secrets, know-how, ideas, designs, drawings, specifications, techniques, programs, systems,

1 processes, and computer software, goodwill, trade names, Internet domain names,  
2 telephone numbers, fax numbers, e-mail addresses, and other similar items, together  
3 with associated listings and registrations, including, without limitation the trade names  
4 "North Fork Composites" and "Edge Rods", (e) business supplies, together with the  
5 equipment and certain tangible personal property, and (f) Client's 100% membership  
6 interest in Edge Rods LLC, a Washington limited liability company equipment, inventory,  
7 raw materials, supplies, and general intangibles, and its 100% membership interest in  
8 Edge Rods LLC, but excluding the Debtor's cash and accounts receivable (the "Assets")  
9 for (i) \$100,000, plus the value of Debtor's inventory at cost in cash as of the closing  
10 date, and (ii) additional consideration in the form of assumption of all trade debt totaling  
11 approximately \$143,746, plus warranty claims. The Asset Purchase Agreement  
12 between the Debtor and CV is attached hereto as Exhibit 1 (the "APA").

13 3. CV has been formed by the Debtor's members and its officers, who are  
14 the largest unsecured creditors of the Debtor. CV is unwilling to pay the amounts  
15 offered in the APA for the Assets, including assumption of 100% of the Debtor's trade  
16 debt and its warranty obligations, unless the Debtor continues to operate in the ordinary  
17 course of business pending the closing of a sale to CV.

18 4. Any purchaser of the Assets will be solely responsible for the cost and  
19 expense of removing the Assets from their current location, which will likely require the  
20 removal and replacement of at least two sides of the building in which the Assets are  
21 located at a cost of approximately \$30,000.

22 5. The Debtor intends to retain Scout & Spur Group LLC ("Scout & Spur") in  
23 Westminster, Colorado, to market the Assets for sale directly to persons and entities in  
24 the fishing industry that would be most likely to make an offer for the Assets. Scout &  
25 Spur has considerable experience in marketing the assets of fishing rod manufacturers.  
26 The engagement agreement between the Debtor and Scout & Spur is attached hereto

1 as Exhibit 2. Scout & Spur intends to market the Debtor's assets to approximately 100  
2 fishing rod companies and individuals over approximately 45 days.

3 6. In the event CV is the Successful Bidder, it intends to operate its business  
4 in the Woodland, Washington area, and will provide employment opportunities to all of  
5 the Debtor's existing employees.

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

7 Dated this 5<sup>th</sup> day of December, 2016, at Bothell, Washington.

8

*/s/ Aleksandr Maslov*

9

\_\_\_\_\_  
Aleksandr Maslov

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11 \*23775-002\SUPPLEMENTAL DECLARATION OF ALEKSANDR MASLOV 363 SALE (FINAL FILED WITH THE COURT ON 12-5-16) (02453438);1

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## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "Agreement") is made and entered into as of the 5th day of December, 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 (a) inventories, including work in process and finished goods, (b) machinery and equipment, (c) office furniture and equipment, (d) intangible assets, including intellectual property, data and records related to the business, customer and supplier lists, marketing plans, financial and technical information, trade secrets, know-how, ideas, designs, drawings, specifications, techniques, programs, systems, processes, and computer software, goodwill, trade names, Internet domain names, telephone numbers, fax numbers, e-mail addresses, and other similar items, together with associated listings and registrations, including without limitation, the trade names "North Fork Composites," and the " and "Edge Rods", (e) business supplies, together

with the equipment and certain tangible personal property, and (f) Client's 100% membership interest in Edge Rods LLC, a Washington limited liability company equipment (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 and payment of the Trade Claims (defined below) totaling approximately \$143,746, and waiver and release of the Waived Claims (defined below) 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 \$20,000 more than the Purchase Price (defined below) 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"). The Assets do not include those items of machinery and equipment listed on Exhibit 1 hereto, which are owned by Gary and Susan Loomis.

- 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:

## AGREEMENT

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 and pay all of 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/Waiver of Avoidance Claims Against Purchaser, and Its Members, Managers, Officers, and Employees. Purchaser will cause the following persons holding postpetition administrative expense 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"): Gary Loomis, Aleksandr Maslov, Nicole Darland, and Collins Illich. In exchange, Seller and its bankruptcy estate will release Purchaser, its members, managers, officers, and employees, from any preferential or fraudulent transfer claims under 11 USC §§ 544, 547, 548, 550 or 551 for payments made to such persons or for their benefit prior to October 7, 2016.

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; (b) assumption and payment 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 \$120,000, and (ii) assumption and payment of the Trade 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 \$25,000, 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 sale 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 consent 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 sale 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

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

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.

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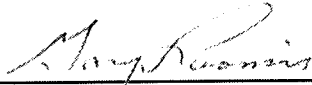
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**IN WITNESS WHEREOF**, the parties have entered into this Agreement effective as of the date first above written.


SELLER:

NORTH FORK COMPOSITES LLC

By:   
Gary Loomis, Member and Manager

PURCHASER:

COMPOSITE VENTURES LLC

By:   
Aleksandr Maslov, Manager

\*23775-002\ASSET PURCHASE AGREEMENT (VERSION 2) (02452498);1

**EXHIBIT 1**  
**Machinery and Equipment Owned by Gary and Susan Loomis**

Industrial Lathe  
Ferrule Sander  
Industrial Fans (2)  
Hydraulic Motor & Arm  
Rolling Tables (2)  
Seeker Mandrels (1000 Pcs)  
Shop Tables (4)  
Radial Arm Saw  
Air Conditioners (3)  
Racks (10)  
Ladder  
Sofas (2)  
Conference Table (1)  
Dining Room Table (1) & Chairs (4)  
Office Desks (4)  
Industrial Drill Press  
Cabinets/Shelves (6)  
Cleaning cart (Mop & Bucket)  
Tools (Hand Drill, Hand Saw, Router)

\*23775-002\ASSET PURCHASE AGREEMENT (FINAL) (02453470);1



Scout and Spur Group LLC  
9191 Sheridan Blvd #300  
Westminster, Colorado 80031

Mr. Gary Loomis  
North Fork Composites LLC  
2617 NE 434th Street  
Woodland WA 98674

November 29, 2016

Dear Mr. Loomis,

This Engagement Agreement (“Agreement”) defines the scope of services to be provided by Scout and Spur Group LLC (herein “Advisor”) to North Fork Composites LLC (the “Client”), as well as the compensation to be paid by the Client to Advisor in exchange for the transaction advisory services.

1. Background. In connection with Client’s petition for relief under Chapter 11 of the Bankruptcy Code dated October 7, 2016 and pursuant to 11 U.S.C. § 363(f), Client desires to engage Advisor to conduct a targeted search for parties to acquire substantially all of the Client’s operating business Assets associated with Client’s design, fabrication, and sale of fishing rod blanks, golf club shafts, and similar items for the outdoor sports market and Advisor desires to make reasonable and customary efforts to solicit Qualified Offers from potential buyers of the Assets.
2. Assets Defined. For the purposes of this agreement, “Assets” means all of Client’s (a) inventories, including work in process and finished goods, (b) machinery and equipment, (c) office furniture and equipment, (d) intangible assets, including intellectual property, data and records related to the business, customer and supplier lists, marketing plans, financial and technical information, trade secrets, know-how, ideas, designs, drawings, specifications, techniques, programs, systems, processes, and computer software, goodwill, trade names, Internet domain names, telephone numbers, fax numbers, e-mail addresses, and other similar items, together with associated listings and registrations, including without limitation the trade names “North Fork Composites” and “Edge Rods”, (e) business supplies, together with the equipment and certain tangible personal property, and (f) Client’s 100% membership interest in Edge Rods LLC, a Washington limited liability company (the “Assets”) free and clear of liens, claims, and interests.
3. Qualified Offer Defined. For the purposes of this Agreement, a “Qualified Offer” means a written offer, received by Advisor prior to the Bid Deadline, that addresses items (a)-(h) of this paragraph. In order for a potential buyer to enter due diligence and/or receive access to the detailed records of the company, a Qualified Offer must be submitted to Client via Advisor prior to the Bid Deadline.
  - (a) A Letter of Intent with a due diligence timeline not to exceed 30 days from the mutual acceptance,
  - (b) A contingency of Bankruptcy Court approval of the sale pursuant to 11 U.S.C. § 363(f),
  - (c) A purchase price cash component exceeding by at least \$20,000 the Stalking Horse Bid valued at \$120,000,
  - (d) Assumption and payment of the Client’s trade debt of approximately \$143,747,



- (e) Verified proof of funds to complete the proposed transaction,
  - (f) An earnest money deposit of at least \$35,000, and
  - (g) A written commitment to pay for and indemnify Debtor for any damages and repairs to the building where the equipment is located caused by removal of the equipment.
4. Call For Offers Period Defined. For the purposes of this Agreement, the "Call For Offers Period" means a 30 day time period, the exact dates which shall be mutually agreed upon by Advisor and Client, beginning on the day Advisor begins soliciting for Qualified Offers, and ending on the Bid Deadline.
  5. Due Diligence Period. In the event a Qualified Offer is received during the Call For Offers Period, Advisor will coordinate due diligence requests from the potential buyer and control access for relevant parties to an online deal room containing requested documents and files.
  6. Stalking Horse Offer Terms. The Stalking Horse Offer includes various terms and conditions, including the requirement of Bankruptcy Court approval of the sale pursuant to 11 U.S.C. § 363(f), with the Assets to be sold to the Stalking Horse Bidder for a Purchase Price of: (a) \$100,000, plus the value of the Debtor's inventory at cost (estimated at approximately \$20,000), and (b) assumption of all trade debt totaling approximately \$143,746, plus warranty claims. The Assets will be sold to purchaser free and clear of liens, claims, and interests, with such liens, claims, and interests to attach to the proceeds of the sale. The proposed sale includes substantially all operating assets of the Client excluding cash and accounts receivable.
  7. Services. For the term of the Engagement Period, Client hereby engages Advisor for the purposes of obtaining Qualified Offers for the purchase of the Assets. In providing these services, Advisor is not providing legal, securities, or accounting advice to Client or its principals. Client shall consult appropriate professionals before entering any agreement to sell all or any of the Assets. In the event no qualified offers are received during the Call for Offers Period, Advisor shall submit an activity report to company. This report shall notes relating to interactions with each party contacted.
  8. Advisor's Marketing Activities. In order to solicit Qualified Offers, Advisor shall conduct the following marketing activities:
    - (a) Developing a list of up to 100 prospective purchasers in the fishing industry; and
    - (b) Mailing an informational packet to each prospective purchaser; and
    - (c) Attempting to contact a representative from each prospective purchaser by phone and/or email; and
    - (d) Soliciting Qualified Offers; and
    - (e) Consulting with Client as to strategy and tactics for initiating discussions and negotiating with a prospective purchaser and participating in such discussions and negotiations; and
    - (f) Any other activities Advisor deems necessary and reasonable to effect the proposed Sale.
  9. Meaning of Sale. Client understands and agrees that the term Sale and any variations as used in this engagement Agreement including sales, leases, options, exchanges and any other disposition (or combination of dispositions) of any interest in the Assets, or any part thereof. Although the parties anticipate an outright sale of substantially all of the Assets for money, other dispositions may be available and may be acceptable to Client. Other dispositions could include sales of less than all of the Assets, leases, options, notes, exchanges and other dispositions of any of Client's interest in the



Assets, or of any interest in Client (share transfer, merger, stock option, subscription agreement or creation or assignment of a partnership interest, for example).

10. Price and Terms. Advisor shall advertise the Assets for sale at a price and terms as described in the Qualified Offer definition.
11. Total Consideration Defined. "Total Consideration" means the sum of all cash and non-cash consideration (at market or face value, whichever is higher) paid, delivered or made in connection with a Sale, including, but not only, any notes made, securities transferred or issued, debts assumed or acquired, and any amounts payable to Client or any shareholders, directors, officers, personnel and others affiliated with Client under non-compete, earn out or consulting agreements, made in connection with a Sale.
12. Engagement Period. This Agreement shall have a term of ninety days, commencing on the date of Client's execution of this Agreement.
13. Work Fee. Client shall pay to Advisor a non-refundable work fee of \$7,500, payable upon Bankruptcy Court approval of this Agreement. This offsets out of pocket expenses relating to the proactive marketing process (list generation, postage, printing, etc.).
14. Letter of Intent Fee: In the event a Qualified Offer is received by the Client (other than the offer from the Stalking Horse Bidder), Client shall pay to Advisor a \$7,500 Qualified Offer Fee, payable upon submission of a Qualified Bid (as defined in an order of the Bankruptcy Court approving bidding procedures for the Assets). If more than one Qualified Offer is obtained by Advisor, only one Qualified Offer Fee will be paid. In the event a Success Fee is earned, the Qualified Offer fee shall deducted from Success Fee.
15. Success Fee. Client agrees to pay Advisor a Success Fee amount of ten percent (10%) of Total Consideration upon occurrence of the following:
  - (a) Client consummates a Sale during the term of this Agreement to any purchaser identified or obtained by Advisor; or
  - (b) Client consummates a Sale during the twelve (12) months immediately following the expiration or termination of this agreement to any purchaser identified or obtained by Advisor during the term of this Agreement.

The net Success Fee paid to Advisor shall not be less than \$10,000 and shall be considered earned upon the closing of a Sale or Client's breach of this agreement. Client grants to Advisor a security interest in the proceeds of the closing of a Sale. The Success Fee shall be paid in full at the closing of a Sale by wire transfer or other form satisfactory to Advisor.

16. Limitation and Scope of Authority. Advisor is acting as an advisor only, and shall have no authority to enter into any commitments on the Client's behalf, or to hold any funds or securities in connection with any transaction or to perform any other acts on behalf of the Client without the Client's express written consent. Advisor is an independent contractor engaged solely for the services defined in Agreement. Client agrees to immediately refer to Advisor all inquiries of any party interested in the Business. Client agrees that all offers from interested parties must be presented in writing to Advisor before they will be presented to Client.
17. Confidentiality. Advisor agrees to hold in strict confidentiality all proprietary information provided by Client in connection with this project. Advisor agrees not to share any confidential information





with persons outside of Advisor's office without Client's prior consent. Client's consent shall be deemed automatically given upon a prospect's signing of a proper confidentiality agreement.

18. Closing Procedures. Client shall furnish Advisor with a copy of the purchase and sale agreement and all other closing documents, and notify Advisor in writing of the time and place of the closing. All remaining fees, expenses and other amounts due to Advisor under this Agreement shall be first deducted and paid to Advisor from the first disbursement of any funds to Client.
19. Accuracy of Information/Indemnification. Client recognizes and confirms that Advisor will rely upon information and data furnished by Client and that Advisor does not assume responsibility for accuracy and completeness of the information. Client represents and warrants to Advisor that all information furnished to Advisor will be materially correct and complete. Client will promptly provide to Advisor all documents necessary to understand the financial and operational components of its business as it relates to the Assets.
20. No Verification or Appraisal. Client affirms that Advisor will not undertake to independently verify information and data furnished by Client and that Advisor will not make an appraisal of the Assets. Client understands that Advisor makes no representations or warranties about any purchaser or any representations or warranties other than what is contained herein.
21. Limitation of Liability In recognition of the relative risks and benefits of the project to both the Client and the Advisor, the risks have been allocated such that the Client agrees, to the fullest extent permitted by law, the Advisor's maximum liability relating to the services rendered under this agreement (regardless of form of action, whether in contract, negligence, strict liability in tort or otherwise) shall not exceed the amounts paid to Advisor for the portion of its services or work products giving rise to the liability. In no event shall either party be liable for consequential, special, incidental, indirect, exemplary or punitive loss, damage, or expenses (including but not limited to client loss of time, lost profits, money of goodwill, opportunity costs, etc.) arising under this agreement, even if either party has been advised of the possible existence of such potential damages.
22. Advisor not Securities Broker or Dealer. Client understands Advisor is marketing the Assets as an asset sale. Client acknowledges that Advisor is not licensed as a securities broker or dealer, and Client will not seek to have Advisor participate in the sale or offering for sale of Client's shares of stock in a business. If Advisor obtains a purchaser who agrees to complete a stock sale transaction, Client will not seek to avoid payment of the Advisor's Success Fee by claiming that the Advisor functioned as a securities broker or dealer.
23. [reserved]
24. Publicity. Upon completion of the Sale, Advisor may publicize its role in arranging the Sale, subject to Client's reasonable editorial approval.
25. Interpretation. Each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but, if any such provision is held to be prohibited or invalid, such provision will be ineffective only to the extent of such prohibition invalidity, without invalidating the remainder of the Agreement.
26. Assignment. Client shall not assign this Agreement without Advisor's consent. Advisor may assign and transfer this agreement or all or any part of its rights hereunder to an entity affiliated with Advisor by common ownership or cooperative agreement. This agreement shall be binding upon and inure to the benefit of the parties hereto and their successors, representatives and assigns forever.



- 27. Entire Agreement. This Agreement and the attachments referred to herein contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, promises or warranties other than as set forth herein.
- 28. Client Authority Subject to Bankruptcy Court Approval. Client warrants that it has the full legal right to sell the Assets, subject to Bankruptcy Court approval. The person signing this document hereby represents and warrants that he/she has the authority to enter into this contract on behalf of said entity, subject to Bankruptcy Court Approval. Client warrants that there is no other exclusive right to sell or listing contracts for the Assets is in force at the time this Agreement is signed. Client understands this is a legal instrument and if not understood, legal counsel should be consulted before signing.

If the foregoing is acceptable, please sign and return to Advisor a copy of this Agreement, which shall represent the entire agreement between us with respect to the matters addressed herein. We look forward to working with you.

Sincerely,

Scout and Spur Group LLC

*/s/ Benjamin J. Brickweg*

\_\_\_\_\_  
Benjamin J. Brickweg, President

Accepted and Agreed to by:
North Fork Composites LLC
<i>/s/ Aleksandr Maslov</i>
By _____
Its: Manager
Date: December 5, 2016

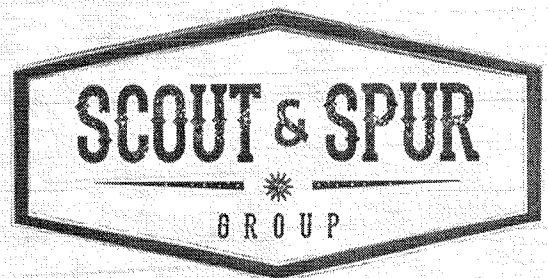
## **PROJECT OVERVIEW**

# **Market-Making Proactive Sale/Merger Search**

**Mr. Gary Loomis**  
**North Fork Composites LLC**

**Presented by:**

**Benjamin J. Brickweg, Esq. MBA**  
**Scout & Spur Group**  
**9191 Sheridan Boulevard, Suite 300**  
**Westminster, Colorado 80031**  
**303-253-4557**



## OUR FIRM AT A GLANCE.

- We are a leading transactional advisory firm serving companies throughout the United States.
- Scout & Spur Group has synergistic locations across the Western United States, with a team of nearly 20 deal-makers, industry experts, and support staff.
- Our industry and sector specialties include hunting, fishing, camping, military, law enforcement, technology, environmental/green products, outdoor recreation, energy services, aviation, agriculture, hunting, fishing, camping, military, law enforcement, manufacturing, agribusiness, chemical, consumer goods, industrial & manufacturing, transportation, technology, service, healthcare, and other related businesses.
- We provide access to buyers and capital from a wide client base that includes high net worth individuals, corporations, private equity, and institutions.
- Our buyer tracking system maintains an international database of interested parties searching for specific criteria for their acquisition strategy.
- We offer superior and comprehensive management of the transaction from strategy, target evaluation, due diligence, acquisition, divestiture, transaction execution, and integration.

## YOUR SCOUT & SPUR PROACTIVE DEAL TEAM:



### **Benjamin J. Brickweg Esq. MBA, Managing Partner**

Mr. Brickweg leads the daily operations of the Scout & Spur Group. Over the past several years, he has counseled the owners of more than 250 privately held businesses on valuation, exit strategy and other strategic transaction related matters. His primary industries of focus are technology, software, recreational/enthusiast markets, and energy services. At a young age, Ben founded a promotional marketing company focused on outdoor sports manufacturers. Next, Ben helped companies develop marketing, financial, and technology strategies both through national marketing agencies and a boutique firm he founded. After earning his MBA, Ben focused on helping entrepreneurs buy and sell small businesses initially with a national business brokerage firm and later a firm he founded. After several years in the private practice of law focused on Mergers & Acquisitions and Real Estate, Ben created Scout & Spur Group to provide consulting services to businesses in transition. Ben is a licensed attorney, published author, and an avid outdoorsman.



### **Jared Brewington, Research and Analysis Manager**

Mr. Brewington manages a team of 7 Business Analysts responsible for researching, contacting, analyzing, and building relationships with potential sellers. Jared's team regularly contacts owners of technology, wholesale, manufacturing, service and distribution companies nationwide in order to find acquisition candidates for our clients.

# **PROJECT SCOPE: PROACTIVE ASSET SALE SEARCH**

## **Full Service Transition & and Transaction Guidance:**

Your Scout & Spur Deal Team's responsibilities include soliciting and responding to initial buyer inquiries, sending blind profile/Confidentiality Agreement/buyer information form, collecting and screening incoming Confidentiality Agreement/buyer profiles, sending confidential profiles, managing conference calls with principals, soliciting LOIs, scheduling buyer visits, managing due diligence, coordinating negotiations and acting as buffer between parties.

## **Marketing Materials:**

Your Scout & Spur Deal Team will create a one page blind executive summary or "teaser", a confidential business profile sent to buyers after they execute confidentiality docs, and advertisements professionally designed to solicit interest from potential buyers.

## **Proactive Marketing:**

Your Scout & Spur Deal Team will generate a list of strategic buyers derived from industry lists, professional contacts and in-depth research. Each targeted buyer will receive an initial contact and follow up phone calls to introduce the opportunity.

## **Market Making Solicitations:**

- **Letter & postcard mailings** to target list of strategic buyers in client's industry.
- **Email contacts** to house list of matching buyers, private equity firms and professional network with an active interest in client's industry.
- **Direct phone solicitations** to strategic buyers in client's industry.



# OVERVIEW OF AGREEMENT TERMS & FEE STRUCTURE

## Proactive marketing plan details:

We will work together with you to create a list of up to 100 potential buyers in the fishing rod manufacturing and related markets. Each target will be contacted by phone, email, and postal mail so we can determine the target's current interest in buying a company and specific interest in buying your company. Blind ads (those that don't disclose your actual company name) will be placed on our network of business for sale listing websites.

## Disclosure of 363 Sale/Stalking Horse Bid

Our proactive marketing project will include disclosing to potential buyers the fact that the company is pursuing a 363 Sale, and the existence and amount of the Stalking Horse Bid from

## Marketing Timeline

As part of our process for seeking additional offers to purchase the assets of the company, we will conduct our marketing as described below. Exact dates will be determined upon execution of an Engagement Agreement between advisor and company.

- **Call for Offers Period:** We will conduct the initial search and call for offers for 30 days from the day when our letters/postcards are placed into the mail stream. We will attempt to reach each targeted buyer by phone at least one time during the Call for Offers period. In order to enter due diligence and/or receive access to the detailed records of the company, interested buyers will be required to submit a qualified offer. For the purposes of this project a qualified offer must be received during the Call for Offers Period and shall include:
  - A written Letter of Intent with a due diligence timeline not to exceed 30 days from the mutual acceptance. The letter of intent must include proposed price and terms offered by the buyer, a narrative relating to buyer's proposed compensation to creditors, and exceed the stalking horse bid by at least \$20,000.
  - Verified proof of funds to complete the proposed transaction.
  - An earnest money deposit of at least \$35,000.
- **Due Diligence Period:** In the event a qualified offer is received during the Call for Offers Period, Advisor will coordinate due diligence requests from the potential buyer and control access for relevant parties to an online deal room containing requested documents and files. In the event no qualified offers are received during the Call for Offers Period, Advisor shall submit an activity report to company. This report shall notes relating to interactions with each party contacted.

## Proposed Initial Deal Terms:

- **Target Price:** We will work together with you to determine the appropriate “ask” regarding proposed price and deal structure.

## Fee Structure & Engagement Agreement Terms:

- **Marketing & Work Fee:** \$7,500, payable at execution of the engagement letter and not deducted from success fee at closing. This offsets out of pocket expenses relating to the proactive marketing process (list generation, postage, printing, etc.).
- **Letter of Intent Fee:** \$7,500, payable at mutual execution of a qualified offer and deducted from success fee at closing.
- **Success Fee:** Based on total consideration for transaction. 10% of the first million dollars, 8% of the second million, 6% of the third million, 4% of everything thereafter.
- **Other Expenses:** At client’s option, Advisor will expand search for potential acquirers and partners. Client will pay Advisor’s pre-agreed upon expenses related to expansion of search parameters.
- **Initial term of engagement:** We will work with you as your exclusive seller’s advisor for an initial term of 90 days.
- **Protective tail period:** If, during the 12 months after termination of the engagement agreement, you sell to anyone we had spoken with during the term of the agreement, the Success Fee will still be payable.