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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ALASKA

)	
)	Case No. 17-00253 GS
TKL ASSOCIATES, LLC, an Alaska limited)	
liability company,)	(Chapter 11)
)	
Debtor.)	
)	
)	
)	

FIRST AMENDED DISCLOSURE STATEMENT

INTRODUCTION

TKL Associates, LLC (“TKL”) is the debtor in a Single Asset Real Estate Chapter 11 bankruptcy case pending in the District of Alaska. On July 12, 2017, TKL commenced a bankruptcy case by filing a voluntary Chapter 11 petition under the United States Bankruptcy Code (“Code”), 11 U.S.C. § 101 et seq. Chapter 11 allows the debtor to propose a plan of reorganization to restructure debts or perform an orderly liquidation. TKL proposes the plan of reorganization attached as **Exhibit A** (the “Plan”) that pays all creditors, in full, over time. **THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR TKL ASSOCIATES, LLC.**

A. Purpose of This Document

This Disclosure Statement provides information about TKL, its current operations and planned operations after exit from bankruptcy, and specifically how your claim will be treated. It also describes the process the Court follows in determining whether or not to confirm the Plan.

READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO KNOW ABOUT:

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1. THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING THE BANKRUPTCY,
2. THE TREATMENT OF YOUR CLAIM (i.e., what your claim will receive if the Plan is confirmed) AND HOW THIS TREATMENT COMPARES TO WHAT YOUR CLAIM WOULD RECEIVE IN LIQUIDATION,
3. WHO CAN VOTE FOR THE PLAN OR OBJECT TO THE PLAN,
4. THE FACTORS CONSIDERED BY THE COURT IN DECIDING WHETHER OR NOT TO CONFIRM THE PLAN,
5. THE EFFECT OF CONFIRMATION OF THE PLAN, AND
6. WHY THE PLAN IS FEASIBLE.

This Disclosure Statement cannot tell you everything about your rights. You should consider consulting a lawyer to obtain more specific advice on how the Plan will affect your claim and your best course of action.

Be sure to read the Plan as well as the Disclosure Statement. **If there are any inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will govern.**

B. Disclaimer

The financial data relied upon in formulating the Plan and information contained in this Disclosure Statement has been provided by TKL based upon previous months of operation and its knowledge of the Alaska market. Everything stated in the Disclosure Statement is believed to be true based upon TKL's best efforts. Values listed in the Disclosure Statement are estimates based upon TKL's knowledge of the Alaska market for the assets described. Projected claim amounts are estimates based upon information provided by parties, as set forth in **Exhibit B**. In spite of the Debtor's best efforts, the Debtor cannot ensure that the data is completely accurate.

Any interested party desiring further information about the Disclosure Statement or Plan should contact TKL's attorney, Michael R. Mills, at Dorsey & Whitney, LLP, 1031 West Fourth Avenue, Suite 600, Anchorage, AK 99501, telephone (907) 276-4557; fax (907) 276-4152; e-mail mills.mike@dorsey.com.

A. II. BACKGROUND

A. Business

TKL Associates, LLC ("TKL" or "Debtor") is a real estate holding company that owns the real property and buildings housing a premier, all-inclusive Alaskan lodge on the shores of Cook Inlet on the Kenai Peninsula (the "Lodge"). That Lodge, operated by Alaska's Trophy King Lodge

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(“ATKL” or “Operating Company”), is situated right off the Sterling Highway between Homer and Soldotna; it boasts breathtaking views while providing immediate access to world-renowned saltwater fishing. Though the Alaskan lodge market is busy and competitive, TKL is the closest lodge to saltwater fishing grounds in the State, providing it with an excellent competitive advantage – guests can literally exit the rooms and start fishing for halibut, salmon, and whatever else Cook Inlet provides. The Lodge operates seasonally from May to August. Drew Butterwick is the 100% owner of both the Debtor and ATKL.

The Operating Company, ATKL, offers primarily saltwater all-inclusive fishing packages with arrival on Sundays and departures on Fridays. Guests experience four full days of fishing in Cook Inlet and nearby fresh water. These four-day packages cost \$3,600, which includes the fully-guided fishing excursions referenced above (including all equipment necessary), 4-star lodging (with housekeeping service), food (gourmet meals that the Lodge has become famous for), and processing of guests’ daily catches.

The Lodge typically attracts guests from the Lower 48 due to its high-end price point – the higher price point makes the guests more discerning and harder to target. The Lodge has also focused on corporate groups, primarily locally, however these groups typically came from the oil and gas industry, which has suffered a downturn in the past several years. More recently, the Lodge has targeted sports trade shows in the Lower 48 and increased online marketing efforts to attract outdoorsmen who wish to live out their Alaska dream in luxury.

B. History Of Operations; Events Leading To Chapter 11

The real estate sitting beneath the Lodge has always been owned by TKL, which financed the purchase with a loan from First National Bank of Alaska (“FNBA”). The current owner of TKL and ATKL, Drew Butterwick, took ownership of TKL and the Lodge in 2012, when his father’s failing health forced him to relinquish ownership. Drew’s father, due to his age and failing health, had not kept up on improvements and other necessary changes to keep the Lodge up to current luxury standards. When Drew took control, he was able to renegotiate terms with FNBA in order to reduce monthly payments to an amount that made financial sense and allowed him to perform significant upgrades.

When Drew took ownership of TKL and the Lodge, he formed ATKL to operate as the marketing and operations arm. Essentially, he has now structured the entities such that the Debtor (TKL) is a real estate holding company that owns the Lodge buildings and the real property; ATKL is the Operating Company that runs the Lodge operations day-to-day; and a third entity, Navicula LLC (which Drew also owns 100%), owns all of the personal property at the Lodge and leases it to ATKL. In exchange for use of the Lodge property, ATKL has always paid TKL’s required payments to FNBA, property tax obligations, and insurance.

Since taking ownership from his father, Drew has made drastic improvements to the property – spending approximately \$150,000 – to help increase its value moving forward. First, he spent considerable time and money to rebuild the sea wall that protects the property from the Cook Inlet tide and storm surge. This helped reduce insurance premiums. Second, he updated the interior of the buildings with new floors, carpet, artwork, décor, and paint – this helped improve the look of the

lodge, which was important to attract luxury-market demand, and therefore, higher prices. Third, he updated the exterior of the buildings and infrastructure, upgrading the plumbing system to decrease cost and improve efficiency, repaired the roofs, and painted – these changes have helped to preserve the buildings in order to maintain their value and increase demand.

Despite Drew’s best efforts to improve the property and boost demand, which worked reasonably well in 2012-2014, the Alaskan economy began a downturn in 2015 that, paired with changing weather patterns and natural factors, has made operating the Lodge profitably difficult for the past two years. In 2015, the oil and gas industry suffered a severe downturn due to lower oil prices that saw a major decrease in local corporate clients frequenting the Lodge. The Lodge attempted to compensate by focusing its marketing efforts more to families and small groups, but the recent changes in weather and other natural factors made it even more difficult. Alaska saw one of its warmest fishing seasons in 2016, which caused both saltwater and freshwater fish to change their traditional feeding patterns and migration paths. The change was so drastic, for example, that it was the first time in 30 years that bear viewing tours offered by third-party seaplane services were cancelled simply because the bears had no fish to feed on during the prime daylight hours. The combination of these factors, which were not in the control of the Lodge, caused demand to decrease, ultimately hindering ATKL’s ability to pay rent (keeping FNBA current – tax and insurance payments were made and are current).

However, since entering bankruptcy, the Lodge has procured several corporate clients for the 2018 fishing season, many of which are repeat clients. ATKL is hopeful that with the weather patterns returning to near “normal,” it will see some client loyalty that it had grown accustomed to seeing in the past. Furthermore, the Lodge has begun a hard marketing push to increase its potential guest-base across the country and in other corporate entertainment markets. The boost in revenue that is anticipated should provide the liquidity for ATKL to make rent payment and, thus, allow TKL to perform under the Plan.

TKL’s goal is to sell the property as soon as possible for a “fair” price so that it can pay all creditors in full. The plan is a liquidating Chapter 11 plan under which TKL seeks to sell the real property and the Lodge (along with the Operating Company as a packaged opportunity). Along those lines, TKL has focused its efforts on ultimately selling the Lodge and associated property (along with trying to increase demand in the short term to make the Lodge more attractive to a potential buyer). Those efforts will be discussed in more detail below.

C. Significant Events During The Bankruptcy

Most of Drew’s efforts since the filing of the bankruptcy petition have focused on ramping up interest in both guests of the Lodge and potential buyers. It is a relatively simple case with few creditors and only one large asset. There has been little need to file motions or pursue any costly litigation strategy.

That being said, FNBA initiated a lawsuit against Drew’s mother in Anchorage Superior Court as case No. 3AN-17-08379CI. Debtor reserves its rights to argue, in the Bankruptcy Court at a later time, that FNBA shall be required to dismiss its lawsuit without prejudice since Debtor will be current under the modified loan terms, and thus, there should be no right to assert a default

against the guarantor. It is likely that the State Court will dismiss the case in any event.

1. Case Administration and Day-to-Day Operations

Debtor filed a voluntary Chapter 11 petition on July 12, 2017. After filing the petition, Drew has made numerous changes to help increase guest demand on a go-forward basis. Namely, he:

- Updated the marketing plan: Drew has given the Lodge's website a much needed facelift and started to institute direct engagement with prospective and returning clients. The website needed to be updated and the direct engagement has already resulted in at least one new client.
- Personal visits to guests: Along those lines, Drew has made several personal visits to guests in Alaska and other places in the Lower 48 that have already booked in an attempt to create "return" customers in the future. Drew is striving to become a lodge not just known for Alaskan fishing, but also known for high-quality customer service. The personal visits and conversations with guests about their Alaskan trip is helpful.
- New trade show booth: As mentioned above, trade shows have become a new avenue of potential clients that Drew intends on tapping into. He has created new materials that he will roll out at trade shows in the Lower 48 beginning in January 2018, which is the commencement of the outdoor marketing season.

As discussed, TKL intends liquidate the property (and the other entities operating the Lodge) within two years. Drew has thus far accomplished several tasks to ultimately help sell the property:

- Hired Jim Riley: Jim Riley is a premier broker in Alaska that specializes in lodge properties. Drew intends to work aggressively with Riley in order to sell the property within the two-year time frame proposed in the Plan. With a new Plan in place, and given recent consumer confidence and an upward trend in US equity markets, Drew and Riley believe this is achievable.
- Several potential buyers: Drew has increased his focus on high net worth clients, both in Alaska and the Lower 48, as potential buyers. With the improving outlook of the Lodge, as discussed above, interest has been high and there has been more inquiries about the property in the last three months than the last three years.

These changes have already produced positive results for ATKL. Its 2018 bookings look to be better than 2016 and 2017 – likely due to improved economic factors and the efforts above. On the sale side, interest of potential buyers has never been higher. TKL is very optimistic that it will comfortably operate on a go-forward basis (through the successful operations by ATKL), while a sale of the property is arranged.

2. Unsecured Creditors Committee

No creditor committee was appointed in this case.

3. Professionals

The following professionals have been employed by the Debtor:

Dorsey & Whitney LLP - The Court approved the employment of Dorsey & Whitney, LLP as general counsel for TKL effective as of the petition date.

Swen A. Mortensen CPA, Inc. – Court approval of the employment of Swen A. Mortensen CPA, Inc. as accountant for TKL is pending.

J. Riley Realty LLC – Court approval of the employment of J. Riley Realty LLC as realtor is pending.

4. Adversary Proceedings

There are no pending adversary proceedings in the bankruptcy case.

5. Other Legal Proceedings

There are no pending legal proceedings connected to the bankruptcy case.

6. Actual and Projected Recovery Of Preferential Or Fraudulent Transfers

TKL does not anticipate any recovery of preferential or fraudulent transfers; however, the Plan preserves its right to pursue these and other avoidance actions.

D. Summary of Assets and Debts

1. Assets

TKL’s largest (and only) asset of TKL is the real property and the buildings described above. According to the most recent appraisal (Appraisal Company of Alaska 9/30/05) – and opinion of expert James Riley – the real property and building has a value of approximately \$1.25 Million.

2. Debts

TKL’s debts can be summarized relatively easily: it owes approximately \$593,654.79 in secured debt, \$27,500 in administrative debt, and \$514,650.65 in unsecured debt, as presented in the following table:

Creditor	Amount	Secured/Unsecured
FNBA	\$321,989.51	Secured
FNBA	\$271,665.28	Secured
TOTAL SECURED	\$593,654.79	
Dorsey & Whitney	\$25,000	Admin
Swen A. Mortensen, Inc.	\$2,500	Admin
J. Riley Realty LLC	Percentage	Admin

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TOTAL ADMIN	\$27,500	
Bruce Butterwick	\$350,000.00	Unsecured (Insider)
Voyager Expeditions LLC	\$5,480.65	Unsecured (Insider)
Chris N. Bohnert	\$123,170.00	Unsecured (Non-Insider)
Todd Fruchertman	\$32,400.00	Unsecured (Non-Insider)
Swen Mortensen	\$3,600.00	Unsecured (Waived)
TOTAL UNSECURED	\$514,650.65	

III. THE PLAN OF REORGANIZATION

A. Summary

This is a liquidating Chapter 11 Reorganization Plan that pays all creditors, with interest, from the date of the Petition, upon sale of the Debtor's property within two years (or a third year with a principle paydown). The Plan will be funded by the revenues generated from rental payments provided by ATKL and eventually, a sale of the Debtor's property. It is anticipated that TKL will pay off all creditors after sale of the Debtor's property. Implementation of the Plan will be as follows:

1. At the Effective Date, TKL will have cash on hand sufficient to pay all administrative claims, U.S. Trustee fees and 2017 real property taxes
2. After the Effective Date, TKL, as the "Reorganized Debtor," will be permitted to lease the property to ATKL in the ordinary course.
3. All secured creditors will retain all collateral rights and will be paid in full with interest and costs upon sale of the Debtor. FNBA, as the only secured creditor, will also be paid monthly interest payments beginning February 1, 2017, until January 1, 2020, with the balance paid upon sale of the Debtor's property. (Debtor can extend the deadline to pay off FNBA by another year by making a principal paydown by January 31, 2020, of \$40,000 and continuing monthly interest-only payments on March 1, 2020 until January 1, 2021). FNBA will also be reimbursed for \$11,101.60 related to forced place flood insurance on the Debtor's property in two installments, one on February 15, 2018 and one on March 15, 2018. These payments will be in addition to the regular interest payments due FNBA during those months.
4. All allowed unsecured creditors will be paid in full with interest and costs upon sale of the Debtor's property.
5. Monthly payments under the Plan will begin on the 1st day of the month in the month following the Effective Date, provided that the 1st is at least 30 days from the Effective Date (e.g. if the Effective Date is December 21, 2017, then the first monthly payment would be on February 1, 2018).

B. The Plan

1. Class S -- Secured Claims

Secured claims are claims secured by liens on property of the estate. **Under the Plan, all secured creditors retain their perfected lien rights existing as of the petition date.** The balances listed below have been estimated as of the Effective Date, using the contract rates of interest over the course of the bankruptcy. TKL acknowledges that Section 506(b) of the Bankruptcy Code allows oversecured creditors (value of collateral greater than debt) to receive interest, costs and reasonable attorneys' fees under §506(b) of the Bankruptcy Code. Secured creditors are to comply with local bankruptcy Rule 3003-1(c) to establish their §506(b) rights. The estimated claim amounts are subject to verification. Secured creditors will receive interest under the Plan.

All classes of secured claims are impaired under the Plan and are entitled to vote on the Plan.

a. Class S-1 First National Bank of Alaska. This claim, with accrued interest and fees, is estimated at \$331,594.00. The debt is secured by a deed of trust on the TKL property. Pursuant to the terms of this Plan, the Debtor will pay monthly interest payments at 5.25% (\$1,450.72) beginning on the Effective Date until January 1, 2020. FNBA will also be reimbursed for \$11,101.60 related to forced place flood insurance on the Debtor's property in two installments, one on February 15, 2018 and one on March 15, 2018. These payments will be in addition to the regular interest payments due FNBA during those months. The debt must be fully paid by January 31, 2020. If the Debtor has not repaid the debt in full by January 31, 2020, it can pay down \$20,000 in principal to continue the Plan for another year until January 31, 2021, provided Debtor makes monthly interest only payments of \$1,450.72 beginning on March 1, 2020 and continuing until January 1, 2021. FNBA shall terminate its foreclosure sale as of the Effective Date. Should Debtor miss a payment, and after a 10-day written cure period without Debtor having cured the default, FNBA shall have the right to re-initiate a foreclosure process.

b. Class S-2 First National Bank of Alaska. This claim, with accrued interest and fees, is estimated at \$279,768.82. The debt is secured by a deed of trust on the TKL property. Pursuant to the terms of this Plan, the Debtor will pay monthly interest payments at 5.25% (\$1,223.99) beginning on the Effective Date until January 1, 2020. The debt must be fully paid by January 31, 2020. If the Debtor has not repaid the debt in full by January 31, 2020, it can pay down \$20,000 in principal to continue the Plan for another year until January 31, 2021, provided Debtor makes monthly interest only payments of \$1,223.99 beginning on March 1, 2020 and continuing until January 1, 2021. FNBA shall terminate its foreclosure sale as of the Effective Date. Should Debtor miss a payment, and after a 10-day written cure period without Debtor having cured the default, FNBA shall have the right to re-initiate a foreclosure process.

2. Class A - Administrative Claims

Administrative expenses are claims for costs or expenses of administering the Chapter 11 case which are allowed under Code Section 507(a)(1). The Code requires that all administrative claims be paid on or before the Effective Date of the Plan, unless the claimant agrees to a different treatment. Administrative expenses will be paid as soon as practical after the Effective Date, provided that professionals have received Court approval of their fees. U.S. Trustee's fees are set by statute, and will be paid in full on or before the effective date.

a. Class A-1 Dorsey & Whitney. This class includes the claims of Dorsey & Whitney, employed pursuant to 11 USC § 327. These claims are estimated at \$25,000 as of the Effective Date. Dorsey & Whitney will be paid in full on the Effective Date, unless it accepts less than full payment and a promise for future payment.

b. Class A-2 Swen A. Mortensen CPA, Inc. This class includes the claims of Swen A. Mortensen CPA, Inc., employed pursuant to 11 USC § 327. These claims are estimated at \$2,500 as of the Effective Date. Mortensen’s claim will be paid in full on the Effective Date, unless it accepts less than full payment and a promise for future payment

c. Class A-3 J. Riley Realty LLC. This class includes the claims of J. Riley Realty LLC, employed pursuant to 11 USC § 327. Riley’s claim will be paid when the Debtor’s property sells.

4. Class U – General Unsecured Claims.
Class U-1 and U-2 are impaired under the Plan.

a. Class U-1. This class includes all allowable insider unsecured non-priority claims (\$355,758.13). The Debtors will pay this class in full with 2% interest upon successful liquidation of Debtor’s property.

b. Class U-2. This class includes all allowable non-insider unsecured non-priority claims (\$165,638.29). The Debtors will pay this class in full with 2% interest upon successful liquidation of the Debtor’s property.

5. Summary Table.

OVERVIEW OF CLAIMS/TREATMENT					
			Treatment		
Class/Name	Claim Amount as of 1/1/2018	Collateral	Confirmation	Remaining	Notes
S-1 (FNBA)	331,594.00	Lodge and Real Estate	Retain liens	331,594.00	Mo. Payments and liquidation
S-2 (FNBA)	279,768.82	Lodge and Real Estate	Retain liens	279,768.82	Mo. Payments and liquidation
Total Secured	611,362.82			611,362.82	
A-1 (D&W)	25,000		Pay on Eff. Date	25,000	Cash on hand or agreement
A-2 (Mortensen)	2,500		Pay on Eff. Date	2,500	Cash on hand or agreement
A-3 (Riley)	Percentage		Pay on Sale of	Percentage	Sale of

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			Property		property
Total Admin				27,500.00	
U-1 (Insider Unsec.)	355,758.13			355,758.13	Liquidation
U-2 (Non-Insider Unsec.)	165,638.29			165,638.29	Liquidation
Total Unsecured				521,396.42	
Total All				\$1,160,259.24	

C. Means of Performing the Plan

1. Funding for the Plan

The Plan will be funded by the rent payments provided by the continued operation of ATKL. ATKL's rent payments will total, exactly, the monthly interest payments to FNBA identified above starting February 1, 2018 through January 1, 2020, any insurance payments required, and any property taxes due on the property of the Debtor. The Debtor plans to liquidate and sell the real property and Lodge by that time. A liquidation, based on the numbers provided above, would pay every creditor in full, with interest.

2. Avoidance Actions/Adversary Proceedings

Debtor retains the right to pursue, after confirmation of the Plan, all avoidance actions and adversary proceedings that are possessed by the bankruptcy estate. At this time, however, there do not appear to be any actions to pursue.

3. Receivables

Debtor retains the right to pursue any outstanding receivables and escrow payments that are owed to them.

4. Miscellaneous Items

Creditors of the Debtor will have no recourse against any post-confirmation assets or revenues of the Reorganized Debtor other than as set forth in this plan.

D. Executory Contracts And Unexpired Leases

The Debtor possessed the following unexpired executory contracts and leases on the Petition Date:

PERSONAL PROPERTY LEASES			
Lessee	Description	Assume/Reject	Lease Rate
ATKL	Use of Lodge and Real Property	Assume	Payment of FNBA, taxes, and insurance

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E. Risk Factors

Performance of the Plan is based upon the operation of the lodge by ATKL and ultimately, the sale of Debtor's property. In order to maximize the sale of the property, ATKL must perform well on a go-forward basis in order to pay the rent (FNBA, taxes, insurance) and also to attract an interested buyer.

In terms of short-term success of ATKL, it is dependent upon (a) strengthening oil prices, (b) heavier marketing efforts by ATKL, and (c) favorable weather conditions. With regards to local corporate clients, the risks associated with this segment of the market are primarily impacted by local and state economic conditions. Economic conditions in the State of Alaska are uncertain at the current time, although oil prices have finally moved above \$50/barrel. But as discussed above, ATKL's business model of attracting corporate clients from the Lower 48 makes it less likely to feel the impact of a continued downturn in the State economy.

In looking at the Lower 48 tourism market, the tourism industry in Alaska is flourishing. Every year Alaska sees a massive influx of tourists looking to experience the great outdoors. If ATKL is successful, and it believes it will be, in luring major corporate clients from the Lower 48, it will have a diversified corporate client base that will allow it to maintain strong financial operations. ATKL does run the risk of another recession impacting the Lower 48 and making expendable income tougher to compete for – but by focusing on corporate clients and clients who are willing to pay a premium (these types of clients are very wealthy and less likely to be impacted by a potential recession), TKL is insulated from that risk.

Furthermore, in looking at an eventual sale of TKL, the interest in the Lodge continues to grow. The buyers' market for a property like this one is pretty limited, which is good and bad for TKL. Obviously, having more buyers makes a sale easier to accomplish, but the limited buyer base means buyers are very sophisticated and knowledgeable. In working with James Riley, the realtor in this case, TKL has been able to highlight improvements to the lodge (i.e., improving efficiency with new plumbing, stronger sea wall and multiple cosmetic upgrades.). The improving operating conditions and repeat business strengthens the sale ability of the Lodge business.

TKL believes that the short-term success of the Lodge is improving and an eventual sale is realistic and likely. As such, creditors will be paid in full, with interest, under the Plan.

C. IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THIS PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LEGAL STANDARDS FOR CONFIRMING A PLAN OF REORGANIZATION ARE VERY COMPLEX. The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well as certain deadlines for filing claims. The Proponent CANNOT and DOES NOT represent that the discussion contained below is a complete summary of the law on this topic or of issues creditors may wish to raise.

Many requirements must be met before the Court can confirm a Plan. Some of the

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requirements are: (1) that the Plan must be proposed in good faith, (2) that the Plan be accepted by creditors or approved by the court over the objections of creditors pursuant to the Bankruptcy Code, (3) that the Plan pays creditors at least as much as creditors would receive in a Chapter 7 liquidation, and (4) that the Plan be feasible. These requirements are not the only requirements for confirmation.

A. Who May Vote Or Object

1. Who May Object To Confirmation Of The Plan

Any party in interest may object to the confirmation of the Plan, but, as explained below, not everyone is entitled to vote to accept or reject the Plan.

2. Who May Vote To Accept/Reject The Plan

A creditor or interest holder has a right to vote for or against the Plan if that creditor or interest holder has a claim which is both (1) allowed for payments purposes or allowed for voting purposes, and (2) classified in an impaired class.

3. What Is An Allowed Claim/Interest

As noted above, a creditor or interest holder must first have an allowed claim or interest to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a party in interest brings a motion objecting to the claim. When an objection to a claim or interest is filed, the creditor or interest holder holding the claim or interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or interest for voting purposes.

THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE IS NOVEMBER 2, 2017. A creditor or interest holder may have an allowed claim or interest even if a proof of claim or interest was not timely filed. A claim is deemed allowed if (1) it is scheduled on the Debtors' schedules and such claim is *not* scheduled as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the claim. An interest is deemed allowed if it is scheduled and no party in interest has objected to the interest. Consult **Exhibit B** to see how TKL has characterized your claim or interest, and whether it disputes the claim.

4. What Is An Impaired Claim/Interest

An allowed claim or interest only has the right to vote if it is in a class that is impaired under the Plan. A class is impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class. Whether a class is impaired or not is stated at the beginning of each category of claims above.

5. Who Is Not Entitled To Vote

The following four types of claims are not entitled to vote: (a) claims that have been disallowed, (b) claims in unimpaired classes, (c) claims entitled to priority pursuant to Code sections 507(a)(1), and (a)(2), and (d) claims in classes that do not receive or retain any value under

the Plan. Claims in unimpaired classes are not entitled to vote because such classes are deemed to have accepted the Plan under § 1126 of the Bankruptcy Code. Claims entitled to priority pursuant to Code sections 507(a)(1) and (a)(2) are not entitled to vote because such claims are required to receive certain treatment specified by the Code. Claims in classes that do not receive or retain any value under the Plan do not vote because such classes are deemed to have rejected the Plan. EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, AND YOU ARE NOT ALLOWED TO VOTE, YOU MAY STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

6. Votes Necessary To Confirm The Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cramdown” on non-accepting classes, as discussed below.

7. Votes Necessary For A Class To Accept The Plan

A class of claims is considered to have accepted the Plan when more than one-half (1/2) in number and at least two-thirds (2/3) in dollar amount of the claims that actually voted, voted in favor of the Plan. A class of interests is considered to have “accepted” the Plan when at least two-thirds (2/3) in amount of the interest-holders of such class which actually voted, voted to accept the Plan.

8. Treatment Of Nonaccepting Classes

As noted above, even if all impaired classes do not accept the proposed Plan (assuming at least one impaired class votes to accept the Plan), the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner required by the Code. The process by which nonaccepting classes are forced to be bound by the terms of a Plan is commonly referred to as “cramdown.” The Code allows the Plan to be “crammed down” on nonaccepting classes of claims or interests if it meets all consensual requirements, except the voting requirements of 1129(a)(8), and if the Plan does not “discriminate unfairly” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan as referred to in 11 U.S.C. § 1129(b) and applicable case law.

9. Single Hearing

Pursuant to Bankruptcy Court Order (DE #37), the hearing on approval of the Disclosure Statement and Plan confirmation will be held at the same hearing. This will expedite the process and make it less costly.

V. COMPARISON OF PLAN WITH LIQUIDATION ANALYSIS

Under the Bankruptcy Code, a proposed plan must meet the “Best Interest Test.” Under the “Best Interest Test,” if an impaired class votes to reject the Plan, then the plan cannot be approved unless that impaired class will receive or retain at least as much under the Plan as the class would

receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code. This requires the debtor to provide a liquidation analysis of what would occur if this case were resolved in Chapter 7.

In a Chapter 7 case, the Debtors' assets are liquidated by a trustee, and the Debtors' creditors are paid in order of their priority under the Bankruptcy Code until the funds are exhausted. Secured creditors are paid first from the sales proceeds of properties on which the secured creditor has a lien. Administrative claims are paid next. Next, unsecured creditors are paid from any remaining sales proceeds, according to their rights to priority. Unsecured creditors with the same priority share any remaining funds on a pro rata basis. Finally, interest holders receive the balance, if any, that remains after all creditors are paid.

Debtor maintains that the "Best Interest Test" is satisfied in this case because the plan proposed by Debtor will generate revenue to provide for 100% payment on *all* claims, with interest. If the case is converted to chapter 7 and a trustee takes over the sale process, it is likely that the sale price would be at a steep discount due to the appearance of distress. Allowing the Debtor to run its own liquidation will provide for a higher sales price – due to the continued operation of the lodge, Debtor's knowledge of the business, Drew's contacts in the lodge community, and the efforts of James Riley – a big benefit to maximizing value is the continued operation of the lodge. This creates cash flow and greatly enhances the value of the property. If a Trustee takes control, the lodge would not be operated (at least, historically, a Chapter 7 Trustee is hesitant to operate a business, especially a distressed one with high potential liability). The Plan therefore provides better treatment than in a chapter 7 liquidation because the lower sale price that is likely would leave at least some of the unsecured and administrative creditors without payment – only FNBA is likely to be paid in full with a chapter 7 liquidation. A detailed liquidation analysis is set forth as **Exhibit C**.

A. Feasibility

The Bankruptcy Code requires that the Plan be "feasible," which means that confirmation of the Plan is not likely to be followed by the liquidation, or further financial reorganization, of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

As laid out in the Projections for ATKL as the Tenant of the of the Lodge Property (See **Exhibit D**), the Plan can be funded for a 2-3 year period by the continued operation by ATKL, thus allowing it to pay "Rent" to keep FNBA current under the Plan payments as well as pay the taxes and insurance.

D. VI. EFFECT OF CONFIRMATION OF PLAN

A. Effective Date

The Effective Date will be the date a final, non-appealable confirmation order has been entered by the Bankruptcy Court ("Effective Date").

B. Substantial Consummation

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Substantial Consummation shall occur when Debtor has made the first payment due under the Plan (“Substantial Consummation”).

C. Discharge

Except as provided in the Plan, on the Effective Date, Debtor shall be discharged of liability for payment of debts incurred prior to the Effective Date, to the extent specified in 11 U.S.C. § 1141.

D. Revesting Of Property

On the Effective Date, all assets of the Debtor shall revest in the Debtor; however, the Pre-Confirmation Assets shall be subject to the restrictions, encumbrances and obligations recognized in the Plan.

E. Modification Of Plan

Debtor may modify the Plan at any time before the Effective Date. However, the Court may require a new Disclosure Statement and/or revoting on the Plan if Debtor modifies the Plan before confirmation.

Debtor may also seek to modify the Plan at any time after the Effective Date as long as (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

F. Post-Confirmation Reports

Within 120 days of the Effective Date, until Substantial Consummation, the Reorganized Debtor shall file a status report with the Court explaining what progress has been made toward Substantial Consummation of the confirmed Plan. The status report shall be served on the U.S. Trustee and those parties who have requested special notice. Further status reports shall be filed every 120 days and served on the same entities until such time as the Plan has been Substantially Consummated, at which time no further reports will be due.

Additionally, the Debtors will file financial reports with the U.S. Trustee for each calendar quarter, or portion thereof, until the case is closed and a final decree is entered. The quarterly financial report shall include a statement of all disbursements made during the course of the quarter.

G. Post-Confirmation Conversion/Dismissal

A creditor or party in interest may bring a motion to convert or dismiss the case under § 1112(b), after the Plan is confirmed, if there is a default in performing the Plan. If the Court orders the case converted to Chapter 7 after the Plan is confirmed, then all Pre-Confirmation Assets that had been property of the Chapter 11 estate, and that have not been disbursed pursuant to the Plan, will revest in the Chapter 7 estate, and the automatic stay will be reimposed upon the revested property unless relief from stay had previously been granted by the Court.

H. Retention Of Liens By Secured Creditors

Except as otherwise provided in the Plan, holders of secured claims shall retain any liens possessed as of the Petition Date against the assets of TKL, to the same extent, validity and priority existing on the Petition Date, even though the assets revert in the Debtor as Reorganized Debtor on the Effective Date. Secured creditors are not granted any additional liens under the Plan. Secured Creditors shall execute appropriate lien releases when their obligations are fully paid in accordance with the Plan.

I. Retention Of Jurisdiction

Until the case is closed, and subject to its being reopened, the Bankruptcy Court shall retain jurisdiction to the fullest extent authorized by the Bankruptcy Code and United States Code to ensure that the purpose and intent of the Plan are effectuated. The Court's retained jurisdiction is more specifically defined in the Plan. The retained jurisdiction will allow Court oversight of the Plan's implementation.

J. Tax Consequences Of Plan

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS AND/OR ADVISORS.

K. Final Decree

Once the estate has been fully administered, which shall mean Substantial Consummation, the Reorganized Debtor shall file a motion with the Court to obtain a final decree to close the case.

DATED this 13th day of November, 2017, at Anchorage, Alaska.

TKL ASSOCIATES, LLC

/s/ Drew Butterwick

By: Drew Butterwickp

DORSEY & WHITNEY LLP
Attorneys for Debtors

/s/ Michael R. Mills

By: Michael R. Mills

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served this 13th day of November, 2017 through the Court's ECF system as follows:

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Pamela McKibben, Legal Secretary

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EXHIBIT LIST

- A. First Amended Plan
- B. Claims Table and Payments
- C. Liquidation analysis containing list of all assets and liabilities
- D. ATKL Projections and Prior P&L Report

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