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**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF ALASKA**

In re:

Northwest Gold, LLC,

Debtor.

Case No. 17-00100  
Chapter 11

**DISCLOSURE STATEMENT**

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## INTRODUCTION

This is the Estate of Walter Wigger's (hereinafter "the Wigger Estate" or "Wigger") Disclosure Statement in support of the plan it filed July 27, 2017.

NWG filed this case as a "liquidating Chapter 11". Throughout this matter, Wigger has disputed, and continues to dispute, that this is a Chapter 11 case at all, but a disguised Chapter 7. It is undisputed that NWG is not operating as a mining company and has not since 2014. It is also undisputed that since 2014 it has had a limited source of income from tailing sales generated by third party vender, M&M Constructors, LLC. It is also undisputed that tailing sales will not generate enough annual income to support any kind of Chapter 11 plan. The income from 2017 tailing sales proves this is true. Since this is not a Chapter 11 *reorganization* plan, the analysis under normal disclosure rules do not apply.

Part 1 is a summary of the claims dealt with in the Plan.<sup>1</sup> Part 2 is a summary of how the Debtor is going to pay the creditors under the Plan. Part 3 contains the treatment of creditors with secured claims. Part 4 contains the treatment of general unsecured creditors. Taxes and other priority claims are addressed in Part 5.

Wigger is the only creditor entitled to vote on confirmation of the Plan. Completed ballots must be received by Wigger's counsel, and objections to confirmation must be filed and served, no later than \_\_\_\_\_, 2017. The court will hold a hearing on confirmation of the Plan on \_\_\_\_\_, 2017 at \_\_\_\_\_ a.m./p.m.

Attached are exhibits containing financial information that may help you decide how to vote and whether to object to confirmation. Exhibit 1 includes the tax consequences of the Plan. Exhibit 2 includes background information regarding Debtor and the events that led to the filing of the bankruptcy petition and describes significant events that have occurred during this Chapter 11 case. Exhibit 3 contains an analysis of how much creditors would likely receive in a Chapter 7 liquidation. Exhibit 4 shows Debtor's most recent income and expenses. Exhibit 5 describes how much Debtor is required to pay on the effective date of the Plan. There is a table attached to Exhibit 6 of this Plan, which summarizes the source of payments for which claim and the timing of such payments.

If the Plan is confirmed, the payments promised in the Plan constitute new contractual obligations that replace the Debtor's pre-confirmation debts. Creditors may not seize their collateral or enforce their pre-confirmation debts so long as the Debtor performs all obligations under the Plan. If Debtor defaults in performing Plan obligations, any creditor can file a motion to have the case dismissed or converted to a Chapter 7 liquidation.

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<sup>1</sup> Estate of Wigger's Chapter 11 Liquidation Plan for Debtor, Northwest Gold, LLC, ECF No. 99.

**PART 1: SUMMARY OF CLAIMS AGAINST DEBTOR**

Claim #	Claimant	Kind of Claim	Amount	Treatment
1	The Wigger Estate	Secured	\$4,085,000.95 <sup>2</sup>	Class 1 Secured
		Unsecured	\$1,082,580.46 <sup>3</sup>	Class 2 Unsecured impaired
2	Airport Equipment Rentals, LLC	Secured	\$6,239,000.00 <sup>4</sup>	Class 3 Secured unimpaired
3	Lisa and Milt Behr	Secured	11.5% of USMS 355 <sup>5</sup>	Class 2 Secured impaired
4	Richardson Fabrication, LLC	Unsecured	\$164,500.00	Class 4 Unsecured Nonpriority Unimpaired
5	Performance Energy Partners, LLC	Unsecured	\$550,000.00	Class 5 Unsecured Nonpriority Unimpaired <sup>6</sup>
6	LBT Products, LLC	Unsecured	\$700,000.00	Class 5 Unsecured Nonpriority Unimpaired <sup>7</sup>
		<b>Total Secured:</b>	<b>\$10,324,001.00</b>	
		<b>Total Unsecured:</b>	<b>\$2,497,080.46</b>	

**PART 2: SUMMARY OF HOW DEBTOR WILL PAY CREDITORS UNDER THE PLAN**

The Wigger Estate proposes that Airport Equipment Rentals, LLC (hereinafter “AER”), marshal its undisputed collateral valued at \$2,294,748.00<sup>8</sup> and other small equipment valued at \$20,000.00. AER’s total undisputed collateral secures AER for \$2,314,748.00. After marshalling AER’s undisputed collateral it is still owed \$3,924,854.00.

<sup>2</sup> Trial Exhibit 49 – Chris Guinn’s 2016 Appraisal, which was unrebutted at the July 5-6 trial.

<sup>3</sup> Exhibit A – Estate of Wigger’s Total Default with Fees and Costs as of 10/17/2017.

<sup>4</sup> AER’s proof of claim, filed March 23, 2017, Claims register 1-1.

<sup>5</sup> Response of Milt and Lisa Behr to Motion to Authorize Tailing Sales; see ECF No. 114.

<sup>6</sup> AS 09.10.053 bars Performance from collecting after April 2016; and Performance is an insider pursuant to §101(31); see ECF No. 58.

<sup>7</sup> AS 09.10.053 bars LBT from collecting after January 2017; and LBT is an insider pursuant to §101(31); see ECF No. 58.

<sup>8</sup> Debtor’s July Monthly Financial Report, ECF No. 82.

The Dredge, Bucyrus-Erie Monighan and Belt Feeder (hereinafter “the Dredge”) has a value of \$3,000,000.00.<sup>9</sup> Plant B is valued at \$1,281,141.00.<sup>10</sup> When AER marshals the Dredge, Plant B, and its equipment, its entire debt is satisfied, and it would receive an additional value of \$356,287.00 more than what it is owed.

The Wigger Estate would receive control of the real property. Wigger will actively market the property for sale and present it to potentially interested buyers. Wigger may also execute a foreclosure sale where Wigger will offset bid its total lien.

Claim 4 (Class 4) does not receive anything and would receive nothing under a Chapter 7 filing.

Class 5, Performance and LBT, are insiders pursuant to 11 U.S.C. § 101(31). Therefore, LBT and Performance cannot vote on a Plan pursuant to 11 U.S.C. § 1129(a)(10).

**PART 3: TREATMENT OF SECURED CREDITORS**

Class	Name of Creditor	Collateral	Total Secured Claim	Interest Rate				
2	Airport Equipment Rentals, LLC	Equipment, Small Equipment, The Dredge	\$6,239,602.00	N/A				
1	The Wigger Estate	All real property	\$4,085,000.95 <sup>11</sup>	8/1/13 to 10/1/14	10/2/14 to 10/1/15	10/2/15 to 10/1/16	10/2/16 to 8/29/17	10/2/17
				1.5%	1.75%	2.00%	2.50%	3.00%
3	Lisa and Milt Behr	11.5% of USMS 355	N/A	N/A				

**Class 1. Wigger Estate**

The Wigger Estate retains its secured claim in the real property. The Debtor gives

<sup>9</sup> Trial Exhibit 16, Bernie Karl’s offer submitted by AER.

<sup>10</sup> Trial Exhibit 56 and ECF No. 82.

<sup>11</sup> Trial Exhibit 49 – Chris Guinn’s 2016 Appraisal, which was un rebutted at the July 5-6 trial.

the Wigger Estate control and possession of the real property in exchange for its debt. This exchange takes place immediately upon execution of the Plan. The Wigger Estate will market the property or execute a live auction at a foreclosure sale where Wigger will offset bid its total lien. Wigger's lien claims are impaired and are entitled to vote on confirmation of a Plan.

Class 2. Airport Equipment Rentals, LLC

AER retains its secured claim on all equipment. The Debtor may file an adversary action under 11 U.S.C. §548 to avoid the AER's 2016 security interest in mine tailings. AER cannot marshal tailings because its equipment more than satisfies its debt. AER's lien claims are unimpaired<sup>12</sup> and AER is not entitled to vote on confirmation of a Plan.

**PART 4: TREATMENT OF UNSECURED/UNDERSECURED CREDITORS**

Claim #	Claimant	Kind of Claim	Amount	Treatment
1	The Wigger Estate	Senior Unsecured	\$1,082,580.46 <sup>13</sup>	Allow class 1
4	Richardson Fabrication, LLC		\$164,500.00	Allow class 5
5	Performance Energy Partners, LLC		\$550,000.00	Allow class 4
6	LBT Products, LLC		\$700,000.00	Allow class 4

Class 1 will be able to off-set bid the real property and receive any proceeds from its sale of the real property to satisfy all of its claims.

Class 4 is unimpaired and cannot receive anything from the Plan or outside the Plan.

This Plan does not alter the rights of Class 4.<sup>14</sup> Therefore, it is not impaired and cannot vote on a Plan.

Class 5 is unimpaired and cannot receive anything from the Plan or outside the Plan.

<sup>12</sup> 11 U.S.C. 1124.

<sup>13</sup> Exhibit A – Estate of Wigger's Total Default with Fees and Costs as of 10/17/2017.

<sup>14</sup> 11 U.S.C. § 1124.

### **Exhibit 1 – Federal Tax consequences of the Plan**

This Plan is tax neutral. The Debtor would not incur relief of indebtedness income pursuant to 26 U.S.C. §108.

### **Exhibit 2 – Events That Led to Bankruptcy**

In 2011, the Debtor and Walt Wigger entered a sales agreement for Walt Wigger's interest in over 1100 acres of mining claims near Ester, Alaska on the Parks Highway. The purchase included a Dredge, Monighan Dragline and Belt Feeder, improvements, tailings, gold-bearing soils, and some equipment. A 950 Cat Loader was sold separately with the bill of sale. The Debtor paid Walter Wigger \$2 million in 2011 and gave him a promissory note for \$9.1 million and the first Deed of Trust. On September 14, 2011, the payment agreement between the Debtor and Wigger was amended to allow the first payment to be made in November of 2011.

During the summers of 2011, 2012 and 2013 the Debtor rented equipment from AER. The Debtor operated its gold mining operation during the summers of 2011, 2012, 2013 and for a very short time in 2014. Except for M&M's operation, the Debtor never engaged in tailing sales.

Meghan Geyer was the Debtor's bookkeeper from its inception in 2011 until the fall of 2013. The Debtor used QuickBooks for its accounting records that were done by Meghan Geyer until she quit in the fall of 2013, and after that, they were maintained by Cody Dusenberry. Ed Mysock was and is the Debtor's CPA in Oklahoma. The Debtor is a calendar year taxpayer.

On August 2, 2012, Wigger accepted a 5% interest in the Debtor and forgave the payment due to him of \$1.6 million. On November 1, 2012, the Debtor signed a promissory note to AER for \$2.6 million, secured by a second DOT on the Ester Property, which was

signed November 13, 2012. On November 13, 2012, the Debtor signed a DOT and a separate security agreement on equipment listed on Exhibit A (not Attachment A) which included some equipment.

After signing the agreement and documents on November 13, 2012, AER did not file a UCC to perfect the security interest nor did it record the agreement. AER did not file a UCC-1 with UCC Central on equipment listed on Exhibit A, which included some equipment but excluded Dredge #10, Bucyrus-Erie Monighan, and Belt Feeder.

On February 3, 2014, AER filed a UCC-1 on new "Attachment A" equipment, which for the first time listed Dredge #10, the Bucyrus-Erie Monaghan and the Belt Feeder, but did not include tailings. There is no security agreement to AER from 2012 to 2015 that lists Dredge #10, the Bucyrus-Erie Monighan or the Belt Feeder.

The Debtor was getting further behind in payments to Wigger and AER. In 2013, Wigger restructured the yearly payment to \$500,000 (two payments a year) with the lowest interest rate Wigger could give. The Debtor only made one payment in 2013.

After 2013, the Debtor had no funds to continue mining. From 2014 to 2016, the Debtor was looking for investors. In 2015 Walt Wigger died. His estate was to benefit his daughter Pattie Mabie and named charities.

On August 31, 2016, AER sued the Debtor on its over \$6.2 million debt, and two of the Debtor's members, J. Scott Ducharme ("Ducharme") and Bob Knappe, Jr., signed personal guarantees. On December 9, 2016, the Debtor executed an Amendment to Security Agreement to AER that for the first time included tailings, Dredge #10, the Bucyrus-Erie Monaghan dragline and belt feeder, and AER filed a UCC-1. This Amended Security Agreement was signed by Dusenberry immediately before he left Alaska with his family for good.

On December 21, 2016, Wigger recorded the Notice of Default initiating a non-judicial DOT foreclosure. On January 30, 2017, Debtor and two of its members signed a Confession of Judgment to AER. March 21, 2017 - Debtor filed Chapter 11. March 23, 2017 - Wigger NJDOTF Sale scheduled, which did not occur due to Debtor's bankruptcy and sale was postponed to June 27, 2017.

Wigger was owed:

Principal	\$4,400,000.00
Interest through 3/23/2017	\$282,443.84
Attorney Fees and Costs through March 23, 2017	\$53,814.18
<b>Less</b> Rents Collected from M&M Constructors	<u>\$11,440.00</u>
<b>Total Due as of 3/23/2017</b>	<b>\$4,724,818.02</b>

The Debtor owes approximately \$5,167,581.41 to the Wigger Estate as of October 17, 2017.<sup>15</sup> The Deed of Trust securing payment encumbers the Debtor's interest in over 1,100 acres of mining claims and property on the realty: residence, hanger shop, open hanger, gold house, dredge, tailings, minerals,

**Exhibit 3 – What Creditors Would Receive if the Case were Converted to a Chapter 7**

Wigger would receive \$4,085,000.95 for real property.<sup>16</sup>

AER would receive \$6,595,889.00 with all equipment.

Performance Group, LLC, LBT Products, LLC, and Richardson Fabrication, LLC, receive \$0.

**Exhibit 4 – Monthly or Seasonal Income and Expenses**

<b>Income 2017</b>	<b>Amount</b>
Gross Business Income 2017 tailing sales	\$47,356.00 <sup>17</sup>

<sup>15</sup> Ex. A.

<sup>16</sup> Trial Exhibit 49 – Chris Guinn's 2016 Appraisal, which was un rebutted at the July 5-6 trial.

<sup>17</sup> Tailing sales reported by Debtor in court registry, Debtor's Status Report on Final Tailing and Material Sales ECF No. 144.



<b>A. 2017 Income</b>	\$47,356.00
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<b>Expense 2017 Season</b>	<b>Amount</b>	
Attorney's Fees	\$37,683.12	
Insurance (latest insurance )	Allstate 6/2017- 12/2017	Hale & Associates 6/2017- 12/2017
	\$866.45	\$4,356.33
2017 Property Taxes	\$26,632.08 + 5% late payment penalty of \$665.80 (first half) <sup>18</sup>	
<b>B. Total Monthly or Seasonal Expense</b>	<b>\$70,203.78<sup>19</sup></b>	

<b>C. Net Income available 2/17 (Line A – Line B)</b>	<b>-\$22,847.78</b>
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<b>Plan Payment December 2017</b>	<b>Amount</b>
Administrative Claims	\$8,000.00 <sup>20</sup>
U.S. Trustee paid	\$10,000.00
Secured Claims <sup>21</sup>	\$10,324,602.80
<b>D. Total Plan Payments</b>	<b>\$10,342,602.80</b>

**Exhibit 5 – Effective Date of Feasibility**

	Amount	Amount
A. Projected Total Cash on Hand on Effective Date		
B. Total Payments on Effective Date <sup>22</sup>	\$0	
<b>C. Net Cash on Effective Date (Line A - Line B)</b>	<b>\$0</b>	

This is the most feasible way of liquidating NWG and getting creditors paid. Implementation of this plan will result in the same amount of money being paid to all creditors as a Chapter 7.

Wigger requests the court order a hearing on its disclosure statement.

<sup>18</sup> Reported by Debtor, Debtor's Status Report on Final Tailing and Material Sales ECF No. 144.

<sup>19</sup> Borough penalty may be more.

<sup>20</sup> According to Debtor's plan, pg. 10, ECF No. 124.

<sup>21</sup> No payments of cash will be made. "Payments" are made by providing to secured creditors in Classes 1 and 2 with their collateral. Class 2 unsecured claims are unpaid.

<sup>22</sup> Payments not made in cash, since, NWG generates no cash.

