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**UNITED STATES BANKRUPTCY COURT**

**FOR THE DISTRICT OF OREGON**

**In re:**

**REDCO DEVELOPMENT CO.,**

**LLC**

Debtor.

Case No. 10-64783-fra11

**DEBTOR'S THIRD AMENDED  
CHAPTER 11 DISCLOSURE  
STATEMENT  
(Dated January 9, 2012)**

**1. INTRODUCTION AND SUMMARY**

**A. INTRODUCTION**

On August 3, 2010 (the "Petition Date"), Redco Development Co., LLC ("Debtor") filed a voluntary petition under Chapter 11 of Title 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). On January 31, 2011, Debtor filed a Disclosure Statement and proposed Plan of Reorganization with the United States Bankruptcy Court for the District of Oregon ("the Bankruptcy Court"). After a court hearing to consider objections to the original Disclosure Statement, an Amended

Page 1 – ~~DEBTOR'S SECOND~~ **THIRD AMENDED DISCLOSURE STATEMENT**

Disclosure Statement and Amended Plan of Reorganization were filed on April 28, 2011. Due to a settlement with RA Global LLC ~~described below, the Debtor needed to amend the disclosure statement and plan again.~~ This Second Amended Disclosure Statement (the "Disclosure Statement") and Second Amended Plan (the "Plan") were ~~filed on August 2, 2011.~~ the Debtor filed a Second Amended Disclosure Statement and Second Amended Plan on August 2, 2011. At a confirmation hearing on October 4, 2011, the Court found that an injunction provision which enjoined creditors from collecting their claims against the Debtor's owner, Russ Dale, violated the Bankruptcy Code and Ninth Circuit law. The Court noted that other than the injunction "the Debtor has satisfied the legal requirements for confirmation under [11 U.S.C.] § 1129. Debtor has prepared this Third Amended Disclosure Statement ("Disclosure Statement") and Third Amended Plan of Reorganization ("Plan") which has removed the injunction provision that the Court found to violate the Code. A copy of the Plan is attached hereto as Exhibit 1.

This Disclosure Statement is being provided to you by Debtor to enable you to make an informed judgment about the Plan. This Disclosure Statement has been prepared to disclose information that in Debtor's opinion is material, important and helpful to evaluate the Plan. Among other things, this Disclosure Statement describes the manner in which Claims and Interests will be treated. This Disclosure Statement summarizes the Plan, explains how the Plan will be implemented, outlines the risks of and alternatives to the Plan, and outlines the procedures involved in confirmation of the Plan. The description of the Plan contained in this Disclosure Statement is

intended as a summary only and is qualified in its entirety by reference to the Plan itself. If any inconsistency exists between the Plan and this Disclosure Statement, the terms of the Plan are controlling. You are urged to review the Plan and, if applicable, consult with your own counsel about the Plan and its impact on your legal rights before voting on the Plan.

Capitalized terms used but not defined in this Disclosure Statement shall have the meanings assigned to such terms in the Plan or the Bankruptcy Code. Factual information contained in this Disclosure Statement is the representation of Debtor only and not of its attorneys or accountants. The information has been obtained from the books and records of Debtor as well as other sources deemed reliable. Debtor has prepared the information contained herein in good faith, based on information available to Debtor. The information herein concerning the Plan has not been subject to a verified audit. No representation concerning Debtor or the Plan is authorized by Debtor other than as set forth in this Disclosure Statement.

The statements contained in this Disclosure Statement are made as of the date hereof, unless another time is specified herein, and the delivery of this Disclosure Statement shall not imply that there has been no change in the facts set forth herein since the date of this Disclosure Statement and the date the material relied on in preparation of this Disclosure Statement was compiled.

This Disclosure Statement may not be relied on for any purpose other than to determine how to vote on the Plan. Nothing contained herein shall constitute an admission of any fact or liability by any party, or be admissible in any proceeding

involving Debtor or any other party, or be deemed advice on the tax or other legal effects of the Plan on the holders of Claims or Interests.

This Disclosure Statement has been approved by Order of the Bankruptcy Court as containing information of a kind and in sufficient detail to enable a hypothetical reasonable investor typical of holders of Claims or Interests of relevant classes to make an informed judgment concerning the Plan. The Bankruptcy Court's approval of this Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan to commence on \_\_\_\_\_, ~~2011~~2012 at \_\_\_\_\_ Pacific Time. That hearing will be held at the United States Bankruptcy Court for the District of Oregon, 405 E. 8<sup>th</sup> Ave., Eugene, Oregon, before the Honorable Frank R. Alley. The hearing on confirmation may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the hearing on any adjournment thereof.

A ballot has been enclosed with this Disclosure Statement for use in voting on the Plan. In order to be tabulated for purposes of determining whether the Plan has been accepted or rejected, ballots must be received at the address indicated on the ballot no later than 4:00 p.m. on \_\_\_\_\_, ~~2011~~2012.

Debtor believes that confirmation of the Plan is in the best interests of the holders of Claims and urges you to accept the Plan.

B. SUMMARY OF THE PLAN

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

Under the Plan all creditors will be paid in full. The current owner will continue to manage the operations of the Debtor, and use the balance remaining when a large note is paid, excess revenue, and proceeds from another note to pay unsecured creditors in full. Creditors holding secured claims will retain their security, although the interest rate, maturity and payments may be modified, and those creditors will be paid either monthly or when the note due to Debtor is paid. The holders of Administrative Expense Claims will be paid in cash on the Effective Date, or on such terms as agreed to by the Debtor and the holder of the Administrative Expense Claims.

All unexpired leases of Debtor's tenants and other executory contracts will be assumed by Debtor as of the Effective Date of the Plan.

2. VOTING PROCEDURES AND CONFIRMATION OF PLAN

A. BALLOTS AND VOTING DEADLINE

A ballot to be used for voting to accept or reject the Plan is enclosed with each copy of this Disclosure Statement mailed to all Creditors. After carefully reviewing this Disclosure Statement and its exhibits, including the Plan, please indicate your

acceptance or rejection of the Plan by voting in favor or against the Plan on the enclosed ballot as directed below.

The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received no later than 4:00 p.m. Pacific time, on \_\_\_\_\_, ~~2011~~2012 by Debtor at the following address:

McEwen Gisvold LLP  
Attention: James Ray Streinz  
1600 Standard Plaza  
1100 SW Sixth Avenue  
Portland, OR 97204

or via facsimile transmission to James Ray Streinz at (503) 243-2687.

Holders of each Claim that was scheduled by Debtor or with respect to which a Proof of Claim has been filed will receive ballots and are permitted to vote based on the amount of the Proof of Claim, except as discussed below. If no Proof of Claim has been filed, then the vote will be based on the amount scheduled by Debtor in its Schedules. The Bankruptcy Code provides that such votes will be counted unless the Claim has been disputed, disallowed, disqualified or suspended prior to computation of the vote on the Plan. A Claim to which an objection has been filed is not allowed to vote unless and until the Bankruptcy Court rules on the objection or the objection is settled. The Bankruptcy Code provides that the Bankruptcy Court may, if requested to do so by the holder of such Claim, estimate or temporarily allow a disputed Claim for the purposes of voting on the Plan.

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

McEwen Gisvold LLP  
Attention: Sondra Healey  
1600 Standard Plaza  
1600 SW Sixth Avenue  
Portland, OR 97204  
Telephone number: (503) 412-3532

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

**B. PARTIES ENTITLED TO VOTE**

Pursuant to Section 1126 of the Bankruptcy Code, each Class of impaired Claims or Interests that is not deemed to reject the Plan is entitled to vote to accept or reject the Plan. Any holder of an Allowed Claim that is in an impaired Class under the Plan, and whose Class is not deemed to reject the Plan, is entitled to vote. A Class is "impaired" unless the legal, equitable and contractual rights of the holders of Claims in that Class are left unaltered by the Plan or if the Plan reinstates the Claims held by members of such Class by (1) curing any defaults, (2) reinstating the maturity of such

Claim, (3) compensating the holder of such Claim for damages that result from the reasonable reliance on any contractual provision of law that allows acceleration of such Claim, and (4) otherwise leaving unaltered any legal, equitable or contractual right of which the Claim entitles the holder of such Claim. Because of their favorable treatment, Classes that are not impaired are conclusively presumed to accept the Plan. Accordingly, it is not necessary to solicit votes from the holders of Claims in Classes that are not impaired.

Classes of Claims or Interests that will not receive or retain any money or property under a Plan on account of such Claims or Interests are deemed, as a matter of law under Section 1126(g) of the Bankruptcy Code, to have rejected the Plan and are likewise not entitled to vote on the Plan. There are no such Classes of Claims in Debtor's Plan and therefore no Classes of Claims are deemed to have rejected Debtor's Plan.

Under Debtor's Plan, Class 2 is not impaired and therefore is deemed to have accepted the Plan. Classes 1 and 3 through 11 are impaired under the Plan and persons holding Claims in Classes 1 and 3 through 11 are entitled to vote to accept or reject the Plan.

#### C. VOTES REQUIRED FOR CLASS ACCEPTANCE OF THE PLAN

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



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

D. "CRAM DOWN" OF THE PLAN

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

E. CONFIRMATION HEARING

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan to commence on \_\_\_\_\_, ~~2011~~2012, at \_\_\_\_\_ m. Pacific time.

The Confirmation Hearing will be held at the United States Bankruptcy Court for the District of Oregon, 405 E. 8<sup>th</sup> Ave., Eugene, Oregon, before the Honorable Frank R. Alley, United States Bankruptcy Judge. At the hearing, the Bankruptcy Court will

consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interest of the Creditors of Debtor. Prior to the hearing, Debtor will submit a report to the Bankruptcy Court concerning the votes for acceptance or rejection of the Plan by the persons entitled to vote thereon.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan. Any objections to confirmation of the Plan must be made in writing and filed with the Bankruptcy Court and received by counsel for Debtor no later than \_\_\_\_\_, ~~2011~~2012. Unless an objection to confirmation is timely filed and received, it will not be considered by the Bankruptcy Court.

### **3. GENERAL INFORMATION ABOUT THE DEBTOR**

#### **A. HISTORY OF THE DEBTOR**

In 2001, Russ Dale formed the Debtor and registered it with the State of Oregon. Prior to that time, Mr. Dale had worked as a hospital administrator (he has a Masters Degree in Hospital Administration), accountant, tax preparer and stock broker. During that time Mr. Dale had purchased homes and small apartments, fixed them up, rented and then sold them. In the late 1980's he quit his job and traded his remaining residential properties to acquire commercial buildings.

In 1994 Mr. Dale formed a partnership with Michael Yondorf to purchase the "Furnace Building". The partners thereafter purchased the "8<sup>th</sup> Street Building", which was rehabbed. The 8<sup>th</sup> Street Building was paid off, and a new loan

on the building was used to purchase a property known as “Farrell’s Glass”. The Furnace Building and Farrell’s Glass have been sold on contract. In 2007 the partners formed a limited liability company known as Yondorf and Dale, LLC. The Debtor is a minority member, and receives its share of the contract proceeds each month.

The Debtor was initially formed to buy bare land, go through the planning process and obtain approvals and build small subdivisions. Redco built several profitable subdivisions before it began to get involved in bigger deals, necessitating more borrowing and taking on other partners.

In 2002 Debtor located a 90 acre parcel in Medford that would be the perfect site for a regional shopping center. However, the Debtor needed more capital to acquire the property and go through the planning and approval process. Guy Farthing and Steve Morgan had been partners in previous transactions, and together with the Debtor formed Northgate LLC. It took several years to get the shopping center through the process and deal with Oregon Department of Transportation on highway access. During that time Mr. Dale had a falling out with Mr. Morgan over “accounting irregularities” by Mr. Morgan in another project. (That dispute continues, see below.)

Once the Northgate project was approved it was worth approximately \$20 million. Since the Debtor could no longer trust or work with Mr. Morgan, Debtor agreed to sell its 25% interest in Northgate to Mr. Morgan and Mr. Farthing for \$5,000,000. Mr. Farthing financed the down-payment to Debtor of \$1 million, and Mr. Morgan and Mr. Farthing, and their various entities signed or guaranteed a \$4 million note (the “Northgate Note”) payable to Debtor, and due June 15, 2012.

Although the Northgate Note originally provided for monthly payments of partial interest, it was later amended to let all the interest accrue until maturity. In exchange, the floating interest rate was fixed at 6.5%.

The “Miller Building” in downtown Medford was purchased from Blue Cross in 2005. The Miller Building is a three story office building with one retail store (a drugstore) on the main floor, and approximately 21,000 square feet of office space. The Miller Building was purchased for \$1,000,000. At the time of purchase the Miller Building needed renovation, and Mr. Dale was able to borrow the balance due on the purchase and enough funds for renovation from Sterling Savings. The renovation was completed in 2007. The Miller Building is almost fully rented, and generating income in excess of its expenses and payment on the secured debt.

#### B. DEBTOR’S FINANCIAL DIFFICULTIES

The Debtor’s financial difficulties are related to four projects that overlap in timing, but all of which were victims of the housing market crash and credit tightening which began in 2008.

Debtor learned about an extraordinarily well located 10 acre parcel in Talent and heard that Reginald Breeze had tried to get it through the planning approval process, but failed. Debtor made Mr. Breeze a proposal: Debtor would put up the money and take it through the planning approval process. If Debtor won the approvals, Mr. Breeze would sell Debtor a one-half interest at the bare land price of \$1,000,000 and reimburse Debtor for one-half of its costs. If Debtor was not able to obtain the necessary approvals, Mr. Breeze had no obligation to Debtor. Evan Archerd & Hal

Dresner, through their limited liability company, Archerd & Dresner, LLC (“Archerd & Dresner”) who had worked with Debtor before, wanted to join Debtor in its proposal, and agreed to pay half of the planning approval process and half of the amount paid by Debtor for the bare land in exchange for a 25% interest in the overall project. Debtor was successful in getting the approvals for what became known as the “Clearview Project”<sup>1</sup>: a strip shopping center facing the main transportation route, entry level residential on the peripheral, mid-range homes on the street fronts and some upper scale homes around a park center and the predominate corners. With the approvals, the land was appraised at a substantially higher value and the partners borrowed funds from South Valley Bank for the infrastructure and the first commercial building.

The Clearview Project looked like it was going to be very profitable, so the partners in the project negotiated the purchase of the adjoining Good-Nite Inn, on an owner carry contract, for expansion. When it came time to close, Mr. Breeze changed the deal to eliminate the contract, so it was all cash for the purchase. Archerd & Dresner backed out with one week’s notice, and Debtor had to come up with \$500,000. The timing could not have been worse. The market collapsed, the partners could not get construction loans for the homes and buyers could not get take out loans. Archerd

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<sup>1</sup> The Clearview Project is divided into three limited liability companies – Clearview Commercial Long Term Holding, LLC, Clearview Residential Long Term Holding, LLC, and Clearview Residential Development, LLC (collectively the “Clearview LLCs”). The initial ownership of each was the same: RA Global, LLC (Mr. Breeze’s company) owned 50%, Archerd & Dresner, LLC, owned 25% and Debtor owned 25%

& Dresner could not make its capital calls, and Mr. Breeze, who paid the shortfall, became extremely difficult to work with. Trust between the partners evaporated, and the working relationship became untenable. Debtor, also unable to make its capital calls, sent Mr. Breeze a letter tendering its interests in the Clearview LLCs in exchange for a release of liability on the unpaid capital calls and release of Debtor and Mr. Dale on their guarantees of the Bank loans.

Meanwhile Redco formed Bud's Dairy, LLC to build a subdivision, known as "Bud's Dairy", on the site of a former cow pasture and dairy. Unfortunately, it was completed shortly before the lending crisis began, making it difficult to sell homes and home sites. Prices were reduced, and eventually all but one site and one home were left. The remaining property was worth less than the remaining debt owed to PremierWest Bank ("PremierWest") from the initial purchase and development. That property was included in the settlement with PremierWest, discussed below.

Debtor also was working on a four acre mixed use project known as "Falcon Heights" through Falcon Heights Building, LLC. PremierWest funded the infrastructure and the first building, but, when the Bank started having problems with the regulators, backed out of providing funding for the balance of the project and called the loan. Although Debtor had a deal pending for a complete build out and sale, it was unable to obtain alternate financing. The one building that was completed had condominiums and ground floor commercial space. All but one condominiums unit and the commercial space was sold. The one remaining unit, the ground floor

commercial space and the surrounding bare land were also included in the settlement with PremierWest.

Simultaneously, Debtor bought the Copeland lumber yard in downtown Ashland and an adjoining old office building. This became the “Northlight Project”, and the property was placed in an LLC called Northlight Community Builders, LLC. Although it was a meticulously well planned project that would prevent urban sprawl and fulfill all of the objectives of Ashland’s long term Municipal Vision Plans, obtaining the planning approvals happened to coincide with a major turnabout of the City Council. A number of experienced planning and other department heads, who had worked with the Debtor on previous projects, were asked to resign or retire. The Northlight Project turned into a political flash point, and the Debtor spent five years in a planning gauntlet. PremierWest provided some of the initial purchase funds and the infrastructure loan. By the time planning approval had been obtained, and sales and leases were lined up, PremierWest was having its difficulties, backed away from making further loans needed for the development, and called the existing loan.

Initially when the Northlight Project was promising, Archerd & Dresner wanted in on the deal and traded Debtor a half interest in their “Barclay Square Project” for an equal amount in Northlight. Barclay was a mixed use project in Ashland, consisting of a commercial building and eight buildings with four condominium units each (the condominiums are called the “McCall Condominiums”). Debtor initially became a guarantor for the loans on Barclay. Subsequently, it became necessary to obtain separate loans on each of the condominium units. To obtain the

loans as residential loans, Mr. Dale was placed in title to half of the condominium units and he obtained separate loans for each unit. Mr. Archerd and Mr. Dresner took title and obtained loans on the other half of the units. Subsequently, Mr. Dale, with the knowledge of the banks providing financing, transferred title to the condominium units to Debtor. The commercial building has remained in Barclay Square LLC. Eight of the Debtor's condominium units have never sold, and are being rented out.

Debtor and Mr. Dale had guaranteed the loans from PremierWest on Bud's Dairy, Falcon Heights and Northlight. By 2009 all the loans were in default. In January 2010, PremierWest filed a suit for judicial foreclosure of Northlight and for a deficiency judgment against the guarantors. The total owing was over \$4 million. Two months later, PremierWest filed another lawsuit for judicial foreclosure of Bud's Dairy and Falcon Heights and for a deficiency judgment against the guarantors. The total owing on these loans was approximately \$4 million.

After considering its options, the Debtor negotiated a global settlement with PremierWest Bank which closed on August 3, 2010, prior to the filing of the bankruptcy petition, to give the bank a deed in lieu of foreclosure on the remaining real property in the Bud's Dairy and Falcon Heights projects and the Northlight property. Debtor also turned over to the bank its plans on Northlight, and assigned its planning approvals. In exchange, PremierWest agreed to credit each loan for the appraised value of the property ("as-is"), and accept a note from the Debtor and Mr. Dale for the agreed deficiency of \$3,247,958. The Note carried interest at 3%, was secured by Redco's interest in the promissory note on Northgate, and payable 10 days after the



Debtor receives payment of the Northgate Note or five years, which comes first. At the same time the Debtor also settled a smaller obligation to the bank resulting from a shortfall on one of the condominium sales from Falcon Heights. Debtor and Mr. Dale executed a note for \$18,513 to pay this obligation, on the same terms and with the same security as the larger deficiency note.

Archerd & Dresner refused to go along with the settlement with PremierWest, and the Northlight Project, the largest debt, could not be included without their consent. To reach the settlement with PremierWest, Debtor had to give up its interest in the valuable Barclay commercial building to reacquire Archerd & Dresner's 50% interest in Northlight. As part of the same transaction, Archerd & Dresner agreed to pay Mr. Dale \$376,937.78 to repay loans to Archerd & Dresner Mr. Dale had paid off. That obligation, evidenced by a Note (the "Archerd & Dresner Note") is payable in five years, with monthly interest-only payments in the interim, secured by Archerd & Dresner's condominiums.

The bankruptcy petition was filed to prevent a scheduled foreclosure sale of Debtor's interest in the Northgate note. To secure a loan for \$750,000, Debtor assigned its interest in the Northgate Note to PremierWest. The loan went into default. A limited liability company named Virann Investments, LLC ("Virann"), which appears to be owned by the wives of Mr. Farthing and Mr. Morgan (the key guarantors of the Northgate Note), purchased the loan from the Bank and took an assignment of the Bank's security interest in the Note. Virann scheduled a UCC foreclosure sale of

the Northgate Note for August 4, 2010. Debtor was unable to pay the sum of \$797,470.22 owing on the loan, and filed this case to stay the foreclosure.

C. THE CHAPTER 11 CASE

The Chapter 11 petition was filed late in the day on August 3, 2010, after the PremierWest settlement was completed. Debtor immediately sought approval to retain McEwen Gisvold LLP as its counsel. Debtor negotiated with Sterling Savings a right to use rents generated by the Miller Building, which are “cash collateral” of the secured creditor, to pay its expenses.

Although the Miller Building generates excess income, the Barclary condominiums are a different story. Even when full, the rents are insufficient to pay the expenses and the secured debt. During the course of the case, four tenants have moved out, further reducing the income. All of those units have now been rented, and the condominiums are full. However, the loss of rent revenue caused the Debtor to operate at a loss since the filing.

To cover the shortfall on operating income, Mr. Dale has contributed \$34,000 to the Debtor. Additionally, Mr. Dale has had the monthly interest only payments from Archerd & Dresner on its note paid to the Debtor. These contributions from Mr. Dale have been treated as additional capital contributions rather than loans, and only will be repaid once all other creditors are paid.

After the filing of the petition, Mr. Breeze held a meeting of the Clearview LLCs and voted to refuse to accept the tender of the Debtor’s interests. RA Global filed a claim in the Bankruptcy Case against Debtor for \$376,547.45 for contributions paid by RA Global prior to the bankruptcy filing. In addition, RA Global made additional capital contributions since the filing of the Bankruptcy Case in the sum of

\$131,870.82 which RA Global asserted was recoverable from Debtor as an administrative claim. Although Debtor objected to both claims, if it was found liable for the prepetition claims it would make it difficult to pay its debt to unsecured creditors. Even worse, if the Debtor were liable for continuing obligations post-petition, it would not be able to pay the administrative claim created by capital contributions since filing, which would mean the Debtor could not confirm a plan.

Rather than risk confirmation on the Bankruptcy Court's decision on RA Global's claim, the Debtor, with Bankruptcy Court approval, settled on terms that were beneficial to both it and RA Global. Debtor transferred its interests in the Clearview Project, and well as its one-half interest in the Good-Nite Inn to RA Global in exchange for a satisfaction of all of RA Global's claims and a payment of \$165,000. Debtor also received a release of its guaranty of the obligation to South Valley Bank. With the payment, Debtor was able to pay for tenant improvements for a new tenant who has filled most of the Miller Building.

#### **4. ASSETS AND LIABILITIES**

##### **A. ASSETS**

Debtor owns both real property and personal property interests worth almost \$10 million. There are two “pieces” of real property, the Northgate Note, interests in five limited liability companies, and a claim against Steve Morgan. The Debtor has also been assigned the Archerd & Dresner Note.

The key piece of real property is the Miller Building in downtown Medford. There is no recent appraisal of the building. Mr. Dale, who has extensive

experience in real estate in the Medford-Ashland area, and based upon its net income, estimates that the current fair market value of the Miller Building is \$2,300,000. The other “piece” of real property are the eight McCall condominium units. Based upon CMA reports done in August 2010, Debtor estimates the condominium units to have a value of \$1,139,580.

Debtor’s most valuable asset is the Northgate Note. On the Petition Date the Debtor calculated that \$4,607,199.56 was owing on the Northgate Note. Since that date it has continued to accrue interest at the rate of 6.5% per annum. Mr. Dale has assigned to the Debtor the Archerd & Dresner Note for \$376,937.78. Interest only payments are being made, and the principal is due in August 2015.

The Debtor owns a 43% interest in Yonfor & Dale, LLC, which is worth approximately \$600,000. However, there are provisions in the operating agreements for the LLC that would make purchase of that interest by a third party unattractive.

As discussed above, there were certain accounting irregularities in connection with another subdivision project with Mr. Morgan. The project was owned by a limited liability company named NOMOCO, LLC. In addition to Debtor and Mr. Morgan’s company, Morgan Pacific, LLC, Archerd & Dresner were also members. Debtor believes that Morgan Pacific received approximately \$225,000 more than it should have received.

On the Northlight project, Ron Munroe’s did excavating work. He obtained guarantees from the members. After Northlight collapsed, the Debtor and

Archerd & Dresner agreed between themselves to each pay half of the debt to Mr. Munroe, approximately \$90,000 each. (Mr. Munroe was not part of this agreement.) Debtor paid its share, but Archerd & Dresner could not pay. Debtor and Archerd & Dresner agreed that Archerd & Dresner would pursue collection of the overpayment to Mr. Morgan on NOMOCO. The recovery would be used to pay Archerd & Dresner's share of the debt to Mr. Munroe, with the balance to be split by Debtor and Archerd & Dresner. Unfortunately, Archerd & Dresner have failed to follow through on pursuing this. Debtor will take action to get Archerd & Dresner to pursue the action, or will take over the litigation. Since Debtor is indebted to Mr. Munroe for the other half, and the claim against Mr. Morgan is over \$200,000, the litigation will benefit Debtor and its creditors.

In addition to the real property, notes and business interests, the Debtor has minimal amounts of cash, security deposits and accounts receivable for unpaid rent.

## B. LIABILITIES

### 1. Secured Claims

The Miller Building is encumbered by two loans from Sterling Savings Bank ("Sterling"), each secured by a trust deed. Sterling has filed a claim for \$1,754,159.59. Sterling has been paid monthly during the course of the case, so the principal balance is slightly less.

The McCall Condominiums are encumbered by two loans, although one loan is only on four of the units. Umpqua Bank holds trust deeds on each of the

individual units. The debt as of filing was \$970,048.98. Umpqua has not filed a claim, so that debt will be assumed to be correct. It has been receiving payments post-petition, so the principal balance should be smaller. Bank of the Cascades holds a trust deed on four of the units. It has filed a claim for \$256,107.17. US Bank made a loan to Mr. Dale for the Debtor of \$250,000. That was to be secured by the other four McCall condominium units, but the required documents to secure that obligation were never filed. Therefore, US Bank has an unsecured claim.

There are two claims secured by the Northgate Note. One is a claim by Premier West Bank in the amount at filing of \$3,266,471, which is accruing interest at 3% per annum. The other is Virann in the amount of \$797,470.22.

Grant Alexander was originally listed as a disputed secured creditor based upon his construction lien filed against the Miller Office Building in the amount of \$101,130.02. However, his construction lien is fatally flawed since he listed the owner of the building as Mr. Dale rather than the Debtor. Mr. Alexander has failed to file a proof of claim. The Debtor will move to disallow the claim.

## 2. Unsecured Claims

The proof of claim deadline was December 6, 2010. Only four unsecured claims were filed. Debtor has not audited those proofs of claim that were filed. The total amount of those claims and the non-contingent, liquidated and undisputed claims in the schedules is \$199,792.10. Although US Bank's claim was originally listed as "contingent" and "unliquidated", and US Bank did not file a claim, Debtor will amend the schedules and will be paying its unsecured loan of \$250,000.

R.A. Global, LLC, which is the holder of Mr. Breeze's interests in the Clearview LLCs, filed a claim for \$376,547.45. As discussed above, RA Global has withdrawn its claim as part of the settlement between RA Global and Debtor.

3. Administrative Expense Claims and Priority Claims

Administrative Expense Claims will consist of the Claims of Debtor's professionals, its bankruptcy counsel, McEwen Gisvold LLP. The amount of Administrative Expense Claims cannot be estimated with certainty at this point. However, Debtor estimates that McEwen Gisvold's fees and costs from the beginning of the Bankruptcy Case through the estimated confirmation date of September 20, 2011 will be approximately \$110,000.

A "Priority Tax Claim" is a Claim of a governmental unit of the kind entitled to priority under Section 507(a)(8) of the Bankruptcy Code or that would otherwise be entitled to priority but for the Secured status of the Claim. The IRS has filed a claim for \$6,044.84, and the State of Oregon has not filed a claim, but Debtor estimates that it owes payroll taxes of \$1,757.51 to the State.

Although it has not yet been incurred, there will be a substantial tax bill when the Northgate Note is paid. Although Debtor has some tax attributes that can be used to reduce the bill, at least \$662,500 will need to be paid.

4. Executory Contracts

The Plan provides that all leases of tenants in the Miller Building and the McCall Condominiums will be assumed. Debtor does not believe that it is a party to any other leases or executory contracts.



**5. DESCRIPTION OF PLAN OF REORGANIZATION**

**A. UNCLASSIFIED CLAIMS**

Administrative Expense Claims are not classified. An Administrative Expense Claim is a Claim against Debtor constituting an expense of administration of the Bankruptcy Case allowed under Section 503(b) of the Bankruptcy Code including, without limitation, the actual and necessary costs and expenses of preserving the estate and operating Debtor's businesses during the Case; Claims for the value of goods received by Debtor within 20 days before the Petition Date sold in the ordinary course of business; any indebtedness or obligations incurred by Debtor during the pendency of the Case in connection with the provision of goods or services to Debtor; compensation for legal and other professional services and reimbursement of expenses; and statutory fees payable to the United States Trustee.

Pursuant to the Plan, Administrative Expense Claims will be paid in full on the later of the Effective Date or the date on which any such Administrative Expense Claim becomes an Allowed Claim, unless otherwise agreed by the holder of the administrative expense claim. However, the Administrative Expense Claims representing liabilities incurred in the ordinary course of business (including amounts owed to vendors and suppliers that have sold goods or furnished services to Debtor after the Petition Date) will be paid in accordance with the terms and conditions of the particular transactions and any other agreements relating thereto.

McEwen Gisvold LLP has agreed to be paid when the Northgate Note is paid to Debtor. McEwen Gisvold's fees will have to be approved by the Bankruptcy Court

after notice and hearing.

B. CLASSIFIED CLAIMS

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

1. Class 1 (Priority Tax Claims and Other Priority Claims).

Class 1 is impaired. Each holder of an Allowed Class 1 Claim will be paid in full the amount of its Allowed Class 1 Claim, including all interest, costs, fees and charges provided for under any agreement under which such Claim arose or is otherwise allowed by law, in four equal annual installments beginning on the first yearly anniversary of the Effective Date. If, after payment of Class 2, Class 4, administrative claims, and the tax reserve of \$662,500 from the proceeds of the Northgate Note, there are any proceeds left, any unpaid balance owing to the Class 1 claims will be paid in full.

2. Class 2 (PremierWest). Class 2 is unimpaired. The secured claim of PremierWest will be paid in full the amount of its Allowed Class 2 Claim, including all interest, costs, fees and charges provided for under any agreement under which such Claim arose or is otherwise allowed by law, as provided in the notes executed by the Debtor.

3. Class 3 (Sterling). Class 3 is impaired. Sterling will retain its security for its loans. Sterling's Allowed Claim (the combined amount for both loans) shall be amortized over 30 years at the rate of 4.5% per annum, for a monthly payment

estimated to be \$7,375, with the new monthly payment to be due on the 15th of each month beginning with the next calendar month after the Effective Date.

4. Class 4 (Virann). Class 4 is impaired. Virann will retain its security in the Northgate Note, and, when the Note is paid, to those proceeds. Virann's Allowed Claim shall accrue interest at 3.00% per annum from the Petition Date, and be paid in full within 10 days after Debtor receives payment on the Northgate Note.

5. Class 5 (Umpqua Bank) Class 5 is impaired. Umpqua will retain its security for its loans. Umpqua's Allowed Claim consists of eight loans. Each of the loans shall be amortized over 30 years at the rate of 4.5% per annum, for a monthly payment (including a tax impound) estimated to be \$5275 beginning with the next monthly payment due after the Effective Date. The current payment is \$7296.

6. Class 6 (Bank of the Cascades) Class 6 is impaired. Bank of the Cascades will retain its security for its loan. Bank of Cascades' Allowed Claim shall be amortized over 30 years at the rate of 4.5% per annum, for a monthly payment estimated to be \$1080 beginning with the next monthly payment due after the Effective Date. The current payment is scheduled to be \$1870 (Bank of the Cascades is currently refusing to accept payments).

7. Class 7 (Grant Alexander) Class 7 is impaired. Debtor does not believe that Grant Alexander has a valid secured claim. However, any Allowed Claim of Grant Alexander that is deemed secured shall be amortized over 10 years at 3.00% per annum and paid in 10 annual installments beginning on the first yearly anniversary of the Effective Date.

8. Class 8 (Clearview LLCs and R.A. Global) Class 8 is impaired.

Any Allowed Claim of the Clearview LLCs or R.A. Global will be fully satisfied by a transfer of the Debtor's interest in the Clearview LLCs to the LLCs or R.A. Global.

8. Class 8 (Small Unsecured Creditors). Class 8 is impaired.

Unsecured creditors with Allowed Claims under \$1500 (and those who elect to reduce their claim to \$1500) will be paid in full in cash 60 days after the Effective Date. No interest shall accrue on these claims.

9. Class 9 (Unsecured Creditors). Class 9 is impaired. Unsecured

creditors with Allowed Claims over \$1500 will be paid in full within 30 days of the fifth anniversary of the Effective Date (approximately October 1, 2016). The Allowed Class 9 Claims will accrue interest at prevailing "federal interest rate" on the day the bankruptcy petition was filed, which was 0.4%. Interest will accrue from the Effective Date until the date payment is sent out.

The unsecured creditors will be paid the remaining funds from the Northgate Note after the payments owing to PremierWest, Virann, priority taxes, McEwen Gisvold LLP, and a tax reserve of \$662,500 to pay taxes owing due to the receipt of the Northgate Note funds.<sup>2</sup> It appears that the funds from the Northgate Note will not be sufficient to pay unsecured creditors in full, so the Allowed Class 9 Claims shall receive partial payment on a pro rata basis. The balance owed on the

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<sup>2</sup> The "tax reserve" is based upon calculations by Mr. Dale's tax advisor. If the actual taxes due from the Northgate Mall receipts are larger, the Debtor will seek a modification of the Plan to allow it to pay the taxes in full.

Allowed Class 9 Claims shall be paid in full within 30 days after the fifth annual anniversary of the Effective Date.

11. Class 10 (Interests). Class 10 is impaired. The member of the Debtor will retain his Interest in Debtor as existed on the Petition Date, but will not be entitled to any distributions unless and until payment in full has been made on all other Allowed Claims.

C. IMPLEMENTATION OF THE PLAN

Debtor shall continue to own and operate the Miller Building and McCall Condominiums to generate the maximum revenue possible from those properties while maintaining the condition of the buildings. Those banks holding claims secured by the buildings will be paid from that revenue. The reduction in the interest paid to each bank will result in the Debtor generating some net revenue. That net revenue will be retained for other payments required by the plan. A cash flow forecast showing revenue and expenses related to operations is attached hereto as Exhibit 2.

With the reduction in monthly payments and greater revenue from the new tenants in the McCall Condominiums, the Debtor should be generating net revenue and will need no further cash contributions from Mr. Dale. However, Mr. Dale has demonstrated his ability to make contributions to the Debtor during the course of this case. If funds are needed, Mr. Dale will contribute funds from the Plaza Building, an apartment building in downtown Medford that through the first three months of 2011 has generated net revenue of \$31,176.14.

Debtor shall collect the Northgate Note when due, and pay the claims of Class

2 and Class 4, the administrative claim of its attorneys as approved by the Court (estimated to be \$110,000), and any balance owing on the Class 1 claims. Debtor will retain \$662,500 as a reserve to pay the state and federal taxes associated with the payoff of the Note. The remaining balance of the Northgate Note will be paid pro-rata on Class 9 claims. A pro forma Northgate Note Payoff breakdown is attached hereto as Exhibit 3.

Primarily because of the reputation and financial strength of Mr. Farthing, Debtor anticipates that the Northgate Note will be paid when due, and, if not, Debtor will be successful in legal action to collect the Note. The guarantors have significant real estate and other business holdings as shown on Exhibit 4. Also, work continues on building the Northgate Mall, and recently the City approved Amendments to the Conditions of Approval to the Northgate Map Amendment to allow "big box" stores to be built in Northgate Mall and allow the builder to "phase-in" the off-site traffic mitigation improvements required as part of the approval.

The balance remaining owing to the Class 9 creditors will be paid from the additional revenues generated from operations. A breakdown of the payment of Class 9 claims is attached hereto as Exhibit 5. However, if the additional revenues fall short, Debtor can use funds from the payoff of the Archerd & Dresner Note to make up the shortfall. Furthermore, any funds left after payment of taxes from the tax reserve created by the payment of the Northgate Note will be held and used to pay the Class 9 claims.

D. EFFECT OF CONFIRMATION

1. Binding Effect

The treatment of, and consideration received by, holders of Allowed Claims and Allowed Interests pursuant to the Plan will be in full satisfaction of their respective Claims against or Interests in Debtor. The Confirmation Order shall bind Debtor and any Creditor, whether or not: (a) a Proof of Claim based on such Creditor's debt or liability is Filed or deemed Filed under Section 501 of the Bankruptcy Code; (b) a Claim based on such debt or liability is Allowed; or (c) the holder of the Claim based on such debt or liability has accepted the Plan.

2. Injunction

Except as otherwise expressly provided in the Plan, all persons who have held, hold or may hold Claims, or who may have held, hold or may hold any Interest, are permanently enjoined from and after the Effective Date from (a) commencing or continuing in any manner any action or other proceedings of any kind with respect to any Claims or Interests against Reorganized Debtor; (b) enforcing, attaching, collecting or recovering by any manner or any means any judgment, award, decree or order against Reorganized Debtor; (c) creating, perfecting or enforcing any encumbrances of any kind against Reorganized Debtor with respect to any such Claim except as specifically set forth in the Plan; (d) asserting any setoff, right of subrogation or recoupment of any kind against any obligation due to Debtor, Reorganized Debtor, or its property; and (e) proceeding in any manner in any place whatsoever that does not conform to, does not comply with, or is inconsistent with the provisions of the Plan or

the Confirmation Order. Nothing contained herein shall be construed to give the Reorganized Debtor greater protection than provided by Sections 524 and 1141 of the Bankruptcy Code.

**3. — Injunction to Protect Guarantors**

~~The owner and member of the Debtor, Mr. Dale, has guaranteed or is directly liable for many of the obligations of the Debtor. Mr. Dale has contributed funds to keep Debtor operating, and may be required to do so again in the future. Mr. Dale is involved in all of the Debtor's operations, and the Debtor would not function effectively without his full attention to it. Therefore, to ensure that Mr. Dale can focus his efforts on the Debtor, the Plan provides that the holders of Claims against the Debtor or that are secured by property of the Debtor or that are receiving payment through the Plan, are temporarily enjoined from attempting to collect their Claims against Russ Dale. This injunction applies to Virann, Sterling, Umpqua Bank, Bank of the Cascades, Grant Alexander, and unsecured creditors Key Bank and US Bank. This injunction will be dissolved upon request of a Creditor when all Payments under the Plan to that Creditor have been completed, or there is a default of the Plan's treatment of that Creditor and the default has not been cured after 10 days notice.~~

43. Modification of the Plan; Revocation or Withdrawal of the Plan

Subject to Section 1127 of the Bankruptcy Code, Debtor reserves the right to alter, amend or modify the Plan before its substantial consummation so long as the treatment of holders of Claims and Interests under the Plan are not adversely



affected.

54. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order or the Effective Date having occurred, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of or relating to the Chapter 11 Case, including, but not limited to, the following matters: (a) to classify the Claim or Interest of any Creditor or Interest Holder, reexamine Claims or Interests which have been allowed for voting purposes, and determine any objections that may be Filed to Claims or Interests; (b) to determine requests for payment of Claims entitled to priority under Section 507(a)(2) of the Bankruptcy Code, including compensation and reimbursement of expenses in favor of professionals employed at the expense of the Estate; (c) to hear and determine actions to avoid transfers or recover preferences and all other Right of Action asserted by Debtor pending on the Effective Date or asserted after the Effective Date; (d) to approve the assumption, assignment or rejection of an executory contract or an unexpired lease and the allowance of Claims resulting therefrom; (e) to approve the sale or lease of property free and clear of all liens and encumbrances in accordance with 11 U.S.C. § 363 if so requested by Reorganized Debtor; (f) to resolve controversies and disputes regarding the interpretation of this Plan; (g) to implement the provisions of this Plan and enter orders in aid of execution of the Plan or to enforce the Confirmation Order; (h) to adjudicate adversary proceedings and contested matters pending or hereafter commenced in this Chapter 11 Case; (i) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any

reason stayed, revoked, modified or vacated; (j) to hear and determine any applications to modify the Plan, to cure any defect or omission, or to reconcile any inconsistency in the Plan or related documents or in any order of the Bankruptcy Court, including the Confirmation Order; (k) to ensure that distributions to holders of Allowed Claims are accomplished as provided herein; (l) to hear and determine any other matters related hereto and not inconsistent with Chapter 11 of the Bankruptcy Code; and (m) to enter a final decree closing this Chapter 11 Case.

Following the Effective Date, the Bankruptcy Court will retain non-exclusive jurisdiction of the Chapter 11 Case for the following purposes: (a) to recover all assets of Debtor and property of the estate, wherever located; (b) to hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with respect to Debtor or its estate arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Case, including, without limitation, matters concerning state, local and federal taxes in accordance with Section 346, 505 and 1146 of the Bankruptcy Code; and (c) to hear any other matter not inconsistent with the Bankruptcy Code.

65. United States Trustee Fees

The Reorganized Debtor shall be responsible for timely payment of fees incurred pursuant to 28 USC § 1930(a)(6) until the case is closed, converted or dismissed. After confirmation, the Reorganized Debtor shall serve on the United States Trustee a monthly financial report for each month, or portion thereof, that the case remains open. The monthly financial report shall include a statement of all

disbursements made during the course of the month, exclusive of payments required by the Plan.

## 6. LIQUIDATION ANALYSIS

A Plan cannot be confirmed unless the Bankruptcy Court finds that the Plan is in the "best interest of creditors" or holders of Claims against, and Interests in, the debtor subject to such plan. The best interest test is satisfied if the plan provides each dissenting or non-voting member of each impaired Class with a recovery not less than the recovery such member would receive if the debtor was liquidated in a hypothetical case under Chapter 7 of the Bankruptcy Code by a Chapter 7 Trustee. Debtor believes that the holders of impaired Claims will not receive less than they would receive under a Chapter 7 liquidation. In applying the "best interest" test, the Bankruptcy Court would ascertain the hypothetical recovery in a Chapter 7 proceeding to secured Creditors, priority claimants, general Unsecured Creditors and equity interest holders. The hypothetical Chapter 7 recoveries would then be compared with the distribution offered to each Class of Claims or Interests under the Plan to determine that the Plan satisfied the "best interest" test set forth in the Bankruptcy Code.

In this case, the Debtor's assets are not easily liquidated, so there is little prospect that a trustee in a Chapter 7 case could sell the assets for anything close to fair market value. The Miller Building has equity, but it would likely be lost in a liquidation sale. The McCall Condominiums are currently worth less than the debt they secure, and have not sold despite the Debtor's efforts. The Note would be discounted severely because of collectability issues, and would likely not be sold for

more than the debt secured by the note. The interests in the limited liability companies would be difficult to sell because of provisions in the operating agreements which require the approval of new members and restrict the holder of the interest, if not a member, to only required distributions. It is unlikely that there would be any buyers except for a small percentage of the fair market value of those interests. Under Section 326(a) of the Bankruptcy Code, a Chapter 7 trustee is entitled to compensation based on a percentage of all monies disbursed or turned over in the case to parties in interest, excluding the Debtor. For these reasons, among others, Debtor believes that conversion to a case under Chapter 7 would result in (i) sale of assets at far less than the fair market value of those assets, (ii) incremental, additional costs being borne by the estate above those the estate would incur under the Plan and (iii) only limited distributions being received by Unsecured Creditors. Debtor's liquidation analysis is attached hereto as Exhibit 6.

## 7. FEDERAL INCOME TAX CONSEQUENCES

### A. INTRODUCTION

A summary description of certain United States federal income tax consequences of the Plan follows. This description is for informational purposes only and, owing to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan discussed below with respect to any particular Creditor. This disclosure describes only the principal United States federal income tax consequences of the Plan to the Debtor and the holders of Claims. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the IRS or any other taxing authorities have been sought or obtained with respect to any tax consequences of the Plan, and the statements below are not binding on the IRS or other authorities. No representations are being made to the Debtor or any holder of a Claim or Interest regarding the particular tax consequences of the confirmation and consummation of the Plan. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein. Holders of Claims and Interests are strongly urged to consult their own tax adviser regarding the United States federal, state, local, and foreign tax consequences of the transactions described in this Disclosure Statement and in the Plan.

### B. INCOME TAX CONSEQUENCES TO DEBTOR

Under the Plan, the Debtor's outstanding indebtedness will be satisfied in exchange for Cash. The satisfaction of a debt obligation for an amount of Cash less

than the amount of "adjusted issue price" of the debt obligation generally gives rise to cancellation of indebtedness ("COD") income to the debtor. Debtor in this case plans to satisfy all debt obligations in full, and does not anticipate that it will incur any COD income.

The debtor does not, however, recognize COD income if the debt discharge occurs in a Title 11 bankruptcy case. Instead, the debtor reduces its tax attributes to the extent of its COD income in the following order: (a) net operating losses ("NOLs") and NOL carry forwards; (b) general business credit carry forwards; (c) minimum tax credit carry forwards; (d) capital loss carry forwards; (e) the tax basis of the Debtor's depreciable and non-depreciable assets (but not below the amount of its liabilities immediately after the discharge); and (f) foreign tax credit carry forwards. A debtor may elect to alter the preceding order of attribute reduction and, instead, first reduce the tax basis of its depreciable assets.

### C. FEDERAL INCOME TAX CONSEQUENCES TO CREDITORS

The following discusses certain United States federal income tax consequences of the transactions contemplated by the Plan to Creditors that are in the United States. The United States federal income tax consequences of the transactions contemplated by the Plan to Creditors (including the character, timing and amount of income, gain or loss recognized) will depend on, among other things, (1) whether the Claim and the consideration received in respect of it are "securities" for federal income tax purposes; (2) the manner in which a Creditor acquired a Claim; (3) the length of time the Claim has been held; (4) whether the Claim was acquired at a discount; (5) whether the

Creditor has taken a bad debt deduction with respect to the Claim (or any portion of it) in the current tax year or any prior tax year; (6) whether the Creditor has previously included in its taxable income accrued but unpaid interest with respect to the Claim; (7) the holder's method of tax accounting; and (8) whether the Claim is an installment obligation for federal income tax purposes. Creditors therefore should consult their own tax advisers regarding the particular tax consequences to them of the transactions contemplated by the Plan.

D. IMPORTANCE OF OBTAINING PROFESSIONAL TAX ASSISTANCE

The foregoing discussion is intended only as a summary of certain United States federal income tax consequences of the Plan and is not a substitute for careful tax planning with a tax professional. The above discussion is for informational purposes only and is not tax advice. The tax consequences are in many cases uncertain and may vary upon a Creditor's particular circumstances. Accordingly, Creditors are strongly urged to consult their tax advisers about the United States federal, state and local and applicable foreign income and other tax consequences of the Plan, including with respect to tax reporting and record keeping requirements. Debtor and Debtor's counsel express no opinion as to the tax consequences of the Plan or the effect thereof on any Claimant and this Disclosure Statement is not intended to be, and may not be, used or relied upon by any taxpayer for the purpose of avoiding penalties under the federal tax law.

*IRS Circular 230 Notice: To comply with U.S. Treasury regulations, be*

*advised that any U.S. federal tax advice included in this communication (and it is not intended that any such advice be given in this Disclosure Statement) is not intended or written to be used, and cannot be used, to avoid any U.S. federal tax penalties or to promote, market, or recommend to another party any transaction or matter.*

**8. ACCEPTANCE AND CONFIRMATION OF THE PLAN**

**A. CONFIRMATION HEARING**

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan on

\_\_\_\_\_, ~~2011~~2012 at \_\_\_\_\_ m. Pacific Time.

The hearing will be held at the United States Bankruptcy Court for the District of Oregon, 405 E. 8<sup>th</sup> Ave., Eugene, Oregon, before the Honorable Frank R. Alley, United States Bankruptcy Judge. At that hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interest of Creditors and Interest holders of Debtor. Debtor will submit a report to the Bankruptcy Court prior to the hearing concerning the votes for acceptance or rejection of the Plan by the parties entitled to vote thereon. Any objection to confirmation of the Plan must be timely filed as stated in Section II.E. above.

**B. REQUIREMENTS OF CONFIRMATION**

At the hearing on confirmation, the Bankruptcy Court will determine whether the provisions of Section 1129 of the Bankruptcy Code have been satisfied. If all of the provisions of Section 1129 are met, the Bankruptcy Court may enter an order confirming the Plan. Debtor believes the Plan satisfies all of the requirements of

Chapter 11 of the Bankruptcy Code, that it has complied or will have complied with all

Page 40 – ~~DEBTOR'S SECOND~~THIRD AMENDED DISCLOSURE STATEMENT



of the requirements of Chapter 11, and that the Plan has been proposed and is made in good faith.

C. CRAM DOWN

As discussed in section II.D above, a Court may confirm a Plan, even if it is not accepted by all impaired classes if the Plan has been accepted by at least one impaired class of claims and the Plan meets the cram down requirements set forth in Section 1129(b) of the Bankruptcy Code. In the event that any impaired Class of Claims does not accept the Plan, Debtor will request that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code or otherwise permit Debtor to modify the Plan.

D. RISKS FOLLOWING CONFIRMATION OF THE PLAN

Once the Plan is confirmed there are certain risks that the Plan may not be completed. The Court will assess these risks at the Confirmation Hearing as there is a requirement that the Court find that the Plan is feasible and that "[c]onfirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization" of the Debtor. Debtor believes that the risks are manageable and will not prevent it from completing the Plan as proposed.

There are certain inherent risks in any real estate leasing business. Debtor may be unable to keep the Miller Building and the McCall condominiums leased, or be unable to maintain current rent rates, causing revenue to decrease. Debtor's cash flow projections use current rents and expenses throughout the five year period. Although expenses will increase, the Debtor expects that rent increases will keep up with rise in

expenses. That may not be true, and expenses may increase faster than rents.

Although the buildings are insured, a natural disaster may destroy or severely damage the buildings and prevent completion of the Plan.

There are also specific risks in this Plan. Although Debtor believes that it will be able to collect the Northgate Note, the notemakers and guarantors may resist or be unable to pay the Note when due. Debtor will aggressively seek collection of the Note, and the Note provides for attorney fees. However, if it is necessary to take legal action to collect the Note, that will delay payment. The same concerns apply to the Archerd & Dresner Note. Although that Note is secured by eight condominium units, Archerd & Dresner may not be able to pay and the condominiums may not have sufficient value to pay the note.

E. ALTERNATIVES TO CONFIRMATION OF THE PLAN

If the Plan is not confirmed, Debtor's Chapter 11 Case may be converted to a liquidation proceeding under Chapter 7 of the Bankruptcy Code. In a Chapter 7 liquidation, a Trustee would be appointed or elected with the purpose of liquidating the assets of Debtor. Proceeds from a Chapter 7 liquidation would be distributed to Creditors and Interest holders of Debtor in accordance with the priorities set forth in the Bankruptcy Code. Generally, distributions would not be made until the end of a Chapter 7 case and there would not be any interim distributions. It could be years before any distributions are made to Creditors in a Chapter 7 case. Debtor believes the Plan will result in a higher and faster recovery to Creditors than would result from a Chapter 7 and urges all parties to vote to accept the Plan.

**9. CONCLUSION**

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

DATED this 2<sup>nd</sup> 9th day of ~~August, 2011~~ January 2012.

REDCO DEVELOPMENT CO., LLC

By: /s/Russ Dale  
Russ Dale, Managing Member

Submitted by:

McEWEN GISVOLD LLP

By /s/ James Ray Streinz  
James Ray Streinz, OSB No. 79410  
Attorneys for Debtor

**James Ray Streinz, OSB # 794107**

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Attorney for Debtor

**UNITED STATES BANKRUPTCY COURT**

**FOR THE DISTRICT OF OREGON**

**In re:**

**REDCO DEVELOPMENT CO.,**

**LLC**

Debtor.

Case No. 10-64783-fra11

**DEBTOR'S THIRD AMENDED  
CHAPTER 11 DISCLOSURE  
STATEMENT  
(Dated January 12, 2012)**

**1. INTRODUCTION AND SUMMARY**

**A. INTRODUCTION**

On August 3, 2010 (the "Petition Date"), Redco Development Co., LLC ("Debtor") filed a voluntary petition under Chapter 11 of Title 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). On January 31, 2011, Debtor filed a Disclosure Statement and proposed Plan of Reorganization with the United States Bankruptcy Court for the District of Oregon ("the Bankruptcy Court"). After a court hearing to consider objections to the original Disclosure Statement, an Amended

Page 1 – **DEBTOR'S THIRD AMENDED DISCLOSURE STATEMENT**

Disclosure Statement and Amended Plan of Reorganization were filed on April 28, 2011. Due to a settlement with RA Global LLC, the Debtor filed a Second Amended Disclosure Statement and Second Amended Plan on August 2, 2011. At a confirmation hearing on October 4, 2011, the Court found that an injunction provision which enjoined creditors from collecting their claims against the Debtor's owner, Russ Dale, violated the Bankruptcy Code and Ninth Circuit law. The Court noted that other than the injunction "the Debtor has satisfied the legal requirements for confirmation under [11 U.S.C.] § 1129. Debtor has prepared this Third Amended Disclosure Statement ("Disclosure Statement") and Third Amended Plan of Reorganization ("Plan") which has removed the injunction provision that the Court found to violate the Code. A copy of the Plan is attached hereto as Exhibit 1.

This Disclosure Statement is being provided to you by Debtor to enable you to make an informed judgment about the Plan. This Disclosure Statement has been prepared to disclose information that in Debtor's opinion is material, important and helpful to evaluate the Plan. Among other things, this Disclosure Statement describes the manner in which Claims and Interests will be treated. This Disclosure Statement summarizes the Plan, explains how the Plan will be implemented, outlines the risks of and alternatives to the Plan, and outlines the procedures involved in confirmation of the Plan. The description of the Plan contained in this Disclosure Statement is intended as a summary only and is qualified in its entirety by reference to the Plan itself. If any inconsistency exists between the Plan and this Disclosure Statement, the terms of the Plan are controlling. You are urged to review the Plan and, if applicable,

consult with your own counsel about the Plan and its impact on your legal rights before voting on the Plan.

Capitalized terms used but not defined in this Disclosure Statement shall have the meanings assigned to such terms in the Plan or the Bankruptcy Code. Factual information contained in this Disclosure Statement is the representation of Debtor only and not of its attorneys or accountants. The information has been obtained from the books and records of Debtor as well as other sources deemed reliable. Debtor has prepared the information contained herein in good faith, based on information available to Debtor. The information herein concerning the Plan has not been subject to a verified audit. No representation concerning Debtor or the Plan is authorized by Debtor other than as set forth in this Disclosure Statement.

The statements contained in this Disclosure Statement are made as of the date hereof, unless another time is specified herein, and the delivery of this Disclosure Statement shall not imply that there has been no change in the facts set forth herein since the date of this Disclosure Statement and the date the material relied on in preparation of this Disclosure Statement was compiled.

This Disclosure Statement may not be relied on for any purpose other than to determine how to vote on the Plan. Nothing contained herein shall constitute an admission of any fact or liability by any party, or be admissible in any proceeding involving Debtor or any other party, or be deemed advice on the tax or other legal effects of the Plan on the holders of Claims or Interests.

This Disclosure Statement has been approved by Order of the Bankruptcy Court as containing information of a kind and in sufficient detail to enable a hypothetical reasonable investor typical of holders of Claims or Interests of relevant classes to make an informed judgment concerning the Plan. The Bankruptcy Court's approval of this Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court either for or against the Plan.

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan to commence on \_\_\_\_\_, 2012 at \_\_\_\_\_ Pacific Time. That hearing will be held at the United States Bankruptcy Court for the District of Oregon, 405 E. 8<sup>th</sup> Ave., Eugene, Oregon, before the Honorable Frank R. Alley. The hearing on confirmation may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the hearing on any adjournment thereof.

A ballot has been enclosed with this Disclosure Statement for use in voting on the Plan. In order to be tabulated for purposes of determining whether the Plan has been accepted or rejected, ballots must be received at the address indicated on the ballot no later than 4:00 p.m. on \_\_\_\_\_, 2012.

Debtor believes that confirmation of the Plan is in the best interests of the holders of Claims and urges you to accept the Plan.

#### B. SUMMARY OF THE PLAN

A copy of the Plan is attached hereto as Exhibit 1 and discussed in detail later in this Disclosure Statement. The following description of the Plan is intended as a

summary only and is qualified in its entirety by reference to the Plan. Debtor urges each holder of a Claim to carefully review the Plan, together with this Disclosure Statement, before voting on the Plan.

Under the Plan all creditors will be paid in full. The current owner will continue to manage the operations of the Debtor, and use the balance remaining when a large note is paid, excess revenue, and proceeds from another note to pay unsecured creditors in full. Creditors holding secured claims will retain their security, although the interest rate, maturity and payments may be modified, and those creditors will be paid either monthly or when the note due to Debtor is paid. The holders of Administrative Expense Claims will be paid in cash on the Effective Date, or on such terms as agreed to by the Debtor and the holder of the Administrative Expense Claims.

All unexpired leases of Debtor's tenants and other executory contracts will be assumed by Debtor as of the Effective Date of the Plan.

## **2. VOTING PROCEDURES AND CONFIRMATION OF PLAN**

### **A. BALLOTS AND VOTING DEADLINE**

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

The Bankruptcy Court has directed that, to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received no later than



4:00 p.m. Pacific time, on \_\_\_\_\_, 2012 by Debtor at the following address:

McEwen Gisvold LLP  
Attention: James Ray Streinz  
1600 Standard Plaza  
1100 SW Sixth Avenue  
Portland, OR 97204

or via facsimile transmission to James Ray Streinz at (503) 243-2687.

Holders of each Claim that was scheduled by Debtor or with respect to which a Proof of Claim has been filed will receive ballots and are permitted to vote based on the amount of the Proof of Claim, except as discussed below. If no Proof of Claim has been filed, then the vote will be based on the amount scheduled by Debtor in its Schedules. The Bankruptcy Code provides that such votes will be counted unless the Claim has been disputed, disallowed, disqualified or suspended prior to computation of the vote on the Plan. A Claim to which an objection has been filed is not allowed to vote unless and until the Bankruptcy Court rules on the objection or the objection is settled. The Bankruptcy Code provides that the Bankruptcy Court may, if requested to do so by the holder of such Claim, estimate or temporarily allow a disputed Claim for the purposes of voting on the Plan.

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

McEwen Gisvold LLP  
Attention: Sondra Healey  
1600 Standard Plaza  
1600 SW Sixth Avenue

Page 6 – **DEBTOR'S THIRD AMENDED DISCLOSURE STATEMENT**

Portland, OR 97204  
Telephone number: (503) 412-3532

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

**B. PARTIES ENTITLED TO VOTE**

Pursuant to Section 1126 of the Bankruptcy Code, each Class of impaired Claims or Interests that is not deemed to reject the Plan is entitled to vote to accept or reject the Plan. Any holder of an Allowed Claim that is in an impaired Class under the Plan, and whose Class is not deemed to reject the Plan, is entitled to vote. A Class is "impaired" unless the legal, equitable and contractual rights of the holders of Claims in that Class are left unaltered by the Plan or if the Plan reinstates the Claims held by members of such Class by (1) curing any defaults, (2) reinstating the maturity of such Claim, (3) compensating the holder of such Claim for damages that result from the reasonable reliance on any contractual provision of law that allows acceleration of such Claim, and (4) otherwise leaving unaltered any legal, equitable or contractual right of which the Claim entitles the holder of such Claim. Because of their favorable

treatment, Classes that are not impaired are conclusively presumed to accept the Plan. Accordingly, it is not necessary to solicit votes from the holders of Claims in Classes that are not impaired.

Classes of Claims or Interests that will not receive or retain any money or property under a Plan on account of such Claims or Interests are deemed, as a matter of law under Section 1126(g) of the Bankruptcy Code, to have rejected the Plan and are likewise not entitled to vote on the Plan. There are no such Classes of Claims in Debtor's Plan and therefore no Classes of Claims are deemed to have rejected Debtor's Plan.

Under Debtor's Plan, Class 2 is not impaired and therefore is deemed to have accepted the Plan. Classes 1 and 3 through 11 are impaired under the Plan and persons holding Claims in Classes 1 and 3 through 11 are entitled to vote to accept or reject the Plan.

C. VOTES REQUIRED FOR CLASS ACCEPTANCE OF THE PLAN

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

For a Class of Claims to accept the Plan, Section 1126 of the Bankruptcy Code requires acceptance by Creditors that hold at least two-thirds in dollar amount and a majority in number of the Allowed Claims of such Class, in both cases counting only those Claims actually voting to accept or reject the Plan. The holders of Claims who

fail to vote are not counted as either accepting or rejecting the Plan. If the Plan is confirmed, the Plan will be binding with respect to all holders of Claims and Interests in each Class, including Classes and members of Classes that did not vote or that voted to reject the Plan.

D. "CRAM DOWN" OF THE PLAN

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

E. CONFIRMATION HEARING

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan to commence on \_\_\_\_\_, 2012, at \_\_\_\_\_ m. Pacific time. The Confirmation Hearing will be held at the United States Bankruptcy Court for the District of Oregon, 405 E. 8<sup>th</sup> Ave., Eugene, Oregon, before the Honorable Frank R. Alley, United States Bankruptcy Judge. At the hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interest of the Creditors of Debtor. Prior to the hearing, Debtor will submit a report to the Bankruptcy Court

concerning the votes for acceptance or rejection of the Plan by the persons entitled to vote thereon.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan. Any objections to confirmation of the Plan must be made in writing and filed with the Bankruptcy Court and received by counsel for Debtor no later than \_\_\_\_\_, 2012. Unless an objection to confirmation is timely filed and received, it will not be considered by the Bankruptcy Court.

### **3. GENERAL INFORMATION ABOUT THE DEBTOR**

#### **A. HISTORY OF THE DEBTOR**

In 2001, Russ Dale formed the Debtor and registered it with the State of Oregon. Prior to that time, Mr. Dale had worked as a hospital administrator (he has a Masters Degree in Hospital Administration), accountant, tax preparer and stock broker. During that time Mr. Dale had purchased homes and small apartments, fixed them up, rented and then sold them. In the late 1980's he quit his job and traded his remaining residential properties to acquire commercial buildings.

In 1994 Mr. Dale formed a partnership with Michael Yondorf to purchase the "Furnace Building". The partners thereafter purchased the "8<sup>th</sup> Street Building", which was rehabbed. The 8<sup>th</sup> Street Building was paid off, and a new loan on the building was used to purchase a property known as "Farrell's Glass". The Furnace Building and Farrell's Glass have been sold on contract. In 2007 the partners

formed a limited liability company known as Yondorf and Dale, LLC. The Debtor is a minority member, and receives its share of the contract proceeds each month.

The Debtor was initially formed to buy bare land, go through the planning process and obtain approvals and build small subdivisions. Redco built several profitable subdivisions before it began to get involved in bigger deals, necessitating more borrowing and taking on other partners.

In 2002 Debtor located a 90 acre parcel in Medford that would be the perfect site for a regional shopping center. However, the Debtor needed more capital to acquire the property and go through the planning and approval process. Guy Farthing and Steve Morgan had been partners in previous transactions, and together with the Debtor formed Northgate LLC. It took several years to get the shopping center through the process and deal with Oregon Department of Transportation on highway access. During that time Mr. Dale had a falling out with Mr. Morgan over “accounting irregularities” by Mr. Morgan in another project. (That dispute continues, see below.)

Once the Northgate project was approved it was worth approximately \$20 million. Since the Debtor could no longer trust or work with Mr. Morgan, Debtor agreed to sell its 25% interest in Northgate to Mr. Morgan and Mr. Farthing for \$5,000,000. Mr. Farthing financed the down-payment to Debtor of \$1 million, and Mr. Morgan and Mr. Farthing, and their various entities signed or guaranteed a \$4 million note (the “Northgate Note”) payable to Debtor, and due June 15, 2012. Although the Northgate Note originally provided for monthly payments of partial

interest, it was later amended to let all the interest accrue until maturity. In exchange, the floating interest rate was fixed at 6.5%.

The “Miller Building” in downtown Medford was purchased from Blue Cross in 2005. The Miller Building is a three story office building with one retail store (a drugstore) on the main floor, and approximately 21,000 square feet of office space. The Miller Building was purchased for \$1,000,000. At the time of purchase the Miller Building needed renovation, and Mr. Dale was able to borrow the balance due on the purchase and enough funds for renovation from Sterling Savings. The renovation was completed in 2007. The Miller Building is almost fully rented, and generating income in excess of its expenses and payment on the secured debt.

#### B. DEBTOR’S FINANCIAL DIFFICULTIES

The Debtor’s financial difficulties are related to four projects that overlap in timing, but all of which were victims of the housing market crash and credit tightening which began in 2008.

Debtor learned about an extraordinarily well located 10 acre parcel in Talent and heard that Reginald Breeze had tried to get it through the planning approval process, but failed. Debtor made Mr. Breeze a proposal: Debtor would put up the money and take it through the planning approval process. If Debtor won the approvals, Mr. Breeze would sell Debtor a one-half interest at the bare land price of \$1,000,000 and reimburse Debtor for one-half of its costs. If Debtor was not able to obtain the necessary approvals, Mr. Breeze had no obligation to Debtor. Evan Archerd & Hal Dresner, through their limited liability company, Archerd & Dresner, LLC (“Archerd

& Dresner”) who had worked with Debtor before, wanted to join Debtor in its proposal, and agreed to pay half of the planning approval process and half of the amount paid by Debtor for the bare land in exchange for a 25% interest in the overall project. Debtor was successful in getting the approvals for what became known as the “Clearview Project”<sup>1</sup>: a strip shopping center facing the main transportation route, entry level residential on the peripheral, mid-range homes on the street fronts and some upper scale homes around a park center and the predominate corners. With the approvals, the land was appraised at a substantially higher value and the partners borrowed funds from South Valley Bank for the infrastructure and the first commercial building.

The Clearview Project looked like it was going to be very profitable, so the partners in the project negotiated the purchase of the adjoining Good-Nite Inn, on an owner carry contract, for expansion. When it came time to close, Mr. Breeze changed the deal to eliminate the contract, so it was all cash for the purchase. Archerd & Dresner backed out with one week’s notice, and Debtor had to come up with \$500,000. The timing could not have been worse. The market collapsed, the partners could not get construction loans for the homes and buyers could not get take out loans. Archerd & Dresner could not make its capital calls, and Mr. Breeze, who paid the shortfall,

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<sup>1</sup> The Clearview Project is divided into three limited liability companies – Clearview Commercial Long Term Holding, LLC, Clearview Residential Long Term Holding, LLC, and Clearview Residential Development, LLC (collectively the “Clearview LLCs”). The initial ownership of each was the same: RA Global, LLC (Mr. Breeze’s company) owned 50%, Archerd & Dresner, LLC, owned 25% and Debtor owned 25%



became extremely difficult to work with. Trust between the partners evaporated, and the working relationship became untenable. Debtor, also unable to make its capital calls, sent Mr. Breeze a letter tendering its interests in the Clearview LLCs in exchange for a release of liability on the unpaid capital calls and release of Debtor and Mr. Dale on their guarantees of the Bank loans.

Meanwhile Redco formed Bud's Dairy, LLC to build a subdivision, known as "Bud's Dairy", on the site of a former cow pasture and dairy. Unfortunately, it was completed shortly before the lending crisis began, making it difficult to sell homes and home sites. Prices were reduced, and eventually all but one site and one home were left. The remaining property was worth less than the remaining debt owed to PremierWest Bank ("PremierWest") from the initial purchase and development. That property was included in the settlement with PremierWest, discussed below.

Debtor also was working on a four acre mixed use project known as "Falcon Heights" through Falcon Heights Building, LLC. PremierWest funded the infrastructure and the first building, but, when the Bank started having problems with the regulators, backed out of providing funding for the balance of the project and called the loan. Although Debtor had a deal pending for a complete build out and sale, it was unable to obtain alternate financing. The one building that was completed had condominiums and ground floor commercial space. All but one condominiums unit and the commercial space was sold. The one remaining unit, the ground floor commercial space and the surrounding bare land were also included in the settlement with PremierWest.

Simultaneously, Debtor bought the Copeland lumber yard in downtown Ashland and an adjoining old office building. This became the “Northlight Project”, and the property was placed in an LLC called Northlight Community Builders, LLC. Although it was a meticulously well planned project that would prevent urban sprawl and fulfill all of the objectives of Ashland’s long term Municipal Vision Plans, obtaining the planning approvals happened to coincide with a major turnabout of the City Council. A number of experienced planning and other department heads, who had worked with the Debtor on previous projects, were asked to resign or retire. The Northlight Project turned into a political flash point, and the Debtor spent five years in a planning gauntlet. PremierWest provided some of the initial purchase funds and the infrastructure loan. By the time planning approval had been obtained, and sales and leases were lined up, PremierWest was having its difficulties, backed away from making further loans needed for the development, and called the existing loan.

Initially when the Northlight Project was promising , Archerd & Dresner wanted in on the deal and traded Debtor a half interest in their “Barclay Square Project” for an equal amount in Northlight. Barclay was a mixed use project in Ashland, consisting of a commercial building and eight buildings with four condominium units each (the condominiums are called the “McCall Condominiums”). Debtor initially became a guarantor for the loans on Barclay. Subsequently, it became necessary to obtain separate loans on each of the condominium units. To obtain the loans as residential loans, Mr. Dale was placed in title to half of the condominium units and he obtained separate loans for each unit. Mr. Archerd and Mr. Dresner took

title and obtained loans on the other half of the units. Subsequently, Mr. Dale, with the knowledge of the banks providing financing, transferred title to the condominium units to Debtor. The commercial building has remained in Barclay Square LLC. Eight of the Debtor's condominium units have never sold, and are being rented out.

Debtor and Mr. Dale had guaranteed the loans from PremierWest on Bud's Dairy, Falcon Heights and Northlight. By 2009 all the loans were in default. In January 2010, PremierWest filed a suit for judicial foreclosure of Northlight and for a deficiency judgment against the guarantors. The total owing was over \$4 million. Two months later, PremierWest filed another lawsuit for judicial foreclosure of Bud's Dairy and Falcon Heights and for a deficiency judgment against the guarantors. The total owing on these loans was approximately \$4 million.

After considering its options, the Debtor negotiated a global settlement with PremierWest Bank which closed on August 3, 2010, prior to the filing of the bankruptcy petition, to give the bank a deed in lieu of foreclosure on the remaining real property in the Bud's Dairy and Falcon Heights projects and the Northlight property. Debtor also turned over to the bank its plans on Northlight, and assigned its planning approvals. In exchange, PremierWest agreed to credit each loan for the appraised value of the property ("as-is"), and accept a note from the Debtor and Mr. Dale for the agreed deficiency of \$3,247,958. The Note carried interest at 3%, was secured by Redco's interest in the promissory note on Northgate, and payable 10 days after the Debtor receives payment of the Northgate Note or five years, which comes first. At the same time the Debtor also settled a smaller obligation to the bank resulting from a

shortfall on one of the condominium sales from Falcon Heights. Debtor and Mr. Dale executed a note for \$18,513 to pay this obligation, on the same terms and with the same security as the larger deficiency note.

Archerd & Dresner refused to go along with the settlement with PremierWest, and the Northlight Project, the largest debt, could not be included without their consent. To reach the settlement with PremierWest, Debtor had to give up its interest in the valuable Barclay commercial building to reacquire Archerd & Dresner's 50% interest in Northlight. As part of the same transaction, Archerd & Dresner agreed to pay Mr. Dale \$376,937.78 to repay loans to Archerd & Dresner Mr. Dale had paid off. That obligation, evidenced by a Note (the "Archerd & Dresner Note") is payable in five years, with monthly interest-only payments in the interim, secured by Archerd & Dresner's condominiums.

The bankruptcy petition was filed to prevent a scheduled foreclosure sale of Debtor's interest in the Northgate note. To secure a loan for \$750,000, Debtor assigned its interest in the Northgate Note to PremierWest. The loan went into default. A limited liability company named Virann Investments, LLC ("Virann"), which appears to be owned by the wives of Mr. Farthing and Mr. Morgan (the key guarantors of the Northgate Note), purchased the loan from the Bank and took an assignment of the Bank's security interest in the Note. Virann scheduled a UCC foreclosure sale of the Northgate Note for August 4, 2010. Debtor was unable to pay the sum of \$797,470.22 owing on the loan, and filed this case to stay the foreclosure.

C. THE CHAPTER 11 CASE

The Chapter 11 petition was filed late in the day on August 3, 2010, after the PremierWest settlement was completed. Debtor immediately sought approval to retain McEwen Gisvold LLP as its counsel. Debtor negotiated with Sterling Savings a right to use rents generated by the Miller Building, which are “cash collateral” of the secured creditor, to pay its expenses.

Although the Miller Building generates excess income, the Barclary condominiums are a different story. Even when full, the rents are insufficient to pay the expenses and the secured debt. During the course of the case, four tenants have moved out, further reducing the income. All of those units have now been rented, and the condominiums are full. However, the loss of rent revenue caused the Debtor to operate at a loss since the filing.

To cover the shortfall on operating income, Mr. Dale has contributed \$34,000 to the Debtor. Additionally, Mr. Dale has had the monthly interest only payments from Archerd & Dresner on its note paid to the Debtor. These contributions from Mr. Dale have been treated as additional capital contributions rather than loans, and only will be repaid once all other creditors are paid.

After the filing of the petition, Mr. Breeze held a meeting of the Clearview LLCs and voted to refuse to accept the tender of the Debtor’s interests. RA Global filed a claim in the Bankruptcy Case against Debtor for \$376,547.45 for contributions paid by RA Global prior to the bankruptcy filing. In addition, RA Global made additional capital contributions since the filing of the Bankruptcy Case in the sum of

\$131,870.82 which RA Global asserted was recoverable from Debtor as an administrative claim. Although Debtor objected to both claims, if it was found liable for the prepetition claims it would make it difficult to pay its debt to unsecured creditors. Even worse, if the Debtor were liable for continuing obligations post-petition, it would not be able to pay the administrative claim created by capital contributions since filing, which would mean the Debtor could not confirm a plan.

Rather than risk confirmation on the Bankruptcy Court's decision on RA Global's claim, the Debtor, with Bankruptcy Court approval, settled on terms that were beneficial to both it and RA Global. Debtor transferred its interests in the Clearview Project, and well as its one-half interest in the Good-Nite Inn to RA Global in exchange for a satisfaction of all of RA Global's claims and a payment of \$165,000. Debtor also received a release of its guaranty of the obligation to South Valley Bank. With the payment, Debtor was able to pay for tenant improvements for a new tenant who has filled most of the Miller Building.

#### **4. ASSETS AND LIABILITIES**

##### **A. ASSETS**

Debtor owns both real property and personal property interests worth almost \$10 million. There are two “pieces” of real property, the Northgate Note, interests in five limited liability companies, and a claim against Steve Morgan. The Debtor has also been assigned the Archerd & Dresner Note.

The key piece of real property is the Miller Building in downtown Medford. There is no recent appraisal of the building. Mr. Dale, who has extensive

experience in real estate in the Medford-Ashland area, and based upon its net income, estimates that the current fair market value of the Miller Building is \$2,300,000. The other “piece” of real property are the eight McCall condominium units. Based upon CMA reports done in August 2010, Debtor estimates the condominium units to have a value of \$1,139,580.

Debtor’s most valuable asset is the Northgate Note. On the Petition Date the Debtor calculated that \$4,607,199.56 was owing on the Northgate Note. Since that date it has continued to accrue interest at the rate of 6.5% per annum. Mr. Dale has assigned to the Debtor the Archerd & Dresner Note for \$376,937.78. Interest only payments are being made, and the principal is due in August 2015.

The Debtor owns a 43% interest in Yonfor & Dale, LLC, which is worth approximately \$600,000. However, there are provisions in the operating agreements for the LLC that would make purchase of that interest by a third party unattractive.

As discussed above, there were certain accounting irregularities in connection with another subdivision project with Mr. Morgan. The project was owned by a limited liability company named NOMOCO, LLC. In addition to Debtor and Mr. Morgan’s company, Morgan Pacific, LLC, Archerd & Dresner were also members. Debtor believes that Morgan Pacific received approximately \$225,000 more than it should have received.

On the Northlight project, Ron Munroe’s did excavating work. He obtained guarantees from the members. After Northlight collapsed, the Debtor and

Archerd & Dresner agreed between themselves to each pay half of the debt to Mr. Munroe, approximately \$90,000 each. (Mr. Munroe was not part of this agreement.) Debtor paid its share, but Archerd & Dresner could not pay. Debtor and Archerd & Dresner agreed that Archerd & Dresner would pursue collection of the overpayment to Mr. Morgan on NOMOCO. The recovery would be used to pay Archerd & Dresner's share of the debt to Mr. Munroe, with the balance to be split by Debtor and Archerd & Dresner. Unfortunately, Archerd & Dresner have failed to follow through on pursuing this. Debtor will take action to get Archerd & Dresner to pursue the action, or will take over the litigation. Since Debtor is indebted to Mr. Munroe for the other half, and the claim against Mr. Morgan is over \$200,000, the litigation will benefit Debtor and its creditors.

In addition to the real property, notes and business interests, the Debtor has minimal amounts of cash, security deposits and accounts receivable for unpaid rent.

## B. LIABILITIES

### 1. Secured Claims

The Miller Building is encumbered by two loans from Sterling Savings Bank ("Sterling"), each secured by a trust deed. Sterling has filed a claim for \$1,754,159.59. Sterling has been paid monthly during the course of the case, so the principal balance is slightly less.

The McCall Condominiums are encumbered by two loans, although one loan is only on four of the units. Umpqua Bank holds trust deeds on each of the



individual units. The debt as of filing was \$970,048.98. Umpqua has not filed a claim, so that debt will be assumed to be correct. It has been receiving payments post-petition, so the principal balance should be smaller. Bank of the Cascades holds a trust deed on four of the units. It has filed a claim for \$256,107.17. US Bank made a loan to Mr. Dale for the Debtor of \$250,000. That was to be secured by the other four McCall condominium units, but the required documents to secure that obligation were never filed. Therefore, US Bank has an unsecured claim.

There are two claims secured by the Northgate Note. One is a claim by Premier West Bank in the amount at filing of \$3,266,471, which is accruing interest at 3% per annum. The other is Virann in the amount of \$797,470.22.

Grant Alexander was originally listed as a disputed secured creditor based upon his construction lien filed against the Miller Office Building in the amount of \$101,130.02. However, his construction lien is fatally flawed since he listed the owner of the building as Mr. Dale rather than the Debtor. Mr. Alexander has failed to file a proof of claim. The Debtor will move to disallow the claim.

## 2. Unsecured Claims

The proof of claim deadline was December 6, 2010. Only four unsecured claims were filed. Debtor has not audited those proofs of claim that were filed. The total amount of those claims and the non-contingent, liquidated and undisputed claims in the schedules is \$199,792.10. Although US Bank's claim was originally listed as "contingent" and "unliquidated", and US Bank did not file a claim, Debtor will amend the schedules and will be paying its unsecured loan of \$250,000.

R.A. Global, LLC, which is the holder of Mr. Breeze's interests in the Clearview LLCs, filed a claim for \$376,547.45. As discussed above, RA Global has withdrawn its claim as part of the settlement between RA Global and Debtor.

3. Administrative Expense Claims and Priority Claims

Administrative Expense Claims will consist of the Claims of Debtor's professionals, its bankruptcy counsel, McEwen Gisvold LLP. The amount of Administrative Expense Claims cannot be estimated with certainty at this point. However, Debtor estimates that McEwen Gisvold's fees and costs from the beginning of the Bankruptcy Case through the estimated confirmation date of September 20, 2011 will be approximately \$110,000.

A "Priority Tax Claim" is a Claim of a governmental unit of the kind entitled to priority under Section 507(a)(8) of the Bankruptcy Code or that would otherwise be entitled to priority but for the Secured status of the Claim. The IRS has filed a claim for \$6,044.84, and the State of Oregon has not filed a claim, but Debtor estimates that it owes payroll taxes of \$1,757.51 to the State.

Although it has not yet been incurred, there will be a substantial tax bill when the Northgate Note is paid. Although Debtor has some tax attributes that can be used to reduce the bill, at least \$662,500 will need to be paid.

4. Executory Contracts

The Plan provides that all leases of tenants in the Miller Building and the McCall Condominiums will be assumed. Debtor does not believe that it is a party to any other leases or executory contracts.

**5. DESCRIPTION OF PLAN OF REORGANIZATION**

**A. UNCLASSIFIED CLAIMS**

Administrative Expense Claims are not classified. An Administrative Expense Claim is a Claim against Debtor constituting an expense of administration of the Bankruptcy Case allowed under Section 503(b) of the Bankruptcy Code including, without limitation, the actual and necessary costs and expenses of preserving the estate and operating Debtor's businesses during the Case; Claims for the value of goods received by Debtor within 20 days before the Petition Date sold in the ordinary course of business; any indebtedness or obligations incurred by Debtor during the pendency of the Case in connection with the provision of goods or services to Debtor; compensation for legal and other professional services and reimbursement of expenses; and statutory fees payable to the United States Trustee.

Pursuant to the Plan, Administrative Expense Claims will be paid in full on the later of the Effective Date or the date on which any such Administrative Expense Claim becomes an Allowed Claim, unless otherwise agreed by the holder of the administrative expense claim. However, the Administrative Expense Claims representing liabilities incurred in the ordinary course of business (including amounts owed to vendors and suppliers that have sold goods or furnished services to Debtor after the Petition Date) will be paid in accordance with the terms and conditions of the particular transactions and any other agreements relating thereto.

McEwen Gisvold LLP has agreed to be paid when the Northgate Note is paid to Debtor. McEwen Gisvold's fees will have to be approved by the Bankruptcy Court

after notice and hearing.

B. CLASSIFIED CLAIMS

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

1. Class 1 (Priority Tax Claims and Other Priority Claims).

Class 1 is impaired. Each holder of an Allowed Class 1 Claim will be paid in full the amount of its Allowed Class 1 Claim, including all interest, costs, fees and charges provided for under any agreement under which such Claim arose or is otherwise allowed by law, in four equal annual installments beginning on the first yearly anniversary of the Effective Date. If, after payment of Class 2, Class 4, administrative claims, and the tax reserve of \$662,500 from the proceeds of the Northgate Note, there are any proceeds left, any unpaid balance owing to the Class 1 claims will be paid in full.

2. Class 2 (PremierWest). Class 2 is unimpaired. The secured claim of PremierWest will be paid in full the amount of its Allowed Class 2 Claim, including all interest, costs, fees and charges provided for under any agreement under which such Claim arose or is otherwise allowed by law, as provided in the notes executed by the Debtor.

3. Class 3 (Sterling). Class 3 is impaired. Sterling will retain its security for its loans. Sterling's Allowed Claim (the combined amount for both loans) shall be amortized over 30 years with interest at the rate of 4.5% per annum for the

first 36 months and 5.25% thereafter until the loan matures at the end of 84 months. Sterling has agreed to finance up to \$45,000 in tenant improvements to an acceptable tenant, in which case the advance for tenant improvements will be added to balance of the loan with the loan to bear interest at 4.5% for nine months and 5.25% thereafter, with payment in full still due at the end of 84 months.

4. Class 4 (Virann). Class 4 is impaired. Virann will retain its security in the Northgate Note, and, when the Note is paid, to those proceeds. Virann's Allowed Claim shall accrue interest at 3.00% per annum from the Petition Date, and be paid in full within 10 days after Debtor receives payment on the Northgate Note.

5. Class 5 (Umpqua Bank) Class 5 is impaired. Umpqua will retain its security for its loans. Umpqua's Allowed Claim consists of eight loans. Each of the loans shall be amortized over 30 years at the rate of 4.5% per annum, for a monthly payment (including a tax impound) estimated to be \$5275 beginning with the next monthly payment due after the Effective Date. The current payment is \$7296.

6. Class 6 (Bank of the Cascades) Class 6 is impaired. Bank of the Cascades will retain its security for its loan. Bank of Cascades' Allowed Claim shall be amortized over 30 years at the rate of 4.5% per annum, for a monthly payment estimated to be \$1080 beginning with the next monthly payment due after the Effective Date. The current payment is scheduled to be \$1870 (Bank of the Cascades is currently refusing to accept payments).

7. Class 7 (Grant Alexander) Class 7 is impaired. Debtor does not believe that Grant Alexander has a valid secured claim. However, any Allowed Claim

of Grant Alexander that is deemed secured shall be amortized over 10 years at 3.00% per annum and paid in 10 annual installments beginning on the first yearly anniversary of the Effective Date.

8. Class 8 (Clearview LLCs and R.A. Global) Class 8 is impaired. Any Allowed Claim of the Clearview LLCs or R.A. Global will be fully satisfied by a transfer of the Debtor's interest in the Clearview LLCs to the LLCs or R.A. Global.

8. Class 8 (Small Unsecured Creditors). Class 8 is impaired. Unsecured creditors with Allowed Claims under \$1500 (and those who elect to reduce their claim to \$1500) will be paid in full in cash 60 days after the Effective Date. No interest shall accrue on these claims.

9. Class 9 (Unsecured Creditors). Class 9 is impaired. Unsecured creditors with Allowed Claims over \$1500 will be paid in full within 30 days of the fifth anniversary of the Effective Date (approximately October 1, 2016). The Allowed Class 9 Claims will accrue interest at prevailing "federal interest rate" on the day the bankruptcy petition was filed, which was 0.4%. Interest will accrue from the Effective Date until the date payment is sent out.

The unsecured creditors will be paid the remaining funds from the Northgate Note after the payments owing to PremierWest, Virann, priority taxes, McEwen Gisvold LLP, and a tax reserve of \$662,500 to pay taxes owing due to the receipt of the Northgate Note funds.<sup>2</sup> It appears that the funds from the Northgate

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<sup>2</sup> The "tax reserve" is based upon calculations by Mr. Dale's tax advisor. If the actual taxes due from the  
Continued on the next page

Note will not be sufficient to pay unsecured creditors in full, so the Allowed Class 9 Claims shall receive partial payment on a pro rata basis. The balance owed on the Allowed Class 9 Claims shall be paid in full within 30 days after the fifth annual anniversary of the Effective Date.

11. Class 10 (Interests). Class 10 is impaired. The member of the Debtor will retain his Interest in Debtor as existed on the Petition Date, but will not be entitled to any distributions unless and until payment in full has been made on all other Allowed Claims.

C. IMPLEMENTATION OF THE PLAN

Debtor shall continue to own and operate the Miller Building and McCall Condominiums to generate the maximum revenue possible from those properties while maintaining the condition of the buildings. Those banks holding claims secured by the buildings will be paid from that revenue. The reduction in the interest paid to each bank will result in the Debtor generating some net revenue. That net revenue will be retained for other payments required by the plan. A cash flow forecast showing revenue and expenses related to operations is attached hereto as Exhibit 2.

With the reduction in monthly payments and greater revenue from the new tenants in the McCall Condominiums, the Debtor should be generating net revenue and will need no further cash contributions from Mr. Dale. However, Mr. Dale has

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Continued from the previous page

Northgate Mall receipts are larger, the Debtor will seek a modification of the Plan to allow it to pay the taxes in full.

demonstrated his ability to make contributions to the Debtor during the course of this case. If funds are needed, Mr. Dale will contribute funds from the Plaza Building, an apartment building in downtown Medford that through the first three months of 2011 has generated net revenue of \$31,176.14.

Debtor shall collect the Northgate Note when due, and pay the claims of Class 2 and Class 4, the administrative claim of its attorneys as approved by the Court (estimated to be \$110,000), and any balance owing on the Class 1 claims. Debtor will retain \$662,500 as a reserve to pay the state and federal taxes associated with the payoff of the Note. The remaining balance of the Northgate Note will be paid pro-rata on Class 9 claims. A pro forma Northgate Note Payoff breakdown is attached hereto as Exhibit 3.

Primarily because of the reputation and financial strength of Mr. Farthing, Debtor anticipates that the Northgate Note will be paid when due, and, if not, Debtor will be successful in legal action to collect the Note. The guarantors have significant real estate and other business holdings as shown on Exhibit 4. Also, work continues on building the Northgate Mall, and recently the City approved Amendments to the Conditions of Approval to the Northgate Map Amendment to allow "big box" stores to be built in Northgate Mall and allow the builder to "phase-in" the off-site traffic mitigation improvements required as part of the approval.

The balance remaining owing to the Class 9 creditors will be paid from the additional revenues generated from operations. A breakdown of the payment of Class 9 claims is attached hereto as Exhibit 5. However, if the additional revenues fall short,



Debtor can use funds from the payoff of the Archerd & Dresner Note to make up the shortfall. Furthermore, any funds left after payment of taxes from the tax reserve created by the payment of the Northgate Note will be held and used to pay the Class 9 claims.

D. EFFECT OF CONFIRMATION

1. Binding Effect

The treatment of, and consideration received by, holders of Allowed Claims and Allowed Interests pursuant to the Plan will be in full satisfaction of their respective Claims against or Interests in Debtor. The Confirmation Order shall bind Debtor and any Creditor, whether or not: (a) a Proof of Claim based on such Creditor's debt or liability is Filed or deemed Filed under Section 501 of the Bankruptcy Code; (b) a Claim based on such debt or liability is Allowed; or (c) the holder of the Claim based on such debt or liability has accepted the Plan.

2. Injunction

Except as otherwise expressly provided in the Plan, all persons who have held, hold or may hold Claims, or who may have held, hold or may hold any Interest, are permanently enjoined from and after the Effective Date from (a) commencing or continuing in any manner any action or other proceedings of any kind with respect to any Claims or Interests against Reorganized Debtor; (b) enforcing, attaching, collecting or recovering by any manner or any means any judgment, award, decree or order against Reorganized Debtor; (c) creating, perfecting or enforcing any encumbrances of any kind against Reorganized Debtor with respect to any such Claim

except as specifically set forth in the Plan; (d) asserting any setoff, right of subrogation or recoupment of any kind against any obligation due to Debtor, Reorganized Debtor, or its property; and (e) proceeding in any manner in any place whatsoever that does not conform to, does not comply with, or is inconsistent with the provisions of the Plan or the Confirmation Order. Nothing contained herein shall be construed to give the Reorganized Debtor greater protection than provided by Sections 524 and 1141 of the Bankruptcy Code.

3. Modification of the Plan; Revocation or Withdrawal of the Plan

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

4. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order or the Effective Date having occurred, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of or relating to the Chapter 11 Case, including, but not limited to, the following matters: (a) to classify the Claim or Interest of any Creditor or Interest Holder, reexamine Claims or Interests which have been allowed for voting purposes, and determine any objections that may be Filed to Claims or Interests; (b) to determine requests for payment of Claims entitled to priority under Section 507(a)(2) of the Bankruptcy Code, including compensation and reimbursement of expenses in favor of professionals employed at the expense of the Estate; (c) to hear and determine actions

to avoid transfers or recover preferences and all other Right of Action asserted by Debtor pending on the Effective Date or asserted after the Effective Date; (d) to approve the assumption, assignment or rejection of an executory contract or an unexpired lease and the allowance of Claims resulting therefrom; (e) to approve the sale or lease of property free and clear of all liens and encumbrances in accordance with 11 U.S.C. § 363 if so requested by Reorganized Debtor; (f) to resolve controversies and disputes regarding the interpretation of this Plan; (g) to implement the provisions of this Plan and enter orders in aid of execution of the Plan or to enforce the Confirmation Order; (h) to adjudicate adversary proceedings and contested matters pending or hereafter commenced in this Chapter 11 Case; (i) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated; (j) to hear and determine any applications to modify the Plan, to cure any defect or omission, or to reconcile any inconsistency in the Plan or related documents or in any order of the Bankruptcy Court, including the Confirmation Order; (k) to ensure that distributions to holders of Allowed Claims are accomplished as provided herein; (l) to hear and determine any other matters related hereto and not inconsistent with Chapter 11 of the Bankruptcy Code; and (m) to enter a final decree closing this Chapter 11 Case.

Following the Effective Date, the Bankruptcy Court will retain non-exclusive jurisdiction of the Chapter 11 Case for the following purposes: (a) to recover all assets of Debtor and property of the estate, wherever located; (b) to hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax

benefits and similar or related matters with respect to Debtor or its estate arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Case, including, without limitation, matters concerning state, local and federal taxes in accordance with Section 346, 505 and 1146 of the Bankruptcy Code; and (c) to hear any other matter not inconsistent with the Bankruptcy Code.

5. United States Trustee Fees

The Reorganized Debtor shall be responsible for timely payment of fees incurred pursuant to 28 USC § 1930(a)(6) until the case is closed, converted or dismissed. After confirmation, the Reorganized Debtor shall serve on the United States Trustee a monthly financial report for each month, or portion thereof, that the case remains open. The monthly financial report shall include a statement of all disbursements made during the course of the month, exclusive of payments required by the Plan.

6. **LIQUIDATION ANALYSIS**

A Plan cannot be confirmed unless the Bankruptcy Court finds that the Plan is in the "best interest of creditors" or holders of Claims against, and Interests in, the debtor subject to such plan. The best interest test is satisfied if the plan provides each dissenting or non-voting member of each impaired Class with a recovery not less than the recovery such member would receive if the debtor was liquidated in a hypothetical case under Chapter 7 of the Bankruptcy Code by a Chapter 7 Trustee. Debtor believes that the holders of impaired Claims will not receive less than they would receive under a Chapter 7 liquidation. In applying the "best interest" test, the Bankruptcy Court

would ascertain the hypothetical recovery in a Chapter 7 proceeding to secured Creditors, priority claimants, general Unsecured Creditors and equity interest holders. The hypothetical Chapter 7 recoveries would then be compared with the distribution offered to each Class of Claims or Interests under the Plan to determine that the Plan satisfied the "best interest" test set forth in the Bankruptcy Code.

In this case, the Debtor's assets are not easily liquidated, so there is little prospect that a trustee in a Chapter 7 case could sell the assets for anything close to fair market value. The Miller Building has equity, but it would likely be lost in a liquidation sale. The McCall Condominiums are currently worth less than the debt they secure, and have not sold despite the Debtor's efforts. The Note would be discounted severely because of collectability issues, and would likely not be sold for more than the debt secured by the note. The interests in the limited liability companies would be difficult to sell because of provisions in the operating agreements which require the approval of new members and restrict the holder of the interest, if not a member, to only required distributions. It is unlikely that there would be any buyers except for a small percentage of the fair market value of those interests. Under Section 326(a) of the Bankruptcy Code, a Chapter 7 trustee is entitled to compensation based on a percentage of all monies disbursed or turned over in the case to parties in interest, excluding the Debtor. For these reasons, among others, Debtor believes that conversion to a case under Chapter 7 would result in (i) sale of assets at far less than the fair market value of those assets, (ii) incremental, additional costs being borne by the estate above those the estate would incur under the Plan and (iii) only limited

distributions being received by Unsecured Creditors. Debtor's liquidation analysis is attached hereto as Exhibit 6.

## **7. FEDERAL INCOME TAX CONSEQUENCES**

### **A. INTRODUCTION**

A summary description of certain United States federal income tax consequences of the Plan follows. This description is for informational purposes only and, owing to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan discussed below with respect to any particular Creditor. This disclosure describes only the principal United States federal income tax consequences of the Plan to the Debtor and the holders of Claims. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the IRS or any other taxing authorities have been sought or obtained with respect to any tax consequences of the Plan, and the statements below are not binding on the IRS or other authorities. No representations are being made to the Debtor or any holder of a Claim or Interest regarding the particular tax consequences of the confirmation and consummation of the Plan. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein. Holders of Claims and Interests are strongly urged to consult their own tax adviser regarding the United States federal, state, local, and foreign tax consequences of the transactions described in this Disclosure Statement and in the Plan.

**B. INCOME TAX CONSEQUENCES TO DEBTOR**

Under the Plan, the Debtor's outstanding indebtedness will be satisfied in exchange for Cash. The satisfaction of a debt obligation for an amount of Cash less than the amount of "adjusted issue price" of the debt obligation generally gives rise to cancellation of indebtedness ("COD") income to the debtor. Debtor in this case plans to satisfy all debt obligations in full, and does not anticipate that it will incur any COD income.

The debtor does not, however, recognize COD income if the debt discharge occurs in a Title 11 bankruptcy case. Instead, the debtor reduces its tax attributes to the extent of its COD income in the following order: (a) net operating losses ("NOLs") and NOL carry forwards; (b) general business credit carry forwards; (c) minimum tax credit carry forwards; (d) capital loss carry forwards; (e) the tax basis of the Debtor's depreciable and non-depreciable assets (but not below the amount of its liabilities immediately after the discharge); and (f) foreign tax credit carry forwards. A debtor may elect to alter the preceding order of attribute reduction and, instead, first reduce the tax basis of its depreciable assets.

**C. FEDERAL INCOME TAX CONSEQUENCES TO CREDITORS**

The following discusses certain United States federal income tax consequences of the transactions contemplated by the Plan to Creditors that are in the United States. The United States federal income tax consequences of the transactions contemplated by the Plan to Creditors (including the character, timing and amount of income, gain or loss recognized) will depend on, among other things, (1) whether the Claim and the

consideration received in respect of it are "securities" for federal income tax purposes; (2) the manner in which a Creditor acquired a Claim; (3) the length of time the Claim has been held; (4) whether the Claim was acquired at a discount; (5) whether the Creditor has taken a bad debt deduction with respect to the Claim (or any portion of it) in the current tax year or any prior tax year; (6) whether the Creditor has previously included in its taxable income accrued but unpaid interest with respect to the Claim; (7) the holder's method of tax accounting; and (8) whether the Claim is an installment obligation for federal income tax purposes. Creditors therefore should consult their own tax advisers regarding the particular tax consequences to them of the transactions contemplated by the Plan.

**D. IMPORTANCE OF OBTAINING PROFESSIONAL TAX ASSISTANCE**

The foregoing discussion is intended only as a summary of certain United States federal income tax consequences of the Plan and is not a substitute for careful tax planning with a tax professional. The above discussion is for informational purposes only and is not tax advice. The tax consequences are in many cases uncertain and may vary upon a Creditor's particular circumstances. Accordingly, Creditors are strongly urged to consult their tax advisers about the United States federal, state and local and applicable foreign income and other tax consequences of the Plan, including with respect to tax reporting and record keeping requirements. Debtor and Debtor's counsel express no opinion as to the tax consequences of the Plan or the effect thereof on any Claimant and this Disclosure Statement is not intended to be, and may not be,



used or relied upon by any taxpayer for the purpose of avoiding penalties under the federal tax law.

*IRS Circular 230 Notice: To comply with U.S. Treasury regulations, be advised that any U.S. federal tax advice included in this communication (and it is not intended that any such advice be given in this Disclosure Statement) is not intended or written to be used, and cannot be used, to avoid any U.S. federal tax penalties or to promote, market, or recommend to another party any transaction or matter.*

**8. ACCEPTANCE AND CONFIRMATION OF THE PLAN**

**A. CONFIRMATION HEARING**

The Bankruptcy Court has scheduled a hearing on confirmation of the Plan on \_\_\_\_\_, 2012 at \_\_\_\_\_ m. Pacific Time. The hearing will be held at the United States Bankruptcy Court for the District of Oregon, 405 E. 8<sup>th</sup> Ave., Eugene, Oregon, before the Honorable Frank R. Alley, United States Bankruptcy Judge. At that hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether it is in the best interest of Creditors and Interest holders of Debtor. Debtor will submit a report to the Bankruptcy Court prior to the hearing concerning the votes for acceptance or rejection of the Plan by the parties entitled to vote thereon. Any objection to confirmation of the Plan must be timely filed as stated in Section II.E. above.

**B. REQUIREMENTS OF CONFIRMATION**

At the hearing on confirmation, the Bankruptcy Court will determine whether

the provisions of Section 1129 of the Bankruptcy Code have been satisfied. If all of the provisions of Section 1129 are met, the Bankruptcy Court may enter an order confirming the Plan. Debtor believes the Plan satisfies all of the requirements of Chapter 11 of the Bankruptcy Code, that it has complied or will have complied with all of the requirements of Chapter 11, and that the Plan has been proposed and is made in good faith.

**C. CRAM DOWN**

As discussed in section II.D above, a Court may confirm a Plan, even if it is not accepted by all impaired classes if the Plan has been accepted by at least one impaired class of claims and the Plan meets the cram down requirements set forth in Section 1129(b) of the Bankruptcy Code. In the event that any impaired Class of Claims does not accept the Plan, Debtor will request that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code or otherwise permit Debtor to modify the Plan.

**D. RISKS FOLLOWING CONFIRMATION OF THE PLAN**

Once the Plan is confirmed there are certain risks that the Plan may not be completed. The Court will assess these risks at the Confirmation Hearing as there is a requirement that the Court find that the Plan is feasible and that "[c]onfirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization" of the Debtor. Debtor believes that the risks are manageable and will not prevent it from completing the Plan as proposed.

There are certain inherent risks in any real estate leasing business. Debtor may

be unable to keep the Miller Building and the McCall condominiums leased, or be unable to maintain current rent rates, causing revenue to decrease. Debtor's cash flow projections use current rents and expenses throughout the five year period. Although expenses will increase, the Debtor expects that rent increases will keep up with rise in expenses. That may not be true, and expenses may increase faster than rents.

Although the buildings are insured, a natural disaster may destroy or severely damage the buildings and prevent completion of the Plan.

There are also specific risks in this Plan. Although Debtor believes that it will be able to collect the Northgate Note, the notemakers and guarantors may resist or be unable to pay the Note when due. Debtor will aggressively seek collection of the Note, and the Note provides for attorney fees. However, if it is necessary to take legal action to collect the Note, that will delay payment. The same concerns apply to the Archerd & Dresner Note. Although that Note is secured by eight condominium units, Archerd & Dresner may not be able to pay and the condominiums may not have sufficient value to pay the note.

#### E. ALTERNATIVES TO CONFIRMATION OF THE PLAN

If the Plan is not confirmed, Debtor's Chapter 11 Case may be converted to a liquidation proceeding under Chapter 7 of the Bankruptcy Code. In a Chapter 7 liquidation, a Trustee would be appointed or elected with the purpose of liquidating the assets of Debtor. Proceeds from a Chapter 7 liquidation would be distributed to Creditors and Interest holders of Debtor in accordance with the priorities set forth in the Bankruptcy Code. Generally, distributions would not be made until the end of a

Chapter 7 case and there would not be any interim distributions. It could be years before any distributions are made to Creditors in a Chapter 7 case. Debtor believes the Plan will result in a higher and faster recovery to Creditors than would result from a Chapter 7 and urges all parties to vote to accept the Plan.

**9. CONCLUSION**

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

DATED this 12th day of January 2012.

REDCO DEVELOPMENT CO., LLC

By: /s/Russ Dale  
Russ Dale, Managing Member

Submitted by:

McEWEN GISVOLD LLP

By /s/ James Ray Streinz  
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**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF OREGON**

**In re:**

**REDCO DEVELOPMENT CO., LLC**

Debtor.

Case No. 10-64783-fra11

**DEBTOR'S THIRD AMENDED  
PLAN OF REORGANIZATION  
( Dated January 9, 2012)**

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Redco Development Co., LLC, as debtor and debtor-in-possession, proposes this Third Amended Plan of Reorganization ("Plan") pursuant to Section 1121(a) of Title 11 of the United States Code.

1.

DEFINITIONS

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

A. "Administrative Expense Claim" means any Claim entitled to the priority afforded by Sections 503(b) and 507(a)(2) of the Bankruptcy Code.

B. "Allowance Date" means the date that a Claim is Allowed.

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

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

E. "Allowed Unsecured Claim" means an Allowed Claim that is not an Allowed Secured Claim, Administrative Expense Claim, Priority Tax Claim or Other Priority Claim.

F. "Avoidance Actions" means all claims and causes of action of the Debtor or its estate arising under Chapter 5 of the Bankruptcy Code.

G. "Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended

from time to time, set forth in Sections 101 et seq. of Title 11 of the United States Code.

H. "Bankruptcy Court" means the United States Bankruptcy Court for the District of Oregon, or such other court that exercises jurisdiction over this Chapter 11 Case or any proceeding therein, including the United States District Court for the District of Oregon, to the extent that the reference to this Chapter 11 Case or any proceeding therein is withdrawn.

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

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

K. "Cash" means lawful currency of the United States of America.

L. "Chapter 11 Case" means the case under Chapter 11 of the Bankruptcy Code with respect to the Debtor pending in the United States Bankruptcy Court for the District of Oregon, administered as *In re Redco Development Co., LLC*, Case No. 10-64783-fra11.

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

payment from another entity or person if such right to payment is related to funds used by Debtor or to support Debtor. "Claim" shall exclude any claim or right to payment of the kind specified in Sections 726(a)(4) and (5) of the Bankruptcy Code.

N. "Class" means one of the classes of Claims defined in section 3 hereof.

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

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

Q. "Confirmation Order" means the order of the Bankruptcy Court confirming the Plan in accordance with the provisions of Chapter 11 of the Bankruptcy Code.

R. "Creditor" means any entity holding a Claim against Debtor.

S. "Debtor" means Redco Development Co., LLC, as Debtor and Debtor-in-Possession in this Chapter 11 Case.

T. "Disclosure Statement" means the Debtor's Amended Disclosure Statement as amended, modified, restated or supplemented from time to time, pertaining to the Plan.

U. "Disputed Claim" means a Claim with respect to which a Proof of Claim has been timely Filed or deemed timely Filed under applicable law (including Scheduled Amounts), and as to which an objection, timely Filed, has not been withdrawn on or before the date fixed for filing such objections by order of the Bankruptcy Court, and has not been denied by a Final Order. If an objection related to the Allowance of only part of a Claim has been timely Filed or deemed timely Filed such Claim shall be a Disputed Claim only to the extent of

the objection.

V. "Distribution Date" means any date, subsequent to the Effective Date, on which the Debtor is obligated to make Cash distributions to Creditors pursuant to the Plan.

W. "Effective Date" means the first Business Day after the Confirmation Order becomes a Final Order.

X. "Filed" means filed with the Bankruptcy Court in this Chapter 11 Case or other court of competent jurisdiction.

Y. "Final Order" means an order or judgment entered on the docket by the Clerk of the Bankruptcy Court or any other court exercising jurisdiction over the subject matter and the parties (a) that has not been reversed, stayed, modified or amended; (b) as to which no appeal, certiorari proceeding, reargument or other review or rehearing has been requested or is still pending; and (c) as to which the time for filing a notice of appeal, or petition for certiorari, or request for reargument or further review or rehearing shall have expired.

Z. "Interests" means all rights of the owners of the membership interests in Debtor.

AA. "Northgate Note" means the Installment Note dated May 18, 2007, in the original amount of \$4,000,000, executed by Northgate Center, LLC, and guaranteed by Quarterpenny Corp., Farthing Family Living Trust, Morgan Family Development LLC, J. Guy Farthing and Stephen L. Morgan, payable to Debtor, and due June 15, 2012.

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

CC. "Petition Date" means August 3, 2010, the date on which the petition

commencing this Chapter 11 Case was filed.

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

EE. "Potential Rejection Claim" means an undetermined and unliquidated Claim that would arise from the rejection of an executory contract or unexpired lease to which Debtor is a party or by which it is bound. Until any particular lease is rejected pursuant to the Plan or by court order, the amount of the Potential Rejection Claim with respect to such lease shall be equal to the maximum amount allowable under the formula in Section 502(b)(6) of the Bankruptcy Code.

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

GG. "Property of the Estate" means property of the estate, as defined in Section 541 of the Bankruptcy Code, including property acquired post-petition.

HH. "Pro Rata" means the ratio of an Allowed Claim in a particular Class to the aggregate principal amount of all Allowed Claims in that Class.

II. "Rejection Claim" means a Claim arising from the rejection of an unexpired lease or executory contract pursuant to this Plan or Final Order of the Bankruptcy Court.

JJ. "Reorganized Debtor" means Debtor from and after the Effective Date.

KK. "Rights of Action" means any and all claims, demands, rights, actions, causes of suits, and suits of the debtor or the estate, of any kind or character whatsoever, known or

unknown, suspected or unsuspected, whether arising before, on or after the petition date, in contract or in tort, at law or in equity or under any theory of law, including, but not limited to (1) derivative claims, (2) rights of setoff, counterclaim, or recitment, and claims on contract and for breeches of duties imposed by law, (3) the right to object to claims of interest, (4) claims pursuant to § 362 of the Bankruptcy Code, (5) such claims and defenses as fraud, mistake, duress, and usury, and (6) avoidance actions.

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

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

NN. ""Unclaimed Cash" means Cash (together with any interest earned thereon) that is unclaimed by a Creditor following a distribution pursuant to the Plan and includes Cash attributable to (a) checks that have been returned as undeliverable without a proper forwarding address, (b) checks that have not been cashed within 90 days after the date such checks were mailed (whether or not distributed pursuant to the Plan), and (c) checks that were not mailed or delivered because of the absence of a proper address to which to mail or deliver such property.

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

PP. "Unsecured Creditor" means a holder of an Allowed Unsecured Claim.



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

2.

#### UNCLASSIFIED CLAIMS

A. Administrative Expense Claims. Each holder of an Allowed Administrative Expense Claim shall be paid in full from Available Cash on the later of (a) the Effective Date or (b) the Allowance Date, unless such holder shall in writing agree to a different treatment of such Claim (including, without limitation, any different treatment that may be provided for in any documentation, statute or regulation governing such Claim); provided, however, that Administrative Expense Claims representing obligations incurred in the ordinary course of business by Debtor during this Chapter 11 Case shall be paid by Debtor in the ordinary course of business and in accordance with any terms and conditions of the particular transaction and any agreements relating thereto.

B. Bankruptcy Fees. Fees payable by Debtor under 28 USC § 1930, or to the Clerk of the Bankruptcy Court, will be paid in full in Cash on the Effective Date. Thereafter, the Debtor shall continue to pay quarterly fees of the Office of the United States Trustee and to file quarterly reports with the Office of the United States Trustee until this case is closed by the Court, dismissed or converted. This requirement is subject to any amendments to 28 USC § 1930(a)(6) that Congress makes retroactively applicable to confirmed Chapter 11 cases.

3.

### CLASSIFICATION

For purposes of this Plan, Claims (except those treated under 2 above) are classified as provided below. A Claim is classified in a particular Class only to the extent that such Claim qualifies within the description of such Class, and is classified in a different Class to the extent that such Claim qualifies within the description of such different Class.

A. Class 1 (Priority Tax Claims). Class 1 consists of all Allowed Priority Tax Claims.

B. Class 2 (PremierWest Bank). Class 2 consists of the Allowed Secured Claim of PremierWest Bank.

C. Class 3 (Sterling Savings Bank). Class 3 consists of the Allowed Secured Claim of Sterling Savings Bank (“Sterling”).

D. Class 4 (Virann Investments LLC). Class 4 consists of the Allowed Secured Claim of Virann Investments LLC.

E. Class 5 (Umpqua Bank). Class 5 consists of the Allowed Secured Claim of Umpqua Bank.

F. Class 6 (Bank of the Cascades). Class 6 consists of the Allowed Secured Claim of Bank of the Cascades.

G. Class 7 (Grant Alexander). Class 7 consists of any Allowed Secured Claim of Grant Alexander.

H. Class 8 (Small Unsecured Claims). Class 8 consists of Unsecured Claims of less than \$1500 or Unsecured Claims that elect to reduce their claim to \$1500.

I. Class 9 (Large Unsecured Claims). Class 9 consists of the Unsecured Claims that are not in Class 8, in other words, Unsecured Claims larger than \$1500 who do not elect to reduce their claims.

J. Class 10 (Interests). Class 10 consists of the member's ownership interests in the Debtor.

4.

TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS

A. Class 1 (Priority Tax Claims). Class 1 is impaired. Each holder of an Allowed Class 1 Claim will be paid in full in Cash the amount of its Allowed Class 1 Claim, including all interest, costs, fees and charges provided for under any agreement under which such Claim arose or is otherwise allowed by law, in four equal annual installments beginning on the one year anniversary of the Effective Date. Class 1 creditors will be paid any balance remaining due on their claim from the payoff of the Northgate Note after the payments to Classes 2 and 4 set forth below, the payment of administrative expenses (attorney fees as approved by the court) and a tax reserve of \$662,500, 30 days after the Debtor receives payment on the Northgate Note.

B. Class 2 (PremierWest Bank). Class 2 is unimpaired. The secured claim of Class 2 will be paid in full, including all interest, costs, fees and charges provided for under any agreement under which such Claim arose or is otherwise allowed by law, as provided in the Page 10 – **DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION (Dated January 12, 2012)**

notes executed by the Debtor.

C. Class 3 (Sterling Savings Bank). Class 3 is impaired. Sterling's Claim shall be Allowed in full as a Secured Claim. Sterling will retain its security for its loans, and, except as modified herein, its loan documents shall remain valid and binding. Sterling's Allowed Secured Claim shall be amortized over 30 years, with interest on the principal at 4.5% for the first 36 months, and 5.25% for months 37-84. Sterling's Allowed Secured Claim shall be paid in full at the end of 84 months. If the Oregon Department of Justice or another tenant acceptable to Sterling leases the remaining 1,500 square feet of space in the Miller Building within 12 months of the Effective Date, Sterling will finance up to \$45,000 in tenant improvements. In such event, any advance(s) shall be added to Sterling's Allowed Secured Claim and such advance(s) shall be secured by the same security that Sterling now has. If any advance(s) are made, the full amount of the loan (including any advance(s)) shall be amortized over 30 years, with interest at 4.5% for the first nine months after the tenant moves into this space, and 5.25% interest thereafter, with payment in full at the end of 84 months. The monthly payment shall be due on the 15<sup>th</sup> day of each month, beginning with the next calendar month after the Effective Date.

D. Class 4 (Virann Investments LLC). Class 4 is impaired. Virann will retain its security in the Northgate Note, and, when the Note is paid, its security interest shall attach to those proceeds. Virann's Allowed Claim shall accrue interest at 3.00% per annum from the Petition Date, and be paid in full within 10 days after Debtor receives payment on the Northgate Note.

E. Class 5 (Umpqua Bank). Class 5 is impaired. Umpqua Bank will retain its security for its loans, and, except as modified herein, its loan documents shall remain valid and binding. Umpqua's Allowed Claim is based on eight separate loans. Each loan shall be amortized over 30 years at the rate of 4.5% per annum, with the new monthly payment to be due on the 15<sup>th</sup> of each month beginning with the next calendar month after the Effective Date.

F. Class 6 (Bank of the Cascades). Class 6 is impaired. Bank of the Cascades will retain its security for its loan, and, except as modified herein, its loan documents shall remain valid and binding. Bank of the Cascades' Allowed Claim shall be amortized over 30 years at the rate of 4.5% per annum, with the new monthly payment to be due on the 15<sup>th</sup> of each month beginning with the next calendar month after the Effective Date.

G. Class 7 (Grant Alexander). Class 7 is impaired. Any Allowed Claim of Grant Alexander that is deemed secured shall be amortized over 10 years at 3.00% per annum and paid in 10 annual installments beginning on the first yearly anniversary of the Effective Date.

H. Class 8 (Small Unsecured Claims). Class 8 is impaired. Unsecured creditors with Allowed Claims under \$1500 will be paid in full 60 days after the Effective Date. No interest shall accrue on these claims. Unsecured creditors with Allowed Claims in excess of \$1500 may elect to reduce their Allowed Claim to the amount of \$1500 and receive Class 9 treatment.

I. Class 9 (Large Unsecured Claims). Class 9 is impaired. The Class 9 Claims will accrue interest at 0.4% from the Effective Date until the date payment is made. Class 9 creditors will be paid pro rata any balance remaining after the payments to Classes 1, 2 and 4

set forth above, the payment of administrative expenses (attorney fees as approved by the court) and a tax reserve of \$662,500, 30 days after the Debtor receives payment on the Northgate Note. The balance owed on Class 9 Claims shall be paid in full within 30 days after the fifth annual anniversary of the Effective Date.

J. Class 10 (Interests). Class 10 is impaired. Class 10 claimants will retain their Interests in Debtor as existed on the Petition Date, but will not be entitled to any distributions unless and until payment in full has been made on all other Allowed Claims.

5.

#### DISPUTED CLAIMS; OBJECTIONS TO CLAIMS

A. Disputed Claims; Objections to Claims. Only Claims that are Allowed Claims and not subject to an action described in 11 U.S.C. § 502(d) shall be entitled to distributions under the Plan. Debtor reserves the right to contest and object to any Claims and previously scheduled amounts, including, without limitation, those Claims and scheduled amounts that are specifically referenced herein, are not listed in the Schedules, are listed therein as disputed, contingent and/or unliquidated in amount, or are listed therein at a different amount than the Debtor currently believes is validly due and owing. Unless otherwise ordered by the Bankruptcy Court, all objections to Claims and scheduled amounts (other than Administrative Expense Claims) shall be Filed and served upon counsel for Debtor and the holder of the Claim objected to on or before the later of (a) ninety (90) days after Effective Date or (b) ninety (90) days after the date (if any) on which a Proof of Claim is Filed in respect of a Rejection Claim, whichever is later. The last day for filing objections to Administrative Expense Claims

shall be set pursuant to an order of the Bankruptcy Court. All Disputed Claims shall be resolved by the Bankruptcy Court.

6.

IMPLEMENTATION OF THE PLAN.

A. Setoff. The Debtor may, but shall not be required to, setoff against any Claim and the distributions to be made pursuant to the Plan in respect of such Claim, any claims of any nature whatsoever which the Debtor may have against the holder or such Claim, but neither a failure to do so nor the allowance of any Claim hereunder shall constitute a waiver of release of any such claim the Debtor may have against such holder.

B. Distribution of Cash Proceeds. On each Distribution Date, Debtor shall distribute Cash to Creditors as provided in the Plan. If the funds available are not sufficient to pay the claims in full, the Distribution to each Unsecured Creditors shall be made on a Pro Rata basis, including in such calculation all Disputed Claims in the amount claimed by the Creditor . The Cash for the share to Disputed Claims shall be held by the Debtor.

Cash reserved for Disputed Claims shall be distributed to holders thereof as and to the extent the Allowed amounts thereof are determined. Any Cash reserved in excess of the Allowed amount of the Disputed Claim shall be added to the Distribution to Unsecured Creditors on the next Distribution Date.

C. Distribution of Unclaimed Cash. Unclaimed Cash shall be added to the Distribution to Unsecured Creditors on the next scheduled date, and the Allowed Claim upon which the Unclaimed Cash was originally distributed shall be deemed disallowed.

D. Timing of Distributions. Notwithstanding anything to the contrary herein:

(a) any distribution required by the Plan to be made on the Effective Date in respect of a Claim shall be made as soon as practicable after (but in any event within fifteen (15) days of) the latter of (i) the Effective Date or (ii) the Allowance Date or date any other conditions to distribution with respect to such Claim shall have been satisfied; and (b) any distributions required by the Plan or any instrument or contract issued pursuant to the Plan to be made on a date subsequent to the Effective Date shall be made on the latter of (i) such date or (ii) as soon as practicable after (but in any event within fifteen (15) days of) the date on which the pertinent Claim becomes Allowed and any other conditions to distribution with respect to such Claim shall have been satisfied.

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

F. Utility Deposits. All utilities holding a utility deposit shall immediately after the Effective Date return or refund such utility deposit to Debtor. At the sole option of Debtor, the Debtor may apply any utility deposit that has not been refunded to Debtor in satisfaction of any payments due or to become due from the Debtor to a utility holding such a utility deposit.

G. Event of Default; Remedy. Except as otherwise provided in the Plan or in the Confirmation Order, in the event Debtor shall default in the performance of any of its obligations under the Plan, and shall not have cured such a default within ten (10) days after



receipt of written notice of default from the Creditor to whom the performance is due, then such Creditor may seek an Order from the Bankruptcy Court to compel such performance. An event of default occurring with respect to one Claim or Interest shall not be an event of default with respect to any other Claim or Interest.

H. Annual Reporting. During the term the Reorganized Debtor has an obligation to make distributions to Unsecured Creditors, it will prepare an annual report by forty-five (45) days after the close of each preceding calendar year detailing its financial performance, and will make such report available to all holders of Allowed Claims requesting a copy. Such reports shall include an actual to budget comparison for the Reorganized Debtor.

I. Final Order. Any requirement in the Plan for a Final Order may be waived by Debtor; provided, however, that nothing contained herein shall prejudice the right of any party in interest to seek a stay pending appeal with respect to such Final Order.

J. Winding Up Affairs. On the final Distribution Date, Debtor may, without the need for any action by or order from the Bankruptcy Court, dispose of or destroy any and all records maintained by Debtor relating to the Chapter 11 Case.

7.

#### EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Generally. Effective on and as of the Effective Date, all executory contracts and unexpired leases that exist as of the Effective Date between Debtor and any entity are hereby specifically assumed, with the exception of any executory contracts and unexpired leases that are rejected as set forth in the Confirmation Order.

B. Rejection Claims. Rejection Claims must be Filed no later than thirty (30) days after the Effective Date. Any Rejection Claim not filed within such time shall be forever barred from assertion against Debtor, and its property and estate. Each Rejection Claim shall constitute a Class 9 Claim.

8.

#### EFFECT OF CONFIRMATION

The effect of confirmation shall be as set forth in Section 1141 of the Bankruptcy Code. Except as otherwise provided in the Plan or in the Confirmation Order, confirmation of the Plan shall act as a permanent injunction applicable to entities against (a) the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against Debtor that was or could have been commenced against the Debtor before the entry of the Confirmation Order, (b) the enforcement against Debtor or its assets of a judgment obtained before the Petition Date, and (c) any act to obtain possession of or to exercise control over, or to create, perfect or enforce a lien upon all or any part of the assets of the Debtor.

9.

#### MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN

A. Modification of Plan. Debtor may alter, amend or modify the Plan pursuant to Section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 at any time prior to the time the Bankruptcy Court has signed the Confirmation Order. After such time, and prior to the substantial consummation of the Plan, Debtor may, so long as the treatment of holders of

Claims and Interest under the Plan are not adversely affected, institute proceedings in Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, Disclosure Statement or Confirmation Order, or other matters as may be necessary to carry out the purposes and effects of the Plan. Provided, however, that prior notice of such proceedings shall be served, if necessary, in accordance with Bankruptcy Rule 2002.

B. Revocation or Withdrawal of Plan.

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

2. Effect of Withdrawal or Revocation. If Debtor revokes or withdraws the Plan prior to the Effective Date, the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against Debtor or any other entity, or to prejudice in any manner the rights of Debtor or any other entity in any further proceedings involving Debtor.

3. Nonconsensual Confirmation. Debtor shall request that the Bankruptcy Court confirm the Plan pursuant to Section 1129(b) of the Bankruptcy Code if the requirements of all provisions of Section 1129(a) of the Bankruptcy Code except Section 1129(a)(8) are met.

10.

RETENTION OF JURISDICTION

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

- (a) to classify the Claim or interest of any Creditor or equity holder, reexamine Claims or Interests which have been allowed for voting purposes, and determine any objections that may be Filed to Claims or Interests;
- (b) to determine requests for payment of Claims entitled to priority under Section 507(a)(2) of the Bankruptcy Code, including compensation and reimbursement of expenses in favor of professionals employed at the expense of the estate,
- (c) to hear and determine actions to avoid transfers or recover preferences and all other Rights of Action asserted by Debtor pending on the Effective Date or asserted after the Effective Date;
- (d) to approve the assumption, assignment or rejection of an executory contract or an unexpired lease and the allowance of Claims resulting therefrom;
- (e) to approve the sale or lease of property free and clear of all liens and encumbrances in accordance with 11 U.S.C. § 363 if so requested by Debtor;
- (f) to resolve controversies and disputes regarding the interpretation of this Plan;
- (g) to implement the provisions of this Plan and enter orders in aid of execution of the Plan or to enforce the Confirmation Order;
- (h) to adjudicate adversary proceedings and contested matters pending or hereafter commenced in this Chapter 11 Case;
- (i) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;

(j) to hear and determine any applications to modify the Plan, to cure any defect or omission, or to reconcile any inconsistency in the Plan or related documents or in any order of the Bankruptcy Court, including the Confirmation Order;

(k) to insure that distributions to holders of Allowed Claims are accomplished as provided herein;

(l) to hear and determine any other matters related hereto and not inconsistent with Chapter 11 of the Bankruptcy Code;

(m) to enter a final decree closing this Chapter 11 proceeding.

B. Following the Effective Date. Following the Effective Date, the Bankruptcy Court will retain non-exclusive jurisdiction of the Chapter 11 Case for the following purposes:

(a) to recover all assets of Debtor, wherever located;

(b) to hear and determine any motions or contested matters involving taxes, tax refunds, tax attributes and tax benefits and similar or related matters with respect to Debtor or its estate, arising prior to the Effective Date or relating to the period of administration of the Chapter 11 Case, including, without limitation, matters concerning state, local and federal taxes in accordance with Section 346, 505 and 1146 of the Bankruptcy Code; and

(c) to hear any other matter not inconsistent with the Bankruptcy Code.

C. Failure of Bankruptcy Court to Exercise Jurisdiction. If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in, or related to the Chapter 11 Case, including the matters set forth in Section 10.1 and 10.2 above, this Article shall not prohibit or limit the exercise of jurisdiction by any other court

having competent jurisdiction with respect to such subject matter.

11.

MISCELLANEOUS PROVISIONS

A. Revesting. Except as otherwise expressly provided herein, on the Effective Date, all property and assets of the estate of Debtor shall revert in the Reorganized Debtor, free and clear of all claims, liens encumbrances, charges and other Interests of Creditors arising on or before the Effective Date.

B. Rights of Action. Except as otherwise expressly provided herein, any rights or causes of action (including, without limitation, any and all Rights of Action) accruing to Debtor shall become assets of the Reorganized Debtor. The Reorganized Debtor may pursue such rights of action, as appropriate, in accordance with what it determines to be in the best interests of Creditors consistent with the terms of this Plan.

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

D. Withholding and Reporting Requirements. In connection with the Plan and all instruments issued in connection therewith and distributions thereon, Debtor shall comply with all withholding, reporting, certification and information requirements imposed by any federal, state, local or foreign taxing authorities and all distributions hereunder shall, to the extent applicable, be subject to any such withholding, reporting, certification and information

requirements. Entities entitled to receive distributions hereunder shall, as a condition to receiving such distributions, provide such information and take such steps as Debtor may reasonably require to ensure compliance with such withholding and reporting requirements, and to enable Debtor to obtain the certifications and information as may be necessary or appropriate to satisfy the provisions of any tax law.

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

F. Section 1146(c) Exemption. Pursuant to Section 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan, or the execution, delivery or recording of an instrument of transfer pursuant to, in implementation of or as contemplated by the Plan, or the revesting, transfer or sale of any real property of Debtor pursuant to, in implementation of or as contemplated by the Plan, shall not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any city, county or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument without requiring the payment of any documentary stamp tax, deed stamps, transfer tax, intangible tax or similar tax.

G. Severability. In the event that any provision of the Plan is determined to be

unenforceable, such determination shall not limit or affect the enforceability and operative effect of any other provisions of the Plan. To the extent that any provision of the Plan would, by its inclusion in the Plan, prevent or preclude the Bankruptcy Court from entering the Confirmation Order, the Bankruptcy Court, on the request of Debtor, may modify or amend such provision, in whole or in part, as necessary to cure any defect or remove any impediment to the confirmation of the Plan existing by reason of such provision.

H. Binding Effect. The provisions of the Plan shall bind Debtor and all holders of Claims and Interests, and their respective successors, heirs and assigns.

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

J. Notices. Any notice, request or demand required or permitted to be made or provided to or on Debtor under this Plan shall be in writing and served by (a) certified mail, return receipt requested; (b) hand delivery; or (c) overnight delivery, with proof of service and shall be deemed to have been duly given or made when actually delivered or received by addressee, addressed as follows:

Redco Development Co., LLC  
235 S. Oakdale  
Medford, OR 97501

And to its attorney:

James Ray Streinz  
McEwen Gisvold LLP  
1100 SW Sixth Ave. #1600  
Portland, OR 97204



Any party listed above may alter the address for receiving notice hereunder by filing a notification of such alteration with all other parties and the Bankruptcy Court.

K. Plan Controls. In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, or any other instrument or agreement contemplated to be executed pursuant to the Plan, the provisions of the Plan shall control and take precedence.

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

DATED January 12, 2012.

Respectfully submitted:

REDCO DEVELOPMENT CO., LLC

By /s/ Russ Dale  
Russ Dale, Managing Member

Submitted by:

McEWEN GISVOLD LLP

By /s/ James Ray Streinz  
James Ray Streinz, OSB No. 79410  
Attorneys for Debtor

## Exhibit 2 - Redco Liquidation Analysis

<u>Assets less secured debt</u>		<u>Value</u>
Miller Building	1,380,000	
Sterling Savings Bank	<u>1,754,000</u>	
Net		0
McCall Condominiums	910000	
Umpqua Bank	970000	
Bank of the Cascades	<u>256,000</u>	
Net		0
Northgate Note	3400000	
Premier West Bank	3270000	
Virann	<u>800000</u>	
Net		0
Archerd & Dresner Note	94000	94000
Good Nite LLC	151000	151000
Yondorf & Dale LLC	148230	<u>148230</u>
Net Assets		393230
 <u>Priority Debts</u>		
Taxes on Northgate Note	660000	
Chapter 7 Trustee Expenses	8000	
Administrative Expenses	70000	
Priority Taxes	<u>8000</u>	
		<u>746000</u>
 <u>Net Available to Unsecured Creditors</u>		 0

All assets valued at liquidation values based on marketability, return and risk.

**Exhibit 3 - Northgate Note Payoff**

Northgate Note - Principal & Accrued Interest 5/4/09	\$4,433,388.89	
Interest @ 6.5% 5/4/09 thru 6-15-12	\$809,917.82	
Payoff of Northgate Note		\$5,243,306.71
Payments		
Virann - Principal and Accrued Interest 8/3/10	\$782,388.70	
Interest @ 3% 8/3/10 thru 6/15/12	\$106,940.32	
		\$889,329.02
Premier West - Principal	\$3,266,471.00	
Interest @ 3% 8/3/10 thru 6/15/12	\$174,711.45	
		\$3,441,182.45
Tax Reserve		\$662,500.00
Attorney Fees (Administrative Expenses)		\$80,000.00
State and Federal taxes (Class 1)		\$6,597.91
		<hr/>
BALANCE REMAINING FOR CLASS 10		\$163,697.33

IN RE: REDCO DEVELOPMENT CO., LLC

Bankruptcy Case No. 10-64783-fra11

PLAN AND DISCLOSURE STATEMENT

Exhibit 4

# McEwen Gisvold LLP

Attorneys at Law  
Suite 1600, 1100 SW Sixth Avenue  
Portland, Oregon 97204  
(503) 226-7321  
Fax: (503) 243-2687

## MEMO TO FILE

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DATE : April 26, 2011  
TO : J. Ray Streinz  
FROM : Sondra M. Healey, Paralegal  
Re : Stephen L. Morgan and J. Guy Farthing (File No. 10042-001)  
Asset Search

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**THE FOLLOWING ARE THE VARIOUS COMPANIES THAT STEPHEN L. MORGAN OR J. GUY FARTHING, AND/OR ONE OF THEIR LLCs OR TRUSTS ARE A MEMBER AND/OR REGISTERED AGENT FOR:**

**Stephen L. Morgan:**

OR - Capt'n Morgan LLC, Financial Freedom Services, Morgan Family Development, LLC, Morgan Family Investments, LLC, Morgan Insurance Solutions, Morgan Pacific, L.L.C., and Northgate Center LLC.

**J. Guy Farthing:**

OR - Northgate Center LLC, and Quarterpenny Corporation

CA - Quarterpenny Corporation

AZ - Sandstone-Tucson LLC, Quarterpenny Corporation

**THE FOLLOWING IS REAL PROPERTY OWNED BY STEPHEN L. MORGAN OR J. GUY FARTHING, AND/OR ONE OF THEIR LLCs OR TRUSTS:**

**Stephen L. Morgan:**

<u>Property Address</u>	<u>Total Market Value</u>	<u>Assessed Value</u>
1. 1283 Gardner Way	\$1,048,820.00	\$759,620.00

EXHIBIT 4  
PAGE 2 OF 17

Medford, OR 97504-9300

2.	120 Jackson Creek Dr Jacksonville, OR 97530-9701	\$243,210.00	\$172,480.00
3.	144 Crocker St Ashland, OR 97520	\$208,980.00	\$174,550.00
4.	279 Island Pointe Dr Medford, OR 97504-9453	\$781,310.00	\$550,080.00
5.	245 Jackson Creek Dr Jacksonville, OR 97530-9792	\$433,650.00	\$366,580.00
6.	150 Crocker St Ashland, OR 97520-8797	\$218,110.00	\$187,650.00
7.	1089 Medford Ctr Medford, OR 97504-6769	\$35,400.00	\$36,380.00
8.	711 Medford Ctr 413 Medford, OR 97504-6772	?	?

**J. Guy Farthing:**

	<u>Property Address</u>	<u>Total Market Value</u>	<u>Assessed Value</u>
9.	1410 NW 189 <sup>th</sup> Way Beaverton, OR 97006-6924	\$4,389,020.00	\$?
10.	6921 N Saint Andrews Dr Tucson, AZ 85718-1720	\$851,097.00	\$85,110.00
11.	5320 SW Macadam Ave Portland, OR 97239-3886	\$4,147,210.00	\$2,820,910.00
12.	12807 Northwoods Blvd Truckee, CA 96161-6338	\$406,943.00	\$?
13.	7171 E Rosslare Dr Tucson, AZ 85715-3444	\$177,126.00	\$17,712.00
14.	10930 Lucky Oak St Cupertino, CA 95014-0126	\$?	\$312,059.00

**LLCs/Corporations/Trusts:**

See attached 'Property Deeds' search results.

**Property Deeds****1. FINANCIAL FREEDOM SERVICES**

Property Address - 3218 ROCHESTER RD, MEMPHIS TN 38109-3283 Owner Name - FINANCIAL FREEDOM SERVICES, Seller Name - GLEETON, DEWAYNE Owner Address - 600 S PERKINS RD 5, MEMPHIS TN 38117-4706 Seller Address - Data Source - B	Sale Date - 03/12/2009 Recording Date - 03/31/2009 Parcel Number - 075-057-- -00085 Document Type - QUIT CLAIM DEED County - SHELBY
Property Address - 3119 PRINCETON AVE, MEMPHIS TN 38112-3007 Owner Name - FINANCIAL FREEDOM SERVICES, Seller Name - GLEETON, DEWAYNE Owner Address - 600 S PERKINS RD 5, MEMPHIS TN 38117-4706 Seller Address - Data Source - B	Sale Date - 03/12/2009 Recording Date - 03/31/2009 Parcel Number - 044-003-- -00015 Document Type - QUIT CLAIM DEED County - SHELBY
Property Address - 3218 ROCHESTER RD, MEMPHIS TN 38109-3283 Owner Name - FINANCIAL FREEDOM SERVICES Seller Name - GLEETON DEWAYNE Owner Address - 600 S PERKINS RD UNIT 5, MEMPHIS TN 38117- 4706 Seller Address - Data Source - A	Sale Date - 03/12/2009 Recording Date - 03/31/2009 Parcel Number - 075-057 -085 Document Type - QUIT CLAIM Land Usage - SINGLE FAMILY RESIDENCE County - SHELBY
Property Address - 3119 PRINCETON AVE, MEMPHIS TN 38112-3007 Owner Name - FINANCIAL FREEDOM SERVICES Seller Name - GLEETON DEWAYNE Owner Address - 600 S PERKINS RD UNIT 5, MEMPHIS TN 38117- 4706 Seller Address - Data Source - A	Sale Date - 03/12/2009 Recording Date - 03/31/2009 Parcel Number - 044-003 -015 Document Type - QUIT CLAIM Land Usage - SINGLE FAMILY RESIDENCE County - SHELBY
Property Address - 24800 CARLOS PL, NEWHALL CA 91321-3405 Owner Name - GITLIN, ROGER Seller Name - FINANCIAL FREEDOM SERVICES Owner Address - 24800 CARLOS PL, NEWHALL CA 91321-3405 Seller Address - Sale Amount - \$500,000 Mortgage Amount - \$449,500 Data Source - A	Sale Date - 07/31/2002 Recording Date - 08/23/2002 Parcel Number - 2829-030-057 Document Type - DEED Land Usage - SINGLE FAMILY RESIDENCE County - LOS ANGELES

**2. MORGAN FAMILY INVESTMENTS, LLC**

Property Address - 29 DUNE LN Owner Name - MORGAN FAMILY INVESTMENTS LLC, Seller Name - MORGAN LEGACY LLC, Seller Name 2 - MORGAN FAMILY HOLDINGS LLC,	Sale Date - 06/30/2010 Recording Date - 07/19/2010 Parcel Number - R550 015 00A 0280 0000
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Owner Address - 416 STONE HAVEN DR, WAYNESVILLE NC 28786-5980 Seller Address - Data Source - B	Document Type - DEED County - BEAUFORT
Property Address - 29 DUNE LN, HILTON HEAD SC 29928-6539 Owner Name - MORGAN FAMILY INVESTMENTS LLC Seller Name - MORGAN LEGACY LLC Owner Address - 416 STONE HAVEN DR, WAYNESVILLE NC 28786-5980 Seller Address - Data Source - A	Sale Date - 06/30/2010 Recording Date - 07/19/2010 Parcel Number - R550-015-00A-0280- 0000 Document Type - DEED Land Usage - SINGLE FAMILY RESIDENCE County - BEAUFORT
Property Address - 3200 W SUNSET RD, LAS VEGAS NV 89118-3877 Owner Name - MORGAN FAMILY INVESTMENTS LLC Owner Address - Data Source - A	Recording Date - 11/09/2009 Parcel Number - 162-32-414-001 Document Type - NOTICE OF DEFAULT Land Usage - WAREHOUSE County - CLARK
Property Address - Owner Name - MORGAN FAMILY INVESTMENTS LLC Owner Address - 331 BYERLEY BEND RD, BLAINE TN 37709-5902 Mortgage Amount - \$775,000 Data Source - A	Sale Date - 02/06/2009 Recording Date - 02/17/2009 Document Type - DEED OF TRUST County - GRAINGER
Property Address - 134 RUTLEDGE PIKE, BLAINE TN 37709-2416 Owner Name - MORGAN FAMILY INVESTMENTS LLC Seller Name - MORGAN DEV LLC Owner Address - 134 RUTLEDGE PIKE, BLAINE TN 37709-2416 Seller Address - Data Source - A	Sale Date - 11/26/2008 Recording Date - 12/01/2008 Parcel Number - 098-107.00 Document Type - QUIT CLAIM Land Usage - AGRICULTURAL County - GRAINGER
Property Address - 3200 W SUNSET RD, LAS VEGAS NV 89118-3877 Owner Name - MORGAN FAMILY INVESTMENTS LLC Seller Name - WATER DAMAGE SERVICES LLC Owner Address - Seller Address - Data Source - A	Recording Date - 04/07/2008 Parcel Number - 162-32-414-001 Document Type - RELEASE/RECISION Land Usage - WAREHOUSE County - CLARK
Property Address - 3200 W SUNSET RD, LAS VEGAS NV 89118-3877 Owner Name - MORGAN FAMILY INVESTMENTS LLC Seller Name - CONSTRUCTION BY MIRAGE Owner Address - 3200 W SUNSET RD, LAS VEGAS NV 89118-3877 Seller Address - Data Source - A	Recording Date - 02/26/2008 Parcel Number - 162-32-414-001 Document Type - MECHANIC OR HOA LIEN Land Usage - WAREHOUSE County - CLARK
Property Address - 3200 W SUNSET RD, LAS VEGAS NV 89118-3877 Owner Name - MORGAN FAMILY INVESTMENTS LLC Seller Name - WATER DAMAGE SERVICES LLC Owner Address - 3200 W SUNSET RD, LAS VEGAS	Recording Date - 02/26/2008 Parcel Number - 162-32-414-001 Document Type - MECHANIC OR HOA LIEN Land Usage - WAREHOUSE County - CLARK



NV 89118-3877 Seller Address - Data Source - A	
Property Address - Owner Name - MORGAN FAMILY INVESTMENTS LLC Seller Name - AABACUS INDUSTRIAL PARK INC Seller Name 2 - AABACUS MINI WAREHOUSE INC Owner Address - 3200 W TECO AVE, LAS VEGAS NV 89118 Seller Address - 3200 W 660TH S, LAS VEGAS NV 89118 Mortgage Amount - \$5,600,000 Data Source - B	Sale Date - 11/21/2005 Recording Date - 11/23/2005 Parcel Number - 162-02-401-009 Document Type - BARGAIN AND SALE DEED Land Usage - COMMERCIAL County - CLARK Brief Description - PORTION FINAL MAP AABACUS INDUSTRIAL CENTER
Property Address - 3200 W SUNSET RD, LAS VEGAS NV 89118-3877 Owner Name - MORGAN FAMILY INVESTMENTS LLC Seller Name - AABACUS INDUSTRIAL PARK INC Owner Address - 3200 W TECO AVE, LAS VEGAS NV 89118 Seller Address - Mortgage Amount - \$5,600,000 Data Source - A	Sale Date - 11/21/2005 Recording Date - 11/23/2005 Parcel Number - 162-32-401-009 Document Type - DEED Land Usage - WAREHOUSE County - CLARK
Property Address - 3200 W SUNSET RD, LAS VEGAS NV 89118-3877 Owner Name - MORGAN FAMILY INVESTMENTS LLC Seller Name - AABACUS INDUSTRIAL PARK INC Owner Address - 3200 W TECO AVE, LAS VEGAS NV 89118 Seller Address - Mortgage Amount - \$5,600,000 Data Source - A	Sale Date - 11/21/2005 Recording Date - 11/23/2005 Parcel Number - 162-32-414-001 Document Type - DEED Land Usage - WAREHOUSE County - CLARK
Property Address - 3200 W SUNSET RD, LAS VEGAS NV 89118-3877 Owner Name - MORGAN FAMILY INVESTMENTS LLC Owner Address - Mortgage Amount - \$5,600,000 Data Source - A	Recording Date - 09/03/2010 Parcel Number - 162-32-414-001 Document Type - NOTICE OF DEFAULT Land Usage - WAREHOUSE County - CLARK
Property Address - Owner Name - MORGAN FAMILY INVESTMENTS Seller Name - MORGAN BETTY DODSON Owner Address - 25881 APPIAN WAY, MISSION VIEJO CA 92691-4705 Seller Address - Data Source - A	Sale Date - 11/05/1997 Recording Date - 11/17/1997 Parcel Number - 8600022400 Document Type - QUIT CLAIM Land Usage - VACANT County - DAVIDSON
Property Address - 4000 ANDREW JACKSON PKWY, HERMITAGE TN 37076-2220 Owner Name - MORGAN FAMILY INVESTMENTS Seller Name - MORGAN BETTY DODSON Owner Address - 25881 APPIAN WAY, MISSION VIEJO CA 92691-4705 Seller Address - Data Source - A	Sale Date - 11/05/1997 Recording Date - 11/17/1997 Parcel Number - 8600005800 Document Type - QUIT CLAIM Land Usage - AMUSEMENT RECREATION County - DAVIDSON
Property Address - 3647 CENTRAL PIKE, HERMITAGE TN 37076-3404	Sale Date - 11/05/1997 Recording Date - 11/17/1997

Owner Name - MORGAN FAMILY INVESTMENTS Seller Name - MORGAN BETTY DODSON Owner Address - 25881 APPIAN WAY, MISSION VIEJO CA 92691-4705 Seller Address - Data Source - A	Parcel Number - 8600005400 Document Type - QUIT CLAIM Land Usage - INDUSTRIAL County - DAVIDSON
Property Address - 3200 W SUNSET RD, LAS VEGAS NV 89118-3877 Owner Name - MORGAN FAMILY INVESTMENTS INC Seller Name - CONSTRUCTION BY MIRAGE Owner Address - Seller Address - Data Source - A	Recording Date - 07/18/2008 Parcel Number - 162-32-414-001 Document Type - RELEASE/RECISION Land Usage - WAREHOUSE County - CLARK

**3. MORGAN FAMILY DEVELOPMENT, LLC**

Property Address - 3894 CHERRY LN, MEDFORD OR 97504-9306 Owner Name - MORGAN FAMILY DEVELOPMENT LLC Seller Name - MAHAR HOMES INC Owner Address - 711 MEDFORD CTR 413, MEDFORD OR 97504-6772 Seller Address - Sale Amount - \$350,000 Mortgage Amount - \$1,106,149 Data Source - B	Sale Date - 03/16/2005 Recording Date - 03/18/2005 Document Type - WARRANTY DEED Land Usage - COMMERCIAL County - JACKSON
Property Address - 5626 SADDLE RIDGE DR, MEDFORD OR 97504-9118 Owner Name - MORGAN FAMILY DEVELOPMENT LLC Owner Address - Mortgage Amount - \$100,000 Data Source - B	Sale Date - 02/25/2005 Recording Date - 03/07/2005 Land Usage - COMMERCIAL County - JACKSON

**4. MORGAN PACIFIC, LLC**

Property Address - 586 SUTTON PL, ASHLAND OR 97520-1481 Owner Name - MORGAN PACIFIC LLC Seller Name - ARCHERD & DRESNER LLC Owner Address - 711 MEDFORD CTR 413, MEDFORD OR 97504-6772 Seller Address - Sale Amount - \$150,000 Mortgage Amount - \$301,000 Data Source - A	Sale Date - 08/13/2002 Recording Date - 08/14/2002 Parcel Number - 0010965842 Document Type - DEED Land Usage - VACANT County - JACKSON
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**5. NORTHGATE CENTER, LLC**

Property Address - Owner Name - NORTHGATE CENTER LLC Owner Address - 711 MEDFORD CTR UNIT 413, MEDFORD OR 97504-6772 Mortgage Amount - \$1,000,000 Data Source - A	Sale Date - 09/07/2010 Recording Date - 09/29/2010 Parcel Number - 10828661 Document Type - DEED OF TRUST Land Usage - VACANT County - JACKSON
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Property Address - 1901 N PACIFIC HWY, MEDFORD OR 97501	Sale Date - 09/07/2010
Owner Name - NORTHGATE CENTER LLC	Recording Date - 09/29/2010
Owner Address - 711 MEDFORD CTR UNIT 413, MEDFORD OR 97504-6772	Parcel Number - 10385591
Mortgage Amount - \$600,000	Document Type - DEED OF TRUST
Data Source - A	Land Usage - VACANT
	County - JACKSON

## 6. QUARTERPENNY CORPORATION

Property Address - 13310 E REDINGTON RD, TUCSON AZ 85749-5602	Sale Date - 09/16/2010
Owner Name - QUARTERPENNY CORPORATION,	Recording Date - 09/24/2010
Seller Name - SMALL, SANDRA LEE	Parcel Number - 205-45-1660
Seller Name 2 - SANDRA LEE SMALL TRUST,	Document Type - WARRANTY DEED
Owner Address - 6430 E CALLE CAVILLO, TUCSON AZ 85750-1264	Land Usage - SINGLE FAMILY RESIDENCE
Seller Address -	County - PIMA
Sale Amount - \$515,000	
Data Source - B	

Property Address -	Sale Date - 09/23/2005
Owner Name - QUARTERPENNY CORP	Recording Date - 09/26/2005
Owner Name 2 - PFS II LLC	Document Type - BARGAIN AND SALE DEED
Owner Name 3 - BRANDCO INC	County - WASHINGTON
Owner Name 4 - H GERALD BIDWELL REVOCABLE TRUST	Brief Description - SW4 SEC26 TWP01N RNG02W WM WILLIAM H BENNETT DLC #47
Seller Name - CORTLAND INVESTORS LLC	
Owner Address - 1211 SW 5TH AVE STE 1700, PORTLAND OR 97204-3717	
Seller Address -	
Data Source - B	

Property Address - 6430 E CALLE CAVILLO, TUCSON AZ 85750-1264	Sale Date - 04/10/2003
Owner Name - QUARTERPENNY CORP	Recording Date - 05/27/2003
Seller Name - HARKER BONNA	Parcel Number - 114-04-3910
Owner Address - 10930 LUCKY OAK ST, CUPERTINO CA 95014-0126	Document Type - DEED
Seller Address -	Land Usage - SINGLE FAMILY RESIDENCE
Sale Amount - \$370,000	County - PIMA
Data Source - A	

Property Address -	Sale Date - 09/27/1994
Owner Name - QUARTERPENNY CORP	Recording Date - 09/27/1994
Seller Name - FARTHING TRUST	Document Type - DEED
Owner Address - 10930 LUCKY OAK ST, CUPERTINO CA 95014-0126	Land Usage - MISCELLANEOUS
Seller Address -	County - MULTNOMAH
Data Source - A	

Property Address - 10930 LUCKY OAK ST, CUPERTINO CA 95014-0126	Recording Date - 12/15/1993
Owner Name - FARTHING, J	Parcel Number - 32657004
Seller Name - QUARTERPENNY CORP	Document Type - DEED
Owner Address - 10930 LUCKY OAK ST, CUPERTINO CA 95014-0126	Land Usage - SINGLE FAMILY RESIDENCE
Seller Address -	County - SANTA CLARA

Sale Amount - \$243,000  
Mortgage Amount - \$300,000  
Data Source - A

### 7. QUARTERPENNY CORPORATION

Property Address - 405 E PRINCE RD, TUCSON AZ 85705-6150	Sale Date - 03/16/2007
Owner Name - SANDSTONE TUCSON LLC	Recording Date - 03/21/2007
Seller Name - SANDSTONE ARIZONA LLC	Parcel Number - 106-01-201B
Owner Address - 10930 LUCKY OAK ST, CUPERTINO CA 95014-0126	Document Type - SPECIAL WARRANTY DEED
Seller Address -	Land Usage - APARTMENTS
Sale Amount - \$13,750,000	County - PIMA
Data Source - B	

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**Property Deeds Search Results**

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**Search Terms Used - Last Name: FARTHING; First Name: JAMES; Middle Name: GUY;**

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Property Deeds	Reports
<b>1.</b> Property Address - 7113 HIGH SADDLE CT, HAMILTON <b>OH 45011-9264</b> Owner Name - FARTHING, JAMES G Owner Name 2 - FARTHING, JULIE M Owner Address - Mortgage Amount - \$242,400 Data Source - B	Sale Date - 09/01/2010 Recording Date - 09/07/2010 Parcel Number - D2020-180.000-070 Land Usage - PLANNED UNIT DEVELOPMENT County - BUTLER
<b>2.</b> Property Address - 7113 HIGH SADDLE CT, HAMILTON <b>OH 45011-9264</b> Owner Name - FARTHING, JAMES G & JULIE M Owner Address - 7113 HIGH SADDLE CT, HAMILTON <b>OH 45011-9264</b> Mortgage Amount - \$242,400 Data Source - A	Sale Date - 09/01/2010 Recording Date - 09/07/2010 Parcel Number - D2020-150-000-070 Document Type - DEED OF TRUST Land Usage - SINGLE FAMILY RESIDENCE County - BUTLER
<b>3.</b> Property Address - 7113 HIGH SADDLE CT, HAMILTON <b>OH 45011-9264</b> Owner Name - FARTHING, JAMES G Owner Name 2 - FARTHING, JULIE M Seller Name - CHARLES, CRAIG A Seller Name 2 - CHARLES, DEBORAH D Owner Address - 7113 HIGH SADDLE CT, HAMILTON <b>OH 45011-9264</b> Seller Address - Sale Amount - \$314,000 Mortgage Amount - \$240,000 Data Source - B	Sale Date - 05/25/2006 Recording Date - 05/26/2006 Parcel Number - D2020-150.000-070 Document Type - SURVIVORSHIP DEED Land Usage - PLANNED UNIT DEVELOPMENT County - BUTLER
<b>4.</b> Property Address - 5605 MONICA DR, FAIRFIELD <b>OH 45014-3967</b> Owner Name - WALLACE, BETTY LOUISE Seller Name - FARTHING, JAMES G Seller Name 2 - FARTHING, JULIE M Owner Address - Seller Address - Sale Amount - \$230,000 Mortgage Amount - \$125,000 Data Source - B	Sale Date - 05/25/2006 Recording Date - 06/02/2006 Parcel Number - A0700-179.000-074 Document Type - WARRANTY DEED Land Usage - SINGLE FAMILY RESIDENCE County - BUTLER
<b>5.</b> Property Address - 7113 HIGH SADDLE CT, HAMILTON <b>OH 45011-9264</b> Owner Name - FARTHING, JAMES G & JULIE M Seller Name - CHARLES CRAIG A & DEBORAH D Owner Address - 7113 HIGH SADDLE CT, HAMILTON <b>OH 45011-9264</b> Seller Address - Sale Amount - \$314,000 Mortgage Amount - \$240,000 Data Source - A	Sale Date - 05/25/2006 Recording Date - 05/26/2006 Parcel Number - D2020-150-000-070 Document Type - DEED Land Usage - SINGLE FAMILY RESIDENCE County - BUTLER
<b>6.</b> Property Address - 5605 MONICA DR, FAIRFIELD <b>OH 45014-3967</b> Owner Name - WALLACE, BETTY Seller Name - FARTHING JAMES G & JULIE M Owner Address - 5605 MONICA DR, FAIRFIELD <b>OH 45014-3967</b> Seller Address - Sale Amount - \$230,000 Mortgage Amount - \$125,000 Data Source - A	Sale Date - 05/25/2006 Recording Date - 06/02/2006 Parcel Number - A0700-179-000-074 Document Type - DEED Land Usage - SINGLE FAMILY RESIDENCE County - BUTLER
<b>7.</b> Property Address - 12807 NORTHWOODS BLVD, TRUCKEE CA 96161-6338 Owner Name - FARTHING FAMILY TRUST Seller Name - FARTHING JAMES G Owner Address - 10930 LUCKY OAK ST, CUPERTINO	Sale Date - 12/01/2003 Recording Date - 12/04/2003 Parcel Number - 45 050 29 Document Type - QUIT CLAIM Land Usage - CONDOMINIUM

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	CA 95014-0126 Seller Address - Data Source - A	(RESIDENTIAL) County - NEVADA
8.	Property Address - 5100 SOUTHVIEW DR, FAIRFIELD OH 45014-2799 Owner Name - CLARK, KELLY Seller Name - FARTHING JAMES G & JULIA M Owner Address - 5100 SOUTHVIEW DR, FAIRFIELD OH 45014-2799 Seller Address - Sale Amount - \$96,400 Data Source - A	Sale Date - 04/23/1999 Recording Date - 04/28/1999 Parcel Number - A0700040000022 Document Type - DEED Land Usage - SINGLE FAMILY RESIDENCE County - BUTLER
9.	Property Address - 5100 SOUTHVIEW DR, FAIRFIELD OH 45014-2799 Owner Name - CLARK, KELLY Seller Name - FARTHING JAMES G & JULIA M Owner Address - 5100 SOUTHVIEW DR, FAIRFIELD OH 45014-2799 Seller Address - Sale Amount - \$96,400 Mortgage Amount - \$99,292 Data Source - A	Sale Date - 04/23/1999 Recording Date - 04/28/1999 Parcel Number - A0700040000022 Document Type - DEED Land Usage - SINGLE FAMILY RESIDENCE County - BUTLER
10.	Property Address - 2805 DUBLIN DR, AUSTIN TX 78745- 3453 Owner Name - FARTHING, NANCY Owner Name 2 - FARTHING, JAMES Owner Address - 4702 ROUNDUP TRL, AUSTIN TX 78745-1631 Mortgage Amount - \$117,337 Data Source - B	Recording Date - 07/28/2010 Parcel Number - 04141903040000 Land Usage - MULTI-FAMILY DWELLING (2-4UNITS) BUILDING County - TRAVIS
11.	Property Address - 2805 DUBLIN DR, AUSTIN TX 78745- 3453 Owner Name - FARTHING, NANCY Owner Name 2 - FARTHING, JAMES Seller Name - FANNIE MAE, Seller Name 2 - BRICE VANDERLINDEN & WERNICK PC, Seller Name 3 - FEDERAL NATIONAL MORTGAGE ASSOCIATION Owner Address - 4702 ROUNDUP TRL, AUSTIN TX 78745-1631 Seller Address - 14221 DALLAS PKWY STE 1000, DALLAS TX 75254- 2946 Mortgage Amount - \$117,337 Data Source - B	Sale Date - 07/23/2010 Recording Date - 07/28/2010 Parcel Number - 04141903040000 Document Type - VENDOR'S LIEN Land Usage - MULTI-FAMILY DWELLING (2-4UNITS) BUILDING County - TRAVIS
12.	Property Address - 2805 DUBLIN DR, AUSTIN TX 78745- 3453 Owner Name - FARTHING, JAMES & NANCY Seller Name - FEDERAL NATL MTG ASSN FNMA Owner Address - 4702 ROUNDUP TRL, AUSTIN TX 78745-1631 Seller Address - Sale Amount - \$146,671 Mortgage Amount - \$117,337 Data Source - A	Sale Date - 07/23/2010 Recording Date - 07/28/2010 Parcel Number - 04-1419-03-04-0000 Document Type - DEED Land Usage - SINGLE FAMILY RESIDENCE County - TRAVIS
13.	Property Address - 617 WAVERLY DR, HAMILTON OH 45013-2246 Owner Name - FARTHING, JAMES & EDITH Owner Address - 617 WAVERLY DR, HAMILTON OH 45013-2246 Mortgage Amount - \$61,000 Data Source - A	Sale Date - 04/22/2009 Recording Date - 05/04/2009 Parcel Number - P6412-032-000-056 Document Type - DEED OF TRUST Land Usage - SINGLE FAMILY RESIDENCE County - BUTLER
14.	Property Address - 345 LINDA ST, SALISBURY NC 28146- 1132 Owner Name - TYSON, WILLIAM T Owner Name 2 - TYSON, ELLEN E Seller Name - FARTHING, JAMES Seller Name 2 - FARTHING, LAURA Owner Address - 345 LINDA ST, SALISBURY NC 28146- 1132 Seller Address - Sale Amount - \$142,500	Sale Date - 04/16/2009 Recording Date - 04/16/2009 Parcel Number - 423A149 Document Type - WARRANTY DEED Land Usage - SINGLE FAMILY RESIDENCE County - ROWAN

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	Mortgage Amount - \$145,350 Data Source - B	
15.	Property Address - 345 LINDA ST, SALISBURY NC 28146-1132 Owner Name - TYSON, WILLIAM T & ELLEN E Seller Name - FARTHING JAMES & LAURA Owner Address - 345 LINDA ST, SALISBURY NC 28146-1132 Seller Address - Sale Amount - \$142,500 Mortgage Amount - \$145,350 Data Source - A	Sale Date - 04/16/2009 Recording Date - 04/16/2009 Parcel Number - 423A149 Document Type - DEED Land Usage - SINGLE FAMILY RESIDENCE County - ROWAN
16.	Property Address - 3123 MEMORY LN, CASTLE HAYNE NC 28429-5412 Owner Name - FARTHING, JAMES Owner Address - 3123 MEMORY LN, CASTLE HAYNE NC 28429-5412 Mortgage Amount - \$124,910 Data Source - A	Sale Date - 02/04/2009 Recording Date - 02/05/2009 Parcel Number - R02500-003-071-000 Document Type - DEED OF TRUST Land Usage - SINGLE FAMILY RESIDENCE County - NEW HANOVER
17.	Property Address - 17444 N SANTIAM HWY SE, STAYTON OR 97383-9690 Owner Name - FARTHING, JAMES Owner Address - 17444 N SANTIAM HWY SE, STAYTON OR 97383-9690 Mortgage Amount - \$48,000 Data Source - A	Sale Date - 02/04/2008 Recording Date - 02/11/2008 Parcel Number - R40717 Document Type - DEED OF TRUST Land Usage - SINGLE FAMILY RESIDENCE County - MARION
18.	Property Address - 345 LINDA ST, SALISBURY NC 28146-1132 Owner Name - FARTHING, JAMES & LAURA Owner Address - Mortgage Amount - \$31,312 Data Source - A	Sale Date - 06/07/2007 Recording Date - 06/12/2007 Parcel Number - 423A149 Document Type - DEED OF TRUST Land Usage - SINGLE FAMILY RESIDENCE County - ROWAN
19.	Property Address - 615 PINEBRANCH CIR, WINTER SPGS FL 32708-5642 Owner Name - FARTHING, JAMES Owner Name 2 - FARTHING, MICHELLE Owner Address - Mortgage Amount - \$58,650 Data Source - B	Sale Date - 02/20/2007 Recording Date - 03/07/2007 Parcel Number - 04-21-31-507-0000-0680 Land Usage - PLANNED UNIT DEVELOPMENT County - SEMINOLE
20.	Property Address - 615 PINEBRANCH CIR, WINTER SPGS FL 32708-5642 Owner Name - FARTHING, JAMES & MICHELLE Owner Address - 615 PINEBRANCH CIR, WINTER SPGS FL 32708-5642 Mortgage Amount - \$58,650 Data Source - A	Sale Date - 02/20/2007 Recording Date - 03/07/2007 Parcel Number - 04-21-31-507-0000-0680 Document Type - DEED OF TRUST Land Usage - SINGLE FAMILY RESIDENCE County - SEMINOLE
21.	Property Address - 3123 MEMORY LN, CASTLE HAYNE NC 28429-5412 Owner Name - FARTHING, JAMES Owner Address - 3123 MEMORY LN, CASTLE HAYNE NC 28429-5412 Mortgage Amount - \$124,000 Data Source - A	Sale Date - 10/24/2006 Recording Date - 10/31/2006 Parcel Number - R02500-003-071-000 Document Type - DEED OF TRUST Land Usage - SINGLE FAMILY RESIDENCE County - NEW HANOVER
22.	Property Address - 3616 BRIDGETON PARK DR, RALEIGH NC 27612-4153 Owner Name - FARTHING, JAMES Owner Name 2 - FARTHING, ANGELA Owner Address - Mortgage Amount - \$25,000 Data Source - B	Sale Date - 06/28/2006 Recording Date - 07/24/2006 Parcel Number - 0785451679 County - WAKE
23.	Property Address - 3616 BRIDGETON PARK DR, RALEIGH NC 27612-4153 Owner Name - FARTHING, JAMES & ANGELA Owner Address - 3616 BRIDGETON PARK DR, RALEIGH NC 27612-4153 Mortgage Amount - \$25,000 Data Source - A	Sale Date - 06/28/2006 Recording Date - 07/24/2006 Parcel Number - 0785.10-45-1679000 Document Type - DEED OF TRUST Land Usage - SINGLE FAMILY RESIDENCE County - WAKE
	Property Address - 255 DAISY CT, GALT CA 95632-2064	Sale Date - 05/02/2006

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|---|---|
| <p><b>24.</b> Owner Name - FARTHING, JAMES<br/> Owner Name 2 - FARTHING, CHRISTINA<br/> Seller Name - K HOVNANIAN FORECAST HOMES INC<br/> Owner Address - 255 DAISY CT, GALT CA 95632-2064<br/> Seller Address -<br/> Sale Amount - \$500,000<br/> Mortgage Amount - \$399,640<br/> Data Source - B</p>   | <p>Recording Date - 05/23/2006<br/> Parcel Number - 148-0115-015<br/> Document Type - GRANT DEED<br/> Land Usage - SINGLE FAMILY RESIDENCE<br/> County - SACRAMENTO<br/> Brief Description - SUBDIVISION #358-1</p> |
| <p><b>25.</b> Property Address - 615 PINEBRANCH CIR, WINTER SPGS FL 32708-5642<br/> Owner Name - FARTHING, JAMES<br/> Owner Name 2 - FARTHING, MICHELLE<br/> Seller Name - ASHTON ORLANDO RESIDENTIAL LLC<br/> Owner Address - 615 PINEBRANCH CIR, WINTER SPGS FL 32708-5642<br/> Seller Address - 2450 MAITLAND CENTER PKWY STE 301, MAITLAND FL 32751-4140<br/> Sale Amount - \$199,000<br/> Mortgage Amount - \$159,125<br/> Data Source - B</p> | <p>Sale Date - 08/18/2005<br/> Recording Date - 09/19/2005<br/> Parcel Number - 04-21-31-300-0130-0000<br/> Document Type - WARRANTY DEED<br/> Land Usage - PLANNED UNIT DEVELOPMENT<br/> County - SEMINOLE</p>     |

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**Property Deeds Search Results**

Records: 1 to 25 of 201

**Search Terms Used - Last Name: MORGAN; First Name: STEPHEN; Middle Name: L; State: OR;**

Result Page: 1 2 3 4 5 6 7 &gt;

	Property Deeds	Reports
1.	Property Address - 1283 GARDNER WAY, MEDFORD OR 97504-9300 Owner Name - MORGAN, STEPHEN L Owner Name 2 - MORGAN, ANNETTE L Owner Address - Mortgage Amount - \$125,000 Data Source - B	Sale Date - 08/21/2009 Recording Date - 08/27/2009 Parcel Number - 1-0710578 Land Usage - COMMERCIAL County - JACKSON
2.	Property Address - 1283 GARDNER WAY, MEDFORD OR 97504-9300 Owner Name - MORGAN, STEPHEN L Owner Name 2 - MORGAN, ANNETTE L Owner Address - Mortgage Amount - \$250,000 Data Source - B	Sale Date - 12/19/2008 Recording Date - 01/07/2009 Parcel Number - 1-0710578 Land Usage - COMMERCIAL County - JACKSON
3.	Property Address - 5626 SADDLE RIDGE DR, MEDFORD OR 97504-9118 Owner Name - GREENHALGH, DAVID & ANITA Seller Name - MORGAN STEPHEN L & ANNETTE Owner Address - Seller Address - Sale Amount - \$1,050,000 Data Source - A	Sale Date - 10/26/2007 Recording Date - 10/29/2007 Parcel Number - 0010979313 Document Type - DEED Land Usage - SINGLE FAMILY RESIDENCE County - JACKSON
4.	Property Address - 5626 SADDLE RIDGE DR, MEDFORD OR 97504-9118 Owner Name - GREENHALGH, DAVID Owner Name 2 - GREENHALGH, ANITA Seller Name - MORGAN, STEPHEN L Seller Name 2 - MORGAN, ANNETTE Owner Address - 5626 SADDLE RIDGE DR, MEDFORD OR 97504-9118 Seller Address - Data Source - B	Sale Date - 10/25/2007 Recording Date - 03/05/2008 Parcel Number - 1-0979313 Document Type - BARGAIN AND SALE DEED County - JACKSON
5.	Property Address - 5626 SADDLE RIDGE DR, MEDFORD OR 97504-9118 Owner Name - GREENHALGH, DAVID & ANITA Seller Name - MORGAN STEPHEN L & ANNETTE Owner Address - 5626 SADDLE RIDGE DR, MEDFORD OR 97504-9118 Seller Address - Data Source - A	Sale Date - 10/25/2007 Recording Date - 03/05/2008 Parcel Number - 0010979313 Document Type - DEED Land Usage - SINGLE FAMILY RESIDENCE County - JACKSON
6.	Property Address - 5626 SADDLE RIDGE DR, MEDFORD OR 97504-9118 Owner Name - MORGAN, STEPHEN L Owner Name 2 - MORGAN, ANNETTE Owner Address - Mortgage Amount - \$705,000 Data Source - B	Sale Date - 12/27/2006 Recording Date - 01/04/2007 Parcel Number - 10979313 Land Usage - MULTI-FAMILY DWELLING (2-4UNITS) BUILDING County - JACKSON
7.	Property Address - 5626 SADDLE RIDGE DR, MEDFORD OR 97504-9118 Owner Name - MORGAN, STEPHEN L & ANNETTE Owner Address - 5626 SADDLE RIDGE DR, MEDFORD OR 97504-9118 Mortgage Amount - \$705,000 Data Source - A	Sale Date - 12/27/2006 Recording Date - 01/04/2007 Parcel Number - 0010979313 Document Type - DEED OF TRUST Land Usage - SINGLE FAMILY RESIDENCE County - JACKSON
8.	Property Address - 556 W SHENANDOAH ST, ROSEBURG OR 97471-2565 Owner Name - MORGAN, SANDRA D Owner Name 2 - MORGAN, STEPHEN L Owner Address -	Sale Date - 12/22/2006 Recording Date - 12/27/2006 Land Usage - MULTI-FAMILY DWELLING (2-4UNITS) BUILDING County - DOUGLAS

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	Mortgage Amount - \$75,000 Data Source - B	Brief Description - TAX ID# R33621: N50 FT LOT11
9.	Property Address - 556 W SHENANDOAH ST, ROSEBURG OR 97471-2565 Owner Name - MORGAN, STEPHEN L & SANDRA D Owner Address - 556 W SHENANDOAH ST, ROSEBURG OR 97471-2565 Mortgage Amount - \$75,000 Data Source - A	Sale Date - 12/22/2006 Recording Date - 12/27/2006 Parcel Number - R33621 Document Type - DEED OF TRUST Land Usage - SINGLE FAMILY RESIDENCE County - DOUGLAS
10.	Property Address - 5626 SADDLE RIDGE DR, MEDFORD OR 97504-9118 Owner Name - MORGAN, STEPHEN L Owner Name 2 - MORGAN, ANNETTE Seller Name - MORGAN FAMILY DEVELOPMENT LLC Owner Address - 5626 SADDLE RIDGE DR, MEDFORD OR 97504-9118 Seller Address - Data Source - B	Sale Date - 12/08/2006 Recording Date - 12/11/2006 Parcel Number - 10979313 Document Type - BARGAIN AND SALE DEED County - JACKSON
11.	Property Address - 5626 SADDLE RIDGE DR, MEDFORD OR 97504-9118 Owner Name - MORGAN, STEPHEN L & ANNETTE Seller Name - MORGAN FAMILY DEV LLC Owner Address - 5626 SADDLE RIDGE DR, MEDFORD OR 97504-9118 Seller Address - Data Source - A	Sale Date - 12/08/2006 Recording Date - 12/11/2006 Parcel Number - 0010979313 Document Type - DEED Land Usage - SINGLE FAMILY RESIDENCE County - JACKSON
12.	Property Address - Owner Name - MORGAN, STEPHEN L Owner Name 2 - MORGAN, SANDRA D Seller Name - MORGAN, STEPHEN L Seller Name 2 - MORGAN FAMILY TRUST Owner Address - 1246 ELGAROSE RD, ROSEBURG OR 97471-9720 Seller Address - 1246 ELGAROSE RD, ROSEBURG OR 97471-9720 Data Source - B	Sale Date - 10/11/2006 Recording Date - 11/06/2006 Parcel Number - R173106 Document Type - INTERFAMILY TRANSFER & DISSOLUTION Land Usage - CONDOMINIUM County - MULTNOMAH
13.	Property Address - 200 SW FLORENCE AVE APT C10, GRESHAM OR 97080-7128 Owner Name - MORGAN, STEPHEN L & SANDRA D Seller Name - MORGAN FAMILY TRUST Owner Address - 1246 ELGAROSE RD, ROSEBURG OR 97471-9720 Seller Address - Data Source - A	Sale Date - 10/11/2006 Recording Date - 11/06/2006 Parcel Number - R173106 Document Type - DEED Land Usage - CONDOMINIUM (RESIDENTIAL) County - MULTNOMAH
14.	Property Address - 1283 GARDNER WAY, MEDFORD OR 97504-9300 Owner Name - MORGAN, STEPHEN L Owner Name 2 - MORGAN, ANNETTE L Owner Address - Mortgage Amount - \$500,000 Data Source - B	Sale Date - 06/23/2006 Recording Date - 07/12/2006 Parcel Number - 0010710578 County - JACKSON
15.	Property Address - 1246 ELGAROSE RD, ROSEBURG OR 97471-9720 Owner Name - MORGAN, STEPHEN L Owner Name 2 - MORGAN, SANDRA Seller Name - MORGAN, STEPHEN L Owner Address - 1246 ELGAROSE RD, ROSEBURG OR 97471-9720 Seller Address - 1246 ELGAROSE RD, ROSEBURG OR 97471-9720 Mortgage Amount - \$143,000 Data Source - B	Sale Date - 07/22/2004 Recording Date - 07/29/2004 Parcel Number - 26S-07W-35D-01400 Document Type - INTERFAMILY TRANSFER & DISSOLUTION Land Usage - SINGLE FAMILY RESIDENCE County - DOUGLAS
16.	Property Address - 1246 ELGAROSE RD, ROSEBURG OR 97471-9720 Owner Name - MORGAN, STEPHEN L & SANDRA Seller Name - MORGAN STEPHEN L Owner Address - 1246 ELGAROSE RD, ROSEBURG OR 97471-9720 Seller Address - Mortgage Amount - \$142,900	Sale Date - 07/22/2004 Recording Date - 07/29/2004 Parcel Number - R22540 Document Type - DEED Land Usage - SINGLE FAMILY RESIDENCE County - DOUGLAS

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Data Source - A	
17.	<p>Property Address - 1246 ELGAROSE RD, ROSEBURG OR 97471-9720  Owner Name - MORGAN STEPHEN L  Seller Name - MORGAN SANDRA D  Owner Address - 1246 ELGAROSE RD, ROSEBURG OR 97471-9720  Seller Address -  Mortgage Amount - \$67,000  Data Source - A</p> <p>Sale Date - 06/14/2002  Recording Date - 06/17/2002  Parcel Number - R22540  Document Type - DEED  Land Usage - EXEMPT  County - DOUGLAS</p>
18.	<p>Property Address - 1283 GARDNER WAY, MEDFORD OR 97504-9300  Owner Name - MORGAN STEVE &amp; ANNETTE TRUST  Seller Name - MORGAN STEPHEN L &amp; ANNETTE L  Owner Address - 1283 GARDNER WAY, MEDFORD OR 97504-9300  Seller Address -  Data Source - A</p> <p>Sale Date - 01/09/2002  Recording Date - 02/07/2002  Parcel Number - 0010710578  Document Type - QUIT CLAIM  Land Usage - SINGLE FAMILY RESIDENCE  County - JACKSON</p>
19.	<p>Property Address - 279 ISLAND POINTE DR, MEDFORD OR 97504-9453  Owner Name - MORGAN STEPHEN L &amp; ANNETTE L  Owner Address - 1283 GARDNER WAY, MEDFORD OR 97504-9300  Mortgage Amount - \$377,922  Data Source - A</p> <p>Sale Date - 12/13/2001  Recording Date - 12/17/2001  Parcel Number - 0010931708  Document Type - DEED OF TRUST  Land Usage - VACANT  County - JACKSON</p>
20.	<p>Property Address - 1283 GARDNER WAY, MEDFORD OR 97504-9300  Owner Name - MORGAN STEPHEN L &amp; ANNETTE L  Owner Address - 1283 GARDNER WAY, MEDFORD OR 97504-9300  Mortgage Amount - \$125,000  Data Source - A</p> <p>Sale Date - 11/30/2001  Recording Date - 12/05/2001  Parcel Number - 0010710578  Document Type - DEED OF TRUST  Land Usage - SINGLE FAMILY RESIDENCE  County - JACKSON</p>
21.	<p>Property Address - 245 JACKSON CREEK DR, JACKSONVILLE OR 97530-9792  Owner Name - ATKINSON TRUST  Seller Name - MORGAN STEPHEN L &amp; ANNETTE L  Owner Address - 245 JACKSON CREEK DR, JACKSONVILLE OR 97530-9792  Seller Address -  Sale Amount - \$421,000  Mortgage Amount - \$275,000  Data Source - A</p> <p>Sale Date - 10/11/2001  Recording Date - 10/12/2001  Parcel Number - 0010938000  Document Type - DEED  Land Usage - SINGLE FAMILY RESIDENCE  County - JACKSON</p>
22.	<p>Property Address - 245 JACKSON CREEK DR, JACKSONVILLE OR 97530-9792  Owner Name - MORGAN, STEPHEN L &amp; ANNETTE L  Owner Address - 711 MEDFORD CTR 413, MEDFORD OR 97504-6772  Mortgage Amount - \$25,000  Data Source - A</p> <p>Sale Date - 01/12/2001  Recording Date - 01/29/2001  Parcel Number - 10938000  Document Type - DEED OF TRUST  Land Usage - VACANT  County - JACKSON</p>
23.	<p>Property Address - 245 JACKSON CREEK DR, JACKSONVILLE OR 97530-9792  Owner Name - MORGAN, STEPHEN L &amp; ANNETTE L T  Seller Name - BEEBE VERNE E  Owner Address - 1283 GARDNER WAY, MEDFORD OR 97504-9300  Seller Address -  Sale Amount - \$80,000  Mortgage Amount - \$240,000  Data Source - A</p> <p>Sale Date - 10/06/2000  Recording Date - 10/09/2000  Parcel Number - 10938000  Document Type - DEED  Land Usage - VACANT  County - JACKSON</p>
24.	<p>Property Address - 8310 NE SACRAMENTO ST, PORTLAND OR 97220-5443  Owner Name - MORGAN STEVE L &amp; DEBRA L  Owner Address - 8310 NE SACRAMENTO ST, PORTLAND OR 97220-5443  Mortgage Amount - \$102,400  Data Source - A</p> <p>Sale Date - 03/14/2003  Recording Date - 03/24/2003  Parcel Number - R489853  Document Type - DEED OF TRUST  Land Usage - SINGLE FAMILY RESIDENCE  County - MULTNOMAH</p>
25.	<p>Property Address - 120 JACKSON CREEK DR, JACKSONVILLE OR 97530-9701  Owner Name - WEISIGER TRUST  Seller Name - MORGAN STEVE L &amp; ANNETTE L</p> <p>Sale Date - 12/14/2001  Recording Date - 12/19/2001  Parcel Number - 0010920927  Document Type - DEED</p>

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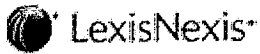
Owner Address - 120 JACKSON  
CREEK DR, JACKSONVILLE OR 97530-9701  
Seller Address -  
Sale Amount - \$188,900  
Data Source - A

Land Usage - SINGLE FAMILY  
RESIDENCE  
County - JACKSON

Records: 1 to 25 of 201  
Result Page: 1 2 3 4 5 6 7 ▶

Your DPPA Permissible Use: Civil, Criminal, Administrative or Arbitral Proceedings

Your GLBA Permissible Use: Persons Holding a Legal or Beneficial Interest Relating to the Consumer



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**EXHIBIT 5 - Class 10 payoff**

CLASS 10 CLAIMS		
Brophy Schmor et al	\$11,307.84	
Key Bank	\$100,000.00	
Ron Munroe Backhoe	\$87,496.84	
US Bank	\$250,000.00	
TOTAL CLAIMS		\$448,804.68
Plus: Interest 8/1/11 - 7/12/12		<u>\$1,701.77</u>
Due 7/12/12		\$450,506.45
Less: Payment from Northgate Note		<u>\$163,697.33</u>
Balance after payment		\$286,809.12
Plus: Interest 7/13/12 - 8/1/16		<u>\$4,618.59</u>
Due 8/1/16		\$291,427.71
Less: Projected Cash Remaining		<u>\$234,407.67</u>
BALANCE - Pay from Archerd & Dresner Note		\$57,020.04

## Exhibit 6 - Redco Liquidation Analysis

<u>Assets less secured debt</u>	<u>Value</u>
Miller Building	1,380,000
Sterling Savings Bank	<u>1,754,000</u>
Net	0
McCall Condominiums	910000
Umpqua Bank	970000
Bank of the Cascades	<u>256,000</u>
Net	0
Northgate Note	3400000
Premier West Bank	3270000
Virann	<u>800000</u>
Net	0
Archerd & Dresner Note	94000
	94000
Good Nite LLC	151000
	151000
Yondorf & Dale LLC	148230
	<u>148230</u>
Net Assets	393230
 <u>Priority Debts</u>	
Taxes on Northgate Note	660000
Chapter 7 Trustee Expenses	8000
Adminstrative Expenses	70000
Priority Taxes	<u>8000</u>
	<u>746000</u>
<u>Net Available to Unsecured Creditors</u>	0

All assets valued at liquidation values based on marketability, return and risk.