

1 Richard G. Birinyi, WSBA # 9212  
E-mail: [rbirinyi@schwabe.com](mailto:rbirinyi@schwabe.com)  
2 Lawrence R. Ream, WSBA #18159  
E-Mail: [lream@schwabe.com](mailto:lream@schwabe.com)  
3 Schwabe Williamson & Wyatt P.C.  
U.S. Bank Centre  
4 1420 5th Avenue, Suite 3400  
Seattle, WA 98101-4010

Judge:

Hon. Paul B. Snyder  
Chapter 11  
Tacoma

5 Attorneys for Debtor  
6  
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8

9 **UNITED STATES BANKRUPTCY COURT**  
10 **FOR THE WESTERN DISTRICT OF WASHINGTON**  
**AT TACOMA**

11 In re:

12 SOVRAN, LLC

13 Debtor.

No.: 11-45107- PBS

Disclosure Statement

14 Attached hereto is a copy of the Debtor's proposed Disclosure Statement.

15 DATED November 2, 2011.

16 SCHWABE, WILLIAMSON & WYATT  
17

18 By /s/ Richard G. Birinyi

19 Richard G. Birinyi, WSBA #9212  
20 Lawrence R. Ream, WSBA #18159  
Attorneys for Debtor  
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# **DISCLOSURE STATEMENT**

## **INFORMATION CONCERNING THE DEBTORS AND THE DEBTOR'S PROPOSED PLAN OF REORGANIZATION**

### **SOVRAN, LLC**

Debtors in Chapter 11 Case  
No. 11-45107- PBS  
in the United States Bankruptcy Court for the  
Western District of Washington, at Tacoma  
December \_\_\_\_, 2011

SCHWABE WILLIAMSON & WYATT P.C.  
U.S. Bank Centre  
1420 5th Avenue, Suite 3400  
Seattle, WA 98101-4010  
Richard G. Birinyi  
Attorneys for the Debtor

**THIS DISCLOSURE STATEMENT HAS BEEN APPROVED AS CONTAINING  
ADEQUATE INFORMATION CONCERNING THE DEBTOR AND THE PLAN OF  
REORGANIZATION PROPOSED BY THE DEBTOR BY AN ORDER OF THE  
UNITED STATES BANKRUPTCY COURT ENTERED ON DECEMBER \_\_\_\_,  
2011 AND ITS DISTRIBUTION TO THE HOLDERS OF CLAIMS IS  
AUTHORIZED BY THAT ORDER**

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**IMPORTANT!** This Disclosure Statement contains information that may bear upon your decision to accept or reject the plan of reorganization proposed by the Debtors. Please read this document with care.

To creditors and other parties in interest in this Chapter 11 case:

On June 23, 2011, Sovran, LLC (hereinafter referred to as “Sovran”, the “Debtor,” or the “Debtor in Possession”) commenced a voluntary reorganization proceeding by filing a petition under Chapter 11 of the United States Bankruptcy Code. The Debtor’s reorganization case is pending before Judge Paul B. Snyder in the United States Bankruptcy Court for the Western District of Washington, at Seattle. The Debtor and its counsel have explored possible alternatives for the Debtor’s reorganization in the manner most beneficial to creditors pursuant to the governing principles of the Bankruptcy Code. A summary of the plan appears later in this Disclosure Statement.

This Disclosure Statement contains information about the Debtor and the proposed Plan of Reorganization. The information contained in this Disclosure Statement has been prepared by the Debtor. The Bankruptcy Court has approved this Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code. It is being distributed to you along with a copy of the proposed Plan to allow you to make an informed judgment about the Plan. The Order of the Bankruptcy Court approving the Disclosure Statement is reproduced in Appendix B. The Bankruptcy Court’s approval of this Disclosure Statement does not constitute a recommendation or endorsement of the Plan by the Bankruptcy Court.

The only representations that are authorized or that may be made concerning the Debtor, the value of the assets, or the Plan are contained in this Disclosure Statement. The financial information contained in this Disclosure Statement has not been subjected to an audit by an independent certified public accountant, and for that reason the Debtor is not able to warrant or represent that the information contained in this Disclosure Statement is without inaccuracy. Great effort has been made, however, to ensure that all such information is fairly presented.

The Bankruptcy Court’s hearing on confirmation of the Plan of Reorganization and will be held before the Honorable Paul B. Snyder, United States Bankruptcy Judge, in his courtroom, Courtroom H, at 1717 Pacific Avenue, Tacoma, WA 98402, commencing at 9:00 o’clock a.m. on the \_\_\_\_\_ day of \_\_\_\_\_, 2012. The Bankruptcy Court shall confirm the Plan if it meets the requirements contained in the Bankruptcy Code.

The Debtor urges you to accept this proposed Plan of Reorganization and promptly return your completed ballot so that your vote will be counted. In order to be counted your ballot of acceptance or rejection must be received at the address indicated on the ballot no later than 4:00 p.m. on the \_\_\_\_\_ day of \_\_\_\_\_, 2012. Thank you.

Sovran, LLC

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## **SOVRAN, LLC**

### **General**

The debtor in this case, Sovran, LLC is a development company that was formed to acquire and develop a large commercial piece of real property located between Military Road and Interstate 5, in Winlock, Washington (the "Property"). Sovran's managers have considerable experience in the real estate development business.

### **THE REORGANIZATION CASE**

Sovran filed a voluntary Chapter 11 petition on June 23, 2011. The filing constituted an order for relief under the provisions of the Bankruptcy Code. Sovran has acted as a Debtors in Possession subsequent to that date.

### **Factors Leading to Chapter 11**

The Debtor's business prior to the filing of the Chapter 11 case was focused on completing the rezone of the Property and selling it on the open market. Its major secured lender had originally also been the purchaser for the Property, but did not complete the purchase. After that decision, the Debtor was forced, because of the lender's lien to market the entire Property. Given the extreme market dislocation for property of this type occurring as the result of the crash in 2008, the Debtor has not been able to secure a sale of the entire parcel.

The lender, however, commenced a non judicial foreclosure sale for the property. Because the property is worth more than twice the amount of the secured debt, the Debtor had no alternative to filing the chapter 11 case to preserve the substantial equity for the benefit of its substantial unsecured creditors and its owners.

### **Post Petition Use of Cash Collateral**

The Property does not generate any cash and there are no funds which would constitute cash collateral.

### **Pending Legal Proceedings and Claims**

There are no pending legal proceedings.

### **PROPERTIES, ASSETS AND LIABILITIES**

The Debtors filed detailed schedules of assets and liabilities with the Bankruptcy Court reflecting the state of the assets and liabilities as of the date filing of the chapter 11 case. The schedules are on file with the clerk of the Bankruptcy Court and may be reviewed during normal business hours. The discussion of the properties, assets, liabilities, set forth in this and other sections of this Disclosure Statement is based on those schedules, or where indicated, on the Debtors' books.

### **Assets**

The value of the Debtor's assets as of the date of this Disclosure Statement is significantly more than the total indebtedness and are set forth later in this Disclosure Statement. Under the proposed Plan, the liens securing certain claims will be modified to

permit the sale of the Property in smaller parcels, which will increase the value of the Property and shorten the effective marketing time for the Property.

### **Liabilities**

The Debtor's liabilities as of the date of filing based on the Debtor's amended schedules totaled approximately \$11,619,450.84. The Debtor listed secured claims of approximately \$8,798,312.71 which are secured by the Property and unsecured claims of approximately \$2,821,138.13. The bulk of the unsecured claims were based on loans used to pay for the acquisition and development of the Property.

## **THE PLAN OF REORGANIZATION**

### **Summary of the Proposed Plan Of Reorganization**

The Debtor's Proposed Plan of Reorganization (the "Plan") appears in full in Appendix A to this Disclosure Statement. The discussion of the Plan that follows constitutes a summary only. You are urged to read the Plan itself before deciding to accept or reject it.

### **General Description of the Plan**

Pursuant to the Plan that has been filed with the Bankruptcy Court, the Debtor will continue to market the Property and obtain sales of all or any part of the property. The liens securing claims will be modified in accordance with the Bankruptcy Code's provisions to permit sales of partial parcels, with deed release provisions specifying the amount to be paid to the holders of secured claims based on a certain price per square foot. According to the Debtor's calculations, at the current market prices, the sale of approximately 35% of the property will retire the entire amount of secured claims. In the unlikely event that no sale has taken place by the sixth anniversary of the Plan's confirmation date, then 50 acres of property will be transferred to the holder of the first position deed of trust, subject to the tax claims of Lewis County. The value of that portion of the Property, as determined by the Bankruptcy Court, will be applied to interest and costs and then to the principal of the claim. At each subsequent six month anniversary a similar transfer shall occur if there are no intervening sales.

The Plan of Reorganization contemplates payment of all allowed administrative claims in full on the effective date of the Plan of Reorganization or the date on which an administrative creditor's claim is allowed by the Bankruptcy Court, whichever event occurs later, unless the holder of a particular administrative claim agrees to less favorable treatment. Administrative tax claims (tax claims arising after the filing of the bankruptcy petition) shall be paid in the manner established for other administrative claims. The funds necessary for those payments will be supplied by the Debtor's members.

### **Classification of Claims**

The Plan of Reorganization establishes 3 classes of claims and the Debtor's interest. If the Plan of Reorganization is confirmed by the Bankruptcy Court and becomes effective, the class into which a claim falls will determine the manner in which such claim will be treated. The classes of claims established in the Plan of Reorganization are summarized below.



### Unclassified Claims

Pursuant to § 1123(a) of the Bankruptcy Code, claims of a kind specified in § 507(a)(2) or § 507(a)(8) of the Bankruptcy Code are not classified under the Plan of Reorganization. Section 507 defines certain types of claims that are accorded priority in a Chapter 11 case, some of which may not be placed in actual classes. Section 507(a)(2) claims are allowed claims for administrative expenses based on the actual and necessary costs and expenses of preserving the estate. Section 507(a)(8) claims are unsecured tax claims of governmental units for certain types of taxes due and payable within certain periods of time prior to or after the filing of the petition.

#### Class 1

Class 1 claims consist of allowed unsecured claims entitled to priority pursuant to § 507(a)(4) and § 507(a)(7) of the Bankruptcy Code. These claims represent the claims of various types of creditors that are entitled to priority under the Bankruptcy Code. These include, for example, claims of employees for wages and employee benefits on account of services rendered during the 180 day period before the filing date of a bankruptcy case. Based on the applicable statutory definitions for priority claims, the Debtor believes there are no creditors in Class 1.

#### Class 2

Class 2 claims consist of all secured claims against the Debtors. Class 2 claims are further divided into subclasses depending on the nature of the security and the identity of the property that secures the claim. The Class 2a claim contains the secured claim of The Benaroya Company secured by a first lien on the Property. The Class 2b claim contains the secured claim of Timberland Bank secured by a second lien on the Property. The Class 2c claim contains the secured claim of Lewis County for real property taxes secured by the Property. Class 2d contains the claims of any other secured creditor and the plan separately classifies any holder of such an unknown secured claim in Class 2d into distinct subclasses. The Debtor is unaware of any claims that would be included in Class 2d.

#### Class 3

Class 3 claims consist of all allowed unsecured claims against the Debtor however arising not otherwise included in any other class including, but not limited to, claims based on rejection of executory contracts.

#### Class 4

Class 4 interests consist of membership interests in the Debtor.

### **Treatment Accorded Claims and Interests Under the Plan**

Treatment to be accorded creditors and equity security holders under the Plan is set forth in Article V of the Plan. Article IV specifies those claims that are not impaired under the Plan. The discussion below sets forth the treatment of all classes under Article V.

## **Priority Claims**

### Administrative Expense Claims

Administrative expense claims are not classified and may be impaired under the Plan. Unless the holder of a claim agrees to be treated differently, administrative claims shall be paid in full, in cash, As Soon As Practical after confirmation of the Plan in such amounts that may be allowed by the Bankruptcy Court. The payments shall be made by the Reorganized Debtors from funds contributed by the Debtor's members. Administrative expense claims include claims for reimbursement of expenses and compensation of services rendered by attorneys and other professional persons employed by the Debtor. All such amounts will be subject to review and approval by the Bankruptcy Court.

Administrative expense claims also include fees payable to the United States Trustee. All quarterly fees due to the United States Trustee for quarters ending prior to confirmation pursuant to 28 U.S.C. § 1930(a)(6) will be paid in full by the Reorganized Debtor on or before the Effective Date, as required by 11 U.S.C. § 1129(a)(12). The Debtor estimates that as of the date of the Confirmation hearing, there will be no outstanding quarterly fees due to the United States Trustee. Any quarterly fees due to the United States Trustee for quarters ending after the Effective Date shall be paid by the Reorganized Debtor in the ordinary course of business from the proceeds of the sale of the Property above the deed release amounts.

Finally, administrative expenses also include ordinary course of business expenses incurred by the Debtors during the pendency of the chapter 11 case. All these claims will be assumed and paid by the Reorganized Debtors in the ordinary course in accordance with the Debtors' original agreement with the particular creditor. Creditors asserting an administrative expense claim that was not incurred in the ordinary course must file an application for such claim no later than 30 days after Confirmation.

### Tax Claims

Unclassified Claims of governmental units entitled to priority pursuant to § 507(a)(8) of the Code and not otherwise included in any other Class hereof shall receive cash in the amount of such claim on the later of (a) the Effective Date or (b) the date upon which an order of the Court allowing such holder's Claim becomes a Final. The claim may be pre-paid in whole or in part at any time before then in Cash at the sole option of the Reorganized Debtors. A Priority Tax Claim that is a Contested Claim shall not receive any distribution on the Effective Date or thereafter unless and until such Claim becomes an Allowed Claim.

### Other Priority Claims

The Debtors have no employees and they understand that there are no unpaid Class 1 Claims.

## **Secured Claims**

The Plan provides that the three secured creditors are impaired. The treatment of such claims is discussed below.

### Class 2a – The Benaroya Company

The holder of the Class 2a Allowed Secured Claim shall (i) retain all its liens encumbering the property retained by the Debtor, (ii) the deed of trust securing such claim shall be modified pursuant to the provisions of 11 U.S.C. § 1123(a)(5)(E) to provide that the lien shall be released in connection with any sale of a portion of the property in the event the holder of the Class 2a Allowed Secured Claim shall receive from the closing any sale of the property an amount at least equal to \$.90 per square foot for any such parcel sold, (iii) pursuant to the provisions of 11 U.S.C. § 1123(a)(5)(H) the maturity of such claim shall be extended until the fifth anniversary of the Confirmation Date, and (iv) pursuant to the provisions of 11 U.S.C. § 1123(a)(5)(H) the interest rate payable on the Class 2a Allowed Secured Claim shall be simple interest of 4.5% per annum, unless a different rate is established by the Court in accordance with the provisions of the Plan. The property securing the Class 2a Allowed Secured Claim shall be sold pursuant to the provisions of 11 U.S.C. § 1123(a)(5)(D) free and clear of the claim of the holder of the Class 2a Allowed Secured Claim, so long as the sale price for any parcel is greater than the release price specified in this Plan for the Benaroya Company, Timberland Bank, and Lewis County. In the event that no sale has taken place on each six month anniversary of the Confirmation date, then, in accordance with the provisions of 11 U.S.C. § 1123(a)(5)(D), one fifty acre parcel shall be transferred to the holder of the Class 2a Allowed Secured Claim free and clear of the claims of all parties, except Lewis County, and the value of such 50 acre parcel (after deducting the Lewis County Allowed Secured Claim), as determined by the Bankruptcy Court, shall be applied, first to accrued interest and costs, and the balance of such value shall be applied to principal.

In the event the holder of the Class 2a Allowed Secured Claim votes against the Plan, in accordance with the provisions of 11 U.S.C. § 1129(b), the Debtor requests that the Court confirm the plan notwithstanding any rejection of the plan by the holder of the Class 2a Allowed Secured Claim. The holder of the Class 2a Allowed Secured Claim is impaired under the Plan, and in accordance with the provisions of 11 U.S.C. § 1126, is entitled to vote.

### Class 2b – Timberland Bank

The holder of the Class 2b Allowed Secured Claim shall (i) retain all its liens encumbering the property retained by the Debtor, (ii) the deed of trust securing such claim shall be modified pursuant to the provisions of 11 U.S.C. § 1123(a)(5)(E) to provide that the lien shall be released in connection with any sale of a portion of the property in the event the holder of the Class 2b Allowed Secured Claim shall receive from the closing any sale of the property an amount at least equal to \$.40 per square foot for any such parcel sold, (iii) pursuant to the provisions of 11 U.S.C. § 1123(a)(5)(H) the maturity of such claim shall be extended until the fifth anniversary of the Confirmation Date, and (iv) pursuant to the provisions of 11 U.S.C. § 1123(a)(5)(H) the interest rate payable on the Class 2b Allowed Secured Claim shall be simple interest of 4.5% per annum, unless a different rate is

established by the Court in accordance with the Plan. The property securing the Class 2b Allowed Secured Claim shall be sold pursuant to the provisions of 11 U.S.C. § 1123(a)(5)(D) free and clear of the claim of the holder of the Class 2b Allowed Secured Claim, so long as the sale price for any parcel is greater than the release price specified in the Plan for the Benaroya Company, Timberland Bank, and Lewis County. After the Benaroya Company has been paid in full, in the event that no sale has taken place on each six month anniversary of the date of such full payment date, then, in accordance with the provisions of 11 U.S.C. § 1123(a)(5)(D), one fifty acre parcel shall be transferred to the holder of the Class 2b Allowed Secured Claim free and clear of the claims of all parties, except Lewis County, and the value of such 50 acre parcel (after deducting the Lewis County Allowed Secured Claim), as determined by the Bankruptcy Court, shall be applied, first to accrued interest and costs, and the balance of such value shall be applied to principal.

In the event the holder of the Class 2b Allowed Secured Claim votes against the Plan, in accordance with the provisions of 11 U.S.C. § 1129(b), the Debtor requests that the Court confirm the plan notwithstanding any rejection of the plan by the holder of the Class 2b Allowed Secured Claim. The holder of the Class 2b Allowed Secured Claim is impaired under the Plan, and in accordance with the provisions of 11 U.S.C. § 1126, is entitled to vote.

#### Class 2c – Lewis County

The holder of the Class 2c Allowed Secured Claim shall (i) retain all its liens encumbering the property retained by the Debtor, (ii) the lien securing such claim shall be modified pursuant to the provisions of 11 U.S.C. § 1123(a)(5)(E) to provide that the lien shall be released in connection with any sale of a portion of the property in the event the holder of the Class 2c Allowed Secured Claim shall receive from the closing any sale of the property an amount at least equal to the pro rata tax due on account of the parcel sold calculated on the basis of the square footage the entire parcel, (iii) pursuant to the provisions of 11 U.S.C. § 1123(a)(5)(H) the County shall not be able to foreclose on its tax liens until the fifth anniversary of the Confirmation Date or until the property is no longer owned by the Reorganized Debtor, and (iv) pursuant to the provisions of 11 U.S.C. § 1123(a)(5)(H) the interest rate payable on the Class 2c Allowed Secured Claim shall be simple interest of 4.5% per annum, unless a different rate is established by the Court in accordance with the provisions of the Plan. The property securing the Class 2c Allowed Secured Claim shall be sold pursuant to the provisions of 11 U.S.C. § 1123(a)(5)(D) free and clear of the claim of the holder of the Class 2c Allowed Secured Claim, so long as the sale price for any parcel is greater than the release price specified in the Plan for the Benaroya Company, Timberland Bank and Lewis County. After the Class 2a and 2b Allowed Secured Claims have been paid in full, in the event that no sale has taken place on each six month anniversary of the date of such full payment date, then, Lewis County shall be entitled to commence foreclosure sales on its remaining tax liens, if any.

In the event the holder of the Class 2c Secured Claim votes against the Plan, in accordance with the provisions of 11 U.S.C. § 1129(b), the Debtor request that the Bankruptcy Court confirm the Plan notwithstanding such rejection. The holder of the Class 2c Allowed Secured Claim is impaired under the Plan, and in accordance with the provisions of 11 U.S.C. § 1126, is entitled to vote.

### Class 2d - Other Secured Creditors

The Debtors believe that there are no Class 2d creditors. To the extent any such creditors exist, however, they are impaired under the Plan. The Debtors and the holder of any particular claim may agree to the alternative treatment of such claim and such agreement will be approved at the hearing on confirmation. Alternatively, any Class 2d-n Claim may retain all its liens encumbering the property retained by the Debtor and the Reorganized Debtor shall pay the holder of such Secured Claim an amount equal to the amount necessary to fully amortize the amount of such holder's Secured Claim over a period of time five years from the date of Confirmation, with the first payment to commence 60 days following the later of (a) the Effective Date or (b) the date upon which an order of the Court allowing such holder's Secured Claim becomes a Final Order. Such claims shall bear simple interest at the rate of 4.5% per annum. Alternatively, the Reorganized Debtor may abandon the collateral securing the claim to the holder of such claim.

In the event any holder of a Secured Claim included in a subclass of Class 2d votes against the Plan, in accordance with the provisions of 11 U.S.C. § 1129(b), the Debtor request that the Court confirm the plan notwithstanding any rejection of the plan by the holder of such Class 2d Secured Claim. The holder of any Class 2d Allowed Secured Claim is impaired under the Plan, and in accordance with the provisions of 11 U.S.C. § 1126, is entitled to vote.

### **Unsecured Claims**

Class 3 unsecured claims not entitled to priority are impaired under the Plan. The holders of Class 3 claims will receive pro rata distributions from the an Unsecured Creditor's Fund. Those distributions shall take place when funds are available for distribution following the required payments to the secured creditors.

### **Equity Interests**

#### Class 4 – Interests

The Class 4 interests are impaired under the Plan. The members in the Debtor shall retain their membership interest, but no distributions will be made to any members until all creditors have been paid in full.

### **TREATMENT OF PARTIES TO EXECUTORY CONTRACTS**

The Plan provides that executory contracts and unexpired leases are being rejected by the Debtor except those that are the subject of pending motions to assume as of the Confirmation Date or have been assumed prior to the Confirmation Date. With respect to all rejected contracts, any party to such a contract has thirty days following confirmation to file a claim based on the rejection. Any such claims will be treated as Class 3a or 3b claims as the case may be.

### **MEANS FOR EXECUTION OF THE PLAN**

The means for execution of the Plan are set forth in Article VII of the Plan. Pursuant to that article, the Debtors and the Debtors in Possession each shall perform acts and/or make payments before or after the Plan's effective date. The effective date of the Plan is eleven

days after confirmation unless the effect of the confirmation order is stayed. Payments will be made at various times after confirmation. Essentially, the Plan provides for the Property to be actively marketed and, if no sales take place, for the periodic transfer of significant parcels to the Secured Creditors. The Property has approximately 13 million square feet. The Debtor's most recent appraisal values the property at over \$18,000,000.00, which indicates that there is an equity cushion protecting the secured creditors of over \$10,000,000.00. The deed release calculations were based on fully retiring the outstanding secured debt, including interest after the sale of approximately 7 million square feet of property. At all points during the sell out process all the secured creditors will be adequately protected by the substantial equity cushion in the property. There are approximately

### **ESTIMATION OF CLAIMS PARTICIPATING IN THE PLAN**

Set forth in the table below is a summary of the Debtor's estimate of the amount of the claims that will comprise Classes 1 through 3. These tables have been prepared from the Debtor's schedules filed with the Bankruptcy Court and the proofs of claim timely filed by the claims bar date, which was August 31, 2011. Unless otherwise noted, the table reflects claims as of June 15, 2011.

Class	Claim or Interest	Approximate Amount
Unclassified Claims	Administrative Expenses and tax claims	\$25,000.00
1	Priority Claims	\$0.00
2a	The Benaroya Company	\$5,737,974.36
2b	Timberland Bank	\$3,000,000.00
2c	Lewis County	\$60,338.35
2d-n	Other Secured Creditors	\$0.00
3	General Unsecured Creditors	\$2,821,138.13
Total		\$11,644,450.84

Any objection to claims filed in the proceedings by any parties in interest must be filed within 60 days following the entry of confirmation unless the Bankruptcy Court extends that period for cause shown. Certain claims, however, can be filed subsequent to confirmation and the 60-day limitation does not apply to such claims.

It should be borne in mind that the amount of the claims set forth in the above table are based on the Debtor's estimate of the amount of claims that will ultimately be allowed based on the schedules, timely filed claims, and the Debtor's belief regarding the value of the property securing certain claims that have been foreclosed. The amounts set forth above are different than the filed claims, which include contingent claims for the full amount of debts. As a general rule, the creditors that have conducted foreclosure sales on the various properties have not amended the claims that are on file, so the filed claims materially overstate the ultimate amount of allowed claims. The Liquidation Trustee can file objections

to claims. In addition, the Debtors will be filing their most recent tax return which will have a substantial loss. The Debtors anticipate that the loss carry back will result in the elimination of a significant portion of the amounts shown in the table for priority tax debt. Thus, future events may reduce the amount of claims through litigation, compromise or other developments subsequent to the date of this Disclosure Statement. Because claim litigation is unpredictable, the final amount of allowed claims may be significantly different than set forth in the above table.

### **PROJECTED DISTRIBUTIONS**

Set forth in the table below is a summary of the Debtor's estimates of the amounts to be distributed to the holders of claims that will comprise Classes 1 through 3. These tables have been prepared based on the provisions of the plan of reorganization. With respect to Class 3 distributions the table shows a projected distribution based on the Debtor selling the Property as planned. The Plan also includes interest payable to all holders of claims and the following table does not include such additional amounts because there is no way to predict when payments will be made.

Class	Claim or Interest	Distribution	Percentage
	Unclassified Claims	\$25,000.00	100%
1	Priority Claims	\$0.00	100%
2a	The Benaroya Company	\$5,737,974.36	100%
2b	Timberland Bank	\$3,000,000.00	100%
2c	Lewis County	\$60,338.35	100%
2d-n	Other Secured Creditors	\$0.00	100%
3b	Unsecured Creditors	\$2,821,138.13	100%

### **THE "BEST INTEREST OF CREDITORS" TEST**

If the Bankruptcy Court finds at the hearing on confirmation of the Plan that the holders of claims will receive or retain under the Plan property of a value as of the Effective Date of the Plan that is not less than the amount that such holders would receive or retain if the Debtor was liquidated under Chapter 7 as of such date, then the requirements set forth in § 1129(a)(7)(ii) of the Bankruptcy Code, commonly referred to as the "best interest of creditors" test, will be satisfied. This requirement must be satisfied with respect to a class of claims or interests only if less than all holders of claims or interests in such class have accepted the Plan. Because this Plan provides for the full payment of all claims the Debtor believes that it satisfies the test.

### **RISK FACTORS**

Distributions to creditors contemplated under the Plan are contingent upon many assumptions, some or all of which could fail to meet expectations. Moreover, the Plan is subject to approval by the various classes of creditors entitled to vote under the Bankruptcy Code and to confirmation of the Plan by the Bankruptcy Court. No assurance can be given that the Plan will be accepted by the requisite number and amount of creditors, or that the Plan will be confirmed by the Bankruptcy Court, or that the Debtor will be authorized to assume its lease. In any of those events, due to the costs and uncertainties inherent in a

modified Plan of Reorganization or a conversion and liquidation under Chapter 7, all creditors of the estate face substantial risk that their recovery will be delayed or eliminated by such alternative circumstances.

### **TAX CONSEQUENCES**

The following discussion is intended as a general summary of likely tax consequences under the Plan. The tax consequences of the Plan will vary based on the individual circumstances of each taxpayer who is affected by the Plan. There may also be state, local or foreign tax considerations applicable to each creditor. Moreover, some tax consequences of the Plan are uncertain due to the lack of clear legal precedent and the possibility of changes in federal law or in the circumstances of the Debtor. The Debtor has obtained no ruling from the Internal Revenue Service (the "IRS") and no opinion of counsel with respect to the tax consequences of the Plan. As a result, there is no assurance of any kind that a particular taxpayer will in fact be entitled to the tax treatment described in this section of the Disclosure Statement. Each creditor should consult his own tax advisor regarding the federal, state, local, and foreign tax consequences of the Plan.

#### **Federal Income Tax Consequences to the Debtors**

Under the Plan, the Debtor will sell the Property in one or more transactions. Because it is a limited liability company, it has no tax consequences, but any such sales will be required to be reported by the Debtor's members as either gain or loss transactions..

#### **Federal Income Tax Consequences to Creditors**

Class 2 and Class 3 creditors who are cash basis taxpayers will recognize income in the amount of the payments received on account of their allowed claims at the time paid in accordance with the Plan. Such creditors who are accrual basis taxpayers and who have not previously accrued the amount of their claims or who have taken a bad debt deduction with respect to their claim generally will recognize income in the amount of the payments received on account of their allowed claims. Other Class 2 and 3 creditors, including those creditors whose claims are based on loans, will generally not recognize income upon receipt of payment unless they have previously taken a deduction for a bad debt. To the extent that the payment of a claim represents payment of interest to the recipient generally that receipt of payment for interest is income in the year of receipt. However, if an accrual basis taxpayer has not taken a bad debt deduction for interest previously accrued or if interest has been accrued, the receipt of a payment of interest will not constitute income.

### **CONFIRMATION OF THE PLAN**

#### **Voting Procedures**

A ballot to be used for voting your acceptance or rejection of the Debtors' Plan of Reorganization is being mailed to you together with this Disclosure Statement and Plan. Holders of claims should read the instructions carefully, complete, date and sign the ballot, and transmit it in the envelope enclosed. In order to be counted, your ballot must be received at the address on the ballot not later than 4:00 p.m. on \_\_\_\_\_, 2012. Failure to vote or a vote to reject the plan will not affect the treatment to be accorded a claim or interest if the plan nevertheless is confirmed.



If more than one half in number of claimants voting and at least two thirds in amount of the allowed claims of such claimants in each class of claims vote to accept the Plan, such classes will be deemed to have accepted the Plan. If at least two thirds in amount of the shares voted in a class of equity interests are voted to accept the Plan, such Class will be deemed to have accepted the Plan. For purposes of determining whether a class of claims or interests has accepted or rejected the Plan, only the votes of those who have timely returned their ballots will be considered.

### **Hearing on Confirmation**

The hearing on confirmation of the Plan has been set to commence on \_\_\_\_\_, 2012 at 9:30 o'clock a.m. before the Honorable Paul B. Snyder, United States Bankruptcy Judge, in his courtroom, Courtroom H, at 1717 Pacific Avenue, Tacoma, WA 98402. The Bankruptcy Court shall confirm the Plan at that hearing only if certain requirements, as set forth in § 1129 of the Bankruptcy Code, are satisfied.

### **Best Interests of Creditors**

In order to satisfy one of those requirements, the Debtor must establish that with respect to each class, each holder of a claim in that class has accepted the Plan or will receive or retain under the Plan on account of such claim property of a value that is not less than the amount that such holder would receive if the Debtor were to be liquidated under Chapter 7 of the Bankruptcy Code. As discussed in the section of this Disclosure Statement entitled "Best Interests of Creditors," the Debtor believes that the Plan satisfies this test. The Debtor anticipates that the Bankruptcy Court will make such a determination at the time of the hearing on confirmation.

### **Feasibility**

The Debtor must also establish that confirmation of the Plan is not likely to be followed by the Reorganized Debtor's liquidation or the need for further financial reorganization unless the plan provides for such liquidation. Because this case does involve the liquidation of all of the Property, the Debtor believes that the Plan is feasible and that the Bankruptcy Court will so find.

### **Treatment of Dissenting Classes of Creditors**

The Bankruptcy Code requires the Bankruptcy Court to find that the Plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the Plan. Upon such a finding, the Bankruptcy Court may confirm the Plan despite the objections of a dissenting class.

### **Effect of Confirmation**

Confirmation of the Plan shall operate on the effective date of the Plan as an order approving the sale of the Debtor's assets in accordance with the Plan free and clear of all claims and interests in the Debtor, including all claims and indebtedness that arose before the effective date of the Plan. All such claims and indebtedness shall be satisfied by the cash payments or other consideration provided under the Plan.

After confirmation all remaining property of the Debtor's estate shall be free and clear of all claims and interests of creditors, except as otherwise provided in the Plan or the order of the Bankruptcy Court confirming the Plan. The Debtor shall perform the obligations under the Plan. The provisions of the Plan shall bind the Debtor, the Reorganized Debtor, and all other parties in interest, including any creditor of the Debtor, whether or not such creditor is impaired under the Plan and whether or not such creditor has accepted the Plan.

#### **Consequences of the Failure to Confirm the Plan**

In the event that the requirements for confirmation of the Plan are not satisfied, the Debtor believes that it would be necessary to attempt to liquidate the assets under a revised Plan of Reorganization under Chapter 11 or to convert this Chapter 11 case to a Liquidation bankruptcy case under Chapter 7 of the Bankruptcy Code. In such event, as shown by the Debtor's liquidation analysis, the Debtor believes that creditors would receive considerably less than proposed under the Plan.

#### **CONCLUSION**

The Debtors provide this Disclosure Statement to assist creditors and interested parties in voting on the Plan based on adequate information. The Plan is the result of extensive efforts by the Debtors to provide meaningful distributions to Creditors.

**THE DEBTOR URGES YOU TO VOTE FOR THE PLAN**

**SOVRAN, LLC**

## **APPENDIX A**

### **The Plan of Reorganization**

## **APPENDIX B**

### **The Order Approving the Disclosure Statement**