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10 HOWELL MOUNTAIN PARTNERS, L.P.,
11 a California Limited Partnership

12 UNITED STATES BANKRUPTCY COURT
13 NORTHERN DISTRICT OF CALIFORNIA
14 SANTA ROSA DIVISION

15 In re:
16 HOWELL MOUNTAIN PARTNERS,
17 L.P., a California Limited Partnership,
18 Debtor.

Case No. 15-10524 AJ 11

Chapter 11 Case

HOWELL MOUNTAIN PARTNERS, L.P.'S
DISCLOSURE STATEMENT, DATED
AUGUST 12, 2016

DATE: September 16, 2016

TIME: 10:00 a.m.

JUDGE: Hon. Alan Jaroslovsky

United States Bankruptcy Judge

LOCATION: 99 South "E" Street

Santa Rosa, California 95404

TABLE OF CONTENTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

- I. INTRODUCTION 4
 - A. Purpose of this Document 4
 - B. Deadline for Voting and Objecting; Date of Plan Confirmation Hearing 5
 - 1. Time and Place of the Hearing to Confirm the Plan 5
 - 2. Deadline for Voting to Accept or Reject the Plan 5
 - 3. Deadline for Objecting to Confirmation of the Plan 5
 - 4. Identity of Person to Contact for More Information 5
 - C. Disclaimer 5
- II. BACKGROUND 6
 - A. Description and History of the Debtor and Events Leading to Chapter 11 Filing 6
 - B. Insiders of the Debtor 6
 - C. Management of the Debtor Before and During Bankruptcy 7
 - D. Significant Events During the Bankruptcy Case, Including Employment of Professionals 7
 - E. Projected Recovery of Avoidable Transfers 10
 - F. Claims Objections 10
 - G. Current and Historical Financial Conditions 10
- III. SUMMARY OF THE PLAN AND TREATMENT OF CLAIMS AND EQUITY INTERESTS 11
 - A. What is the Purpose of the Plan? 11
 - B. Unclassified Claims 11
 - 1. Administrative Expenses 11
 - 2. Priority Tax Claims 13
 - 3. United States Trustee Fees 13
 - C. Classes of Claims and Equity Interests 13
 - 1. Classes of Priority Unsecured Claims 13
 - 2. Classes of Secured Claims 14
 - 3. Classes of General Unsecured Claims 15
 - 4. Class of Judgment Creditor 15
 - 5. Class of Equity Interest Holders 16
 - D. Means of Implementing the Plan 16
 - 1. Source of Payments to Creditors 16
 - 2. Post-Confirmation Management 17
 - E. Risk Factors 17
 - F. Executory Contracts and Unexpired Leases 17
 - G. Tax Consequences of Plan 18
- IV. CONFIRMATION REQUIREMENTS AND PROCEDURES 19
 - A. Who May Vote or Object 19
 - 1. What is an Allowed Claim or an Allowed Equity Interest 20
 - 2. What is an Impaired Claim or Impaired Equity Interest 20
 - 3. Who is Not Entitled to Vote 20
 - B. Votes Necessary to Confirm the Plan 21
 - 1. Votes Necessary for Class to Accept the Plan 21
 - 2. Treatment for Nonaccepting Classes 21

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

C. Liquidation Analysis22
D. Feasibility22
 1. Ability to Initially Fund Plan22
 2. Ability to Make Future Plan Payments and Operate Without Further
 Reorganization23
V. EFFECT OF CONFIRMATION OF PLAN24
 A. Default.....24
 B. Injunction24
 C. Discharge of Debtor25
 D. Modification of Plan26
 E. Final Decree26
 F. Binding Effect26
VI. RETENTION OF JURISDICTION27
EXHIBITS28

1 **I. INTRODUCTION**

2 This is the disclosure statement (the “Disclosure Statement”) describing Howell
3 Mountain Partners, L.P.’s (the “Debtor” or the “Partnership”) second amended plan of
4 reorganization dated August 12, 2016, (the “Plan”). This Disclosure Statement also contains
5 information about the Debtor. A full copy of the Plan is attached to this Disclosure Statement as
6 Exhibit A. The proposed distributions under the Plan are discussed in section III of this
7 Disclosure Statement.

8 All initial capitalized terms used in this Disclosure Statement that are not defined,
9 but that are defined in the Plan, have the meanings given to those terms in the Plan. If a term is
10 not defined herein or in the Plan, but is defined in the Bankruptcy Code, such term has the
11 meaning given to that term in the Bankruptcy Code.

12 **Your rights may be affected. You should read the Plan and the Disclosure**
13 **Statement carefully and discuss them with your attorney. If you do not have an attorney,**
14 **you may wish to consult one.**

15 **A. Purpose of this Document**

16 The Disclosure Statement describes, *inter alia*, the Debtor and significant events
17 during the bankruptcy case; how the Plan proposes to treat claims or equity interests of the type
18 you hold (i.e. what you will receive on your claim or equity interest if the Plan is confirmed); who
19 can vote on or object to the Plan; what factors the Bankruptcy Court will consider when deciding
20 whether to confirm the Plan; why the Debtor believes that the Plan is feasible and how the
21 treatment of your claim or equity interest under the Plan compares to what you would receive on
22 your claim or equity interest in a liquidation; and the effect of confirmation of the Plan.

23 **Be sure to read the Plan as well as the Disclosure Statement. The Disclosure**
24 **Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your**
25 **rights. If any inconsistency exists between the Plan and this Disclosure Statement, the terms**
26 **of the Plan will control. Upon Bankruptcy Court approval of the Plan, the Plan will be**
27 **binding upon all holders of claims against, and holders of interests in, the Debtor (including,**
28 **without limitation, those holders of claims or interests who do not submit ballots to accept**

1 or reject the Plan, or who are not entitled to vote on the Plan).

2 **B. Deadline for Voting and Objecting; Date of Plan Confirmation Hearing**

3 The Bankruptcy Court has not yet confirmed the Plan described in this Disclosure
4 Statement. This section describes the procedures pursuant to which the Plan will or will not be
5 confirmed.

6 **1. Time and Place of the Hearing to Confirm the Plan**

7 The hearing at which the Bankruptcy Court will determine whether to confirm the
8 Plan will take place on September 16, 2016, at 10:00 a.m., in the Honorable Alan Jaroslovsky's
9 courtroom located at the United States Bankruptcy Court, Northern District of California, 99
10 South "E" Street, Santa Rosa, California.

11 **2. Deadline for Voting to Accept or Reject the Plan**

12 If you are entitled to vote to accept or reject the Plan, vote on the enclosed ballot
13 and return the ballot in the enclosed envelope to Lisa Lenherr, Esq., Tiemstra Law Group, PC,
14 1111 Broadway Ste. 1501, Oakland, California 94607-4036. See *infra*, section IV(A), for a
15 discussion of voting eligibility requirements. **Your ballot must be received by September 9,
16 2016 or it will not be counted.**

17 **3. Deadline for Objecting to Confirmation of the Plan**

18 Objections to the confirmation of the Plan must be filed with the Bankruptcy Court
19 and served by September 9, 2016.

20 **4. Identity of Person to Contact for More Information**

21 If you want additional information about the Plan, you should contact Lisa
22 Lenherr, Esq., at Tiemstra Law Group, PC, 1111 Broadway Ste. 1501, Oakland, California
23 94607-4036; ll@tiemlaw.com.

24 **C. Disclaimer**

25 **The Bankruptcy Court has approved this Disclosure Statement as containing**
26 **adequate information to enable parties affected by the Plan to make an informed judgment**
27 **about its terms. The Bankruptcy Court has not yet determined whether the Plan meets the**
28 **legal requirements for confirmation, and the fact that the Bankruptcy Court has approved**
this Disclosure Statement does not constitute an endorsement of the Plan by the Bankruptcy

1 **Court, or a recommendation that it be accepted.**

2 **II. BACKGROUND**

3 **A. Description and History of the Debtor and Events Leading to Chapter 11**
4 **Filing**

5 The Debtor owns and operates a vineyard in Napa County under a ground lease
6 with over 18 years remaining on the term (the "Lease"). In 2013, the former general partner of the
7 Debtor, Roberts' and Roger's, LLC ("RRLLC"), was unanimously removed by a vote of the
8 limited partners. The original partnership agreement provided that upon removal by that vote, the
9 removed general partner's interests would be purchased by the Debtor in the manner provided in
10 that partnership agreement. A dispute arose related to the purchase price and RRLLC and its
11 managing members (Mr. Young and Mr. Louer) sought and obtained a state court judgment
12 against the Debtor in the amount of \$1,720,000 (the "Judgment").

13 As a result of the financial status of the Debtor and in order to address the threat to
14 the Debtor's existence posed by the Judgment, on May 22, 2015, the Debtor filed a voluntary
15 petition for relief under Chapter 11. The Debtor appealed the legal bases on which the trial court
16 relied in issuing the Judgment. That appeal has been stayed pending approval of the Settlement
17 Agreement (defined *infra* § III(C)), and will be dismissed upon the Bankruptcy Court's approval
18 of the Settlement Agreement and confirmation of the Plan.

19 **B. Insiders of the Debtor**

20 Section 101(31)(C) of the Bankruptcy Code defines an "insider" of a partnership
21 as: "(i) general partner in the debtor; (ii) relative of a general partner in, general partner of, or
22 person in control of the debtor; (iii) partnership in which the debtor is a general partner; (iv)
23 general partner of the debtor; or (v) person in control of the debtor." After the vote to remove
24 RRLLC but before the Debtor filed this bankruptcy case, Larry Seese and Edward Welch were
25 installed as the sole general partners of the Debtor (together, the "General Partners"). Mr. Seese's
26 wife Laurie Seese is a limited partner. Mr. Welch's wife Sally Welch is a limited partner.

27 Pursuant to section 6.1 of the First Amendment and Restatement of the Howell
28 Mountain Partners, L.P. Agreement of Limited Partnership dated effective April 1, 2013 (the "LP

1 Agreement”), the General Partners receive a monthly management fee for managing the property
2 and the affairs of the Partnership equal to \$36,000 annually, payable monthly (however, the
3 payments are typically made annually). In addition, pursuant to section 6.2.1 of the LP
4 Agreement, the Partnership either directly pays or reimburses the General Partners for all the
5 costs and expenses of the Partnership’s operations. Furthermore, section 7.6.1 of the LP
6 Agreement “Indemnification of General Partner” provides:

7
8 The General Partner, its shareholders, Affiliates, officers, directors, partners,
9 employees, agents and assigns, shall not be liable for, and shall be indemnified and
10 held harmless (to the extent of the Partnership's assets) from, any loss or damage
11 incurred by it, the Partnership or the Limited Partners in connection with the
12 business of the Partnership, including costs and reasonable attorneys' fees and any
13 amounts expended in the settlement of any claims of loss or damage resulting from
14 any act or omission performed or omitted in good faith, which shall not constitute
15 gross negligence or willful malfeasance, in pursuance of the authority granted, to
16 promote the interests of the Partnership. Moreover, the General Partner shall not be
17 liable to the Partnership or the Limited Partners because any taxing authorities
18 disallow or adjust any deductions or credits in the Partnership income tax returns.

19 **C. Management of the Debtor Before and During Bankruptcy**

20 Shortly before the Bankruptcy, the Debtor’s managing partners were the General
21 Partners. The General Partners have continued to manage the Debtor post-petition.

22 **D. Significant Events During the Bankruptcy Case, Including Employment of
23 Professionals**

24 On May 22, 2015, the Debtor filed a voluntary petition for relief under Chapter 11
25 of the Bankruptcy Code and an Order for Relief was entered on that date. (Docket No. 1, filed
26 May 22, 2015.) On June 19, 2015, the Meeting of Creditors was held and concluded.

27 **Employment of Professionals**

28 On June 12 2015, the Bankruptcy Court approved the employment of the Tiemstra
Law Group, PC, as counsel for the Debtor. (Docket No. 26, entered June 12, 2015.) On July 31,
2015, the Bankruptcy Court approved the employment of Stradling Yocca Carlson & Rauth, P.C.
as special litigation counsel. (Docket No. 49, entered July 31, 2015.) On July 31, 2015, the
Bankruptcy Court approved the employment of Gary S. Vandeweghe as special litigation counsel.
(Docket No. 50, entered July 31, 2015.) On February 17, 2016, the Bankruptcy Court entered an

1 Order Authorizing Employment of Accountant. (Docket No. 124, entered Feb. 17, 2016.)

2 **Class 5 Claim Negotiations; Settlement Agreement**

3 On June 11, 2015, Roger B. Louer and Robert L. Young filed a Motion for Relief
4 from Bankruptcy Stay, to allow movants to proceed in California State Court to amend the State
5 Court judgment by naming the General Partners as additional judgment debtors. (Docket No. 18,
6 June 11, 2015.) The Debtor opposed the requested relief, (Docket No. 30, filed July 2, 2015), and
7 on July 17, 2015, the Bankruptcy Court entered an Order modifying the automatic stay, to the
8 extent it applied, but denied the right to enforce the judgment pending further order of the
9 Bankruptcy Court. (Docket No. 44, filed July 17, 2015.) Mr. Louer and Mr. Young then sought
10 and obtained an amended judgment that names the General Partners as judgment debtors together
11 with the Debtor, under the theory that based on their general partner status, the General Partners
12 were derivatively liable for the Debtor's obligations under the Judgment. On December 14, 2015,
13 Mr. Louer and Mr. Young filed a Motion for Order to Allow Enforcement of State Court
14 Judgment Against Debtor's General Partners. (Docket No. 103, filed Dec. 14, 2015.) The Debtor
15 opposed the requested relief, (Docket No. 115, filed Jan. 15, 2016; Docket 120, filed Jan. 28,
16 2016), and on January 29, 2016, the Bankruptcy Court entered an order to allow enforcement of
17 the state court judgment against the General Partners. (Docket No. 122, entered Feb. 11, 2016.)
18 On February 17, 2016, Mr. Louer and Mr. Young filed a third Motion for Relief from Stay,
19 seeking relief to establish attorneys' fees against the Debtor in state court for both pre- and post-
20 petition activities. (Docket No. 125, filed Feb. 17, 2016.) Following a hearing on March 10, 2016,
21 Mr. Louer and Mr. Young withdrew the motion. (Docket No. 145, filed March 14, 2016.) In
22 addition to the foregoing, Mr. Louer and Mr. Young have requested and received documents
23 pursuant to Rule 2004 of the Federal Rules of Bankruptcy Procedure ("Rule 2004") and
24 conducted Rule 2004 examinations of the General Partners. (See Docket No. 72-75, entered on
25 September 24, 2016 and Docket No. 84-85, entered Oct. 8, 2015.) The Debtor has requested
26 documents from Mr. Young pursuant to Rule 2004. (See Docket No. 57, entered Aug. 19, 2015.)

27 The dispute between the General Partners and the Debtor on the one hand, and Mr.
28

1 Louer and Mr. Young on the other hand, has been resolved pursuant to the terms of the draft for
2 of Settlement Agreement, as defined and described in the treatment of Class 5 (*infra* § III(C)(3)).
3 The draft form of the Settlement Agreement and its related documents are attached to the Plan as
4 Exhibit 1. The draft form of the Settlement Agreement and its related documents are substantially
5 if not entirely in their final form; to the extent revisions are made they are expected to be minor
6 and a supplemental filing, together with a redline will be made with the Bankruptcy Court. The
7 Settlement Agreement and its related documents are subject to approval of the Bankruptcy Court
8 and confirmation of the Plan. The Settlement Agreement provides for the Debtor to execute the
9 Class 5 Promissory Note (in the form attached as Exhibit B to the Settlement Agreement) in the
10 principal amount of \$1,000,000, payable monthly over six and a half years. The obligations under
11 that note will be secured by a junior leasehold deed of trust (in the form attached as Exhibit A to
12 the Settlement Agreement) in and to the Debtor's interest under the Lease. The Settlement
13 Agreement also provides that the General Partners will make a payment of \$450,000 to Mr. Louer
14 and Mr. Young within three business days of the Effective Date, which together with the General
15 Partners' attorneys' fees and other costs, will be reimbursed to the General Partners by the Debtor
16 after the Class 5 Promissory Note has been repaid. In addition, the parties have agreed to mutual
17 releases.

18 **Assumption of the Lease**

19 On October 8, 2015, Leeanne Y. Patterson and Lawrence W. Patterson (the
20 “Landlord”) filed an amended claim in the amount of \$65,667.61 for pre-petition amounts owed.
21 (Claim No. 5.) On September 21, 2015, the Debtor filed a Motion to Assume Unexpired Lease of
22 Nonresidential Real Property and asserted that no cure was owed to the Landlord other than
23 specified irrigation cost reimbursements. (Docket No. 60, filed Sept. 21, 2015.) The Landlord
24 opposed the motion to assume by asserting that a cure was owed prior to assumption. On
25 February 25, 2016, the Bankruptcy Court held an evidentiary hearing. On March 16, 2016, the
26 Bankruptcy Court entered a Memorandum on Motion to Assume Lease allowing assumption of
27 the lease following adjudication of a claim objection. (Docket No. 146, entered March 16, 2016.)
28

1 On June 6, 2016, the Landlord filed a Request for Payment of Chapter 11 Administrative Expense
2 in the amount of \$9,302.19 plus 20 cases of wine. (Docket No. 152, filed June 6, 2016.) The
3 Debtor believes the Landlord is owed \$0 and zero cases of wine and anticipates filing an
4 objection to the Landlord Claim No. 5 and Objection to Administrative Expense.

5 **Time to Confirm a Plan**

6 On July 10, 2015, the Bankruptcy Court entered an Order setting December 31,
7 2015, as the deadline to confirm a plan. (Docket No. 35, filed July 10, 2015.) On October 30,
8 2015, the Debtor filed a Motion to Extend Deadline to Confirm a Plan. (Docket No. 93.) On
9 November 20, 2015, the Bankruptcy Court extended the deadline for 180 days (to and including
10 June 28, 2016). On May 13, 2016, after negotiating the Settlement Agreement, the Debtor filed a
11 second Motion to Extend Deadline to Confirm a Plan. (Docket No. 149, filed May 13, 2016.) On
12 June 13, 2016, the Bankruptcy Court entered an Order Granting Debtor's Motion to Extend
13 Deadline to Confirm a Plan to September 26, 2016. (Docket No. 155.)

14 **E. Projected Recovery of Avoidable Transfers**

15 The Plan proposes to pay all creditors in-full or pursuant to the terms of the
16 negotiated Settlement Agreement. Therefore, recovery of avoidable transfers will provide no
17 benefit since any recovery will be in exchange for an unsecured claim, and all unsecured claims
18 will be paid in full.

19 **F. Claims Objections**

20 Except to the extent that a claim is already allowed pursuant to a final non-
21 appealable order, the Debtor reserves the right to object to claims on or before the Claim
22 Objection Deadline, as defined in the Plan. Therefore, even if your claim is allowed for voting
23 purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. If
24 an objection to a claim is filed, the disputed amount will be held by the Debtor pending resolution
25 of the dispute. The Debtor has the right to request that the Bankruptcy Court extend the Claim
26 Objection Deadline. (See § II(D) (discussion of claim objection re: Lease assumption).)

27 **G. Current and Historical Financial Conditions**

The identity and fair market value of the estate's assets, excluding cash, are:

Asset	Value	Source of valuation
bottled wine 2009 & 2012	\$ 2,301.69	partnership
Leasehold/Vineyard	\$ 830,000.00	appraisal dated May 15, 2014
TOTAL	\$ 832,301.69	

In addition, according to the Debtor's May Operating Report (see Exhibit B), as of May 31, 2016, the Debtor had \$224,504.00 remaining in the debtor-in-possession bank accounts.

The Debtor's historic balance sheet and historic income statement appear as Exhibit C. Executory contracts and unexpired leases are described in Article VIII of the Plan and in section III(F) below. For a summary of the Plan and treatment of claims and equity interests, including projections, see section III and Exhibit F of this Disclosure Statement.

III. SUMMARY OF THE PLAN AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan?

As required by the Bankruptcy Code, (11 U.S.C. § 101 *et seq.*), the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount and treatment provided by the Plan.

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Bankruptcy Code. They are not considered impaired, and any holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Bankruptcy Code. As such, the Debtor has *not* placed the following claims in any class:

1. Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under section 507(a)(2) of the Bankruptcy Code.

Administrative expenses also include the value of any goods sold to the Debtor in the ordinary

1 course of business and received within twenty (20) days before the date of the bankruptcy
 2 petition. The Bankruptcy Code requires that all administrative expenses be paid on the effective
 3 date of the Plan, unless a particular claimant agrees to a different treatment.

4 The following chart lists the Debtor's estimated administrative expenses and their
 5 proposed treatment under the Plan:

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
Professional fees and costs, as approved by the Bankruptcy Court: Tiemstra Law Group, PC	\$100,000	Paid in full on the Effective Date of the Plan, or pursuant to Bankruptcy Court order if such fees and costs have not been approved by the Bankruptcy Court on the Effective Date of the Plan.
Professional fees and costs, as approved by the Bankruptcy Court: Stradling Yocca Carlson & Rauth	\$101,000	Per agreement, paid in full upon receipt of the Fall 2016, harvest proceeds or pursuant to Bankruptcy Court order if such fees and costs have not been approved by the Bankruptcy Court upon receipt of the Fall 2016, harvest proceeds.
Professional fees and costs, as approved by the Bankruptcy Court: Gary Vandeweghe	\$3,500	Per agreement, paid in full upon receipt of the Fall 2016, harvest proceeds or pursuant to Bankruptcy Court order if such fees and costs have not been approved by the Bankruptcy Court upon receipt of the Fall 2016, harvest proceeds.
Administrative Claim of Leanne Patterson and Lawrence W. Patterson, Trustees of the Leanne Y Patterson and Lawrence W. Patterson Revocable Trust (Docket No. 152, filed June 6, 2016)	\$10,000 (disputed)	Any Allowed Claim will be paid in full on the Effective Date of the Plan.
TOTAL due on Effective Date	\$110,000	

1 **2. Priority Tax Claims**

2 Priority tax claims are unsecured income, employment, and other taxes described
3 by section 507(a)(8) of the Bankruptcy Code. Unless the holder of such a section 507(a)(8)
4 priority tax claim agrees otherwise, it must receive the present value of such claim, in regular
5 installments paid over a period not exceeding five (5) years from the order of relief. Each holder
6 of a Priority Governmental Claim will be paid in full on the Effective Date.

7 The following chart lists the Debtor’s estimated section 507(a)(8) priority tax
8 claims and their proposed treatment under the Plan:

Description (name and type of tax)	Estimated Amount Owed	Treatment
Internal Revenue Service	\$112.52	Paid in full on the Effective Date.
CA Franchise Tax Board	\$800.00	Paid in full on the Effective Date.

11 **3. United States Trustee Fees**

12 All United States Trustee Fees will accrue and be timely paid until this bankruptcy
13 case is closed, dismissed, or converted to another Chapter of the Bankruptcy Code. Any U.S.
14 Trustee Fees owed on or before the Effective Date of this Plan will be paid on the Effective Date.

Type	Estimated Amount Owed on Effective Date	Proposed Treatment
Office of the U.S. Trustee Fees	\$0.00	Paid in full on the Effective Date of the Plan.

18 **C. Classes of Claims and Equity Interests**

19 The following are the classes set forth in the Plan and the proposed treatment that
20 they will receive under the Plan:

21 **1. Classes of Priority Unsecured Claims**

22 Certain priority claims that are referred to in section 507(a)(1), (4), (5), (6), and (7)
23 of the Bankruptcy Code are required to be placed in classes. The Bankruptcy Code requires that
24 each holder of such a claim receive cash on the effective date of the Plan equal to the allowed
25 amount of such claim unless a class of holders of such claims votes to accept different treatment.

26 The following chart lists all classes containing claims under sections 507(a)(1), (4),
27 (5), (6), and (7) of the Bankruptcy Code, if any, and their proposed treatment under the Plan:
28

<u>Class #</u>	<u>Description</u>	<u>Impaired?</u>	<u>Treatment</u>
Class 1	Priority Unsecured Claims (estimated claims = \$15,800.00) (11 U.S.C. § 507(a)(4))	No	Per agreement, the Allowed Claim(s) in Class 1 shall be paid in full upon receipt of the Fall 2016 harvest proceeds.

2. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under section 506 of the Bankruptcy Code.

The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

<u>Class #</u>	<u>Description</u>	<u>Insider</u> <u>(Yes/No)</u>	<u>Impaired?</u>	<u>Treatment</u>
2a	<i>Secured claim of: CGB Agri Financial Services, Inc. (12/7/06 Note)</i> <i>Collateral description: leasehold deed of trust</i> <i>Estimated Allowed Secured Amount on the Effective Date= \$145,000</i>	No	No	The Class 2a Allowed Claim is current and shall continue to be paid in accordance with the existing loan documents.
2b	<i>Secured claim of: CGB Agri Financial Services, Inc. (05/20/09 Note)</i> <i>Collateral description: leasehold deed of trust</i> <i>Estimated Allowed Secured Amount on the Effective Date= \$78,000</i>	No	No	The Class 2b Allowed Claim is current and shall continue to be paid in accordance with the existing loan documents.
3	<i>Secured claim of: Shortt & Associates Incorporated Retirement Trust</i> <i>Collateral description: leasehold deed of trust</i> <i>Estimated Allowed Secured Amount on the Effective Date= \$140,000.00</i>	No	No	Pursuant to the terms of the Former Settlement Agreement (defined <i>infra</i> § (III)(F)), the Class 5 creditors agreed to pay and be responsible for the Shortt loan, including all unpaid principal, interest and late fees and to indemnify the

				Debtor against all obligations due under the Shortt loan. Pursuant to the Settlement Agreement, the Class 5 creditors represent and warrant that the Class 3 Allowed Claim is current and shall continue to be paid in accordance with the existing terms by the Class 5 creditor(s) pursuant to the Settlement Agreement (<i>see</i> Class 5).
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3. Classes of General Unsecured Claims

General unsecured claims are not secured by property of the estate and are not entitled to priority under section 507(a) of the Bankruptcy Code. The following chart identifies the Plan’s proposed treatment of general unsecured claims against the Debtor:

<u>Class #</u>	<u>Description</u>	<u>Impaired?</u>	<u>Treatment</u>
4	General Unsecured Class (estimated claims = \$52,451.92)	Yes	Allowed Claim(s) in Class 4 will be paid in full without interest upon receipt of the Fall 2016 harvest proceeds.

4. Class of Judgment Creditor

Judgment Creditor claims are not secured by property of the estate and are not entitled to priority under section 507(a) of the Bankruptcy Code. The following chart identifies the Plan’s proposed treatment of the Judgment Creditor claims against the Debtor:

<u>Class #</u>	<u>Description</u>	<u>Impaired?</u>	<u>Treatment</u>
5	Judgment Creditor Class (Claims of Roger Louer and Robert Young) (claim = \$1,000,000.00)	Yes	Class 5 claimants have reached a settlement with the General Partners and the Debtor. A draft form of the settlement agreement (the “Settlement Agreement”) is attached to the Plan as Exhibit 1. The Settlement Agreement is subject to Bankruptcy Court approval and said approval will be sought in conjunction with confirmation of the Plan. Approval of the Plan is contingent on approval of the Settlement Agreement which, in turn, requires <i>inter alia</i>

1			approval of the Management Agreement (defined <i>infra</i> § IV(D)(2)) as a condition to effectiveness.
2			
3			Pursuant to the Settlement Agreement, Class 5 shall release, waive, and discharge the Debtor in exchange for a note in the principal amount of \$1,000,000.00 (the “Class 5 Promissory Note”) secured by a leasehold deed of trust (the “Deed of Trust”). The Class 5 Promissory Note shall be payable in monthly amortized installments commencing January 1, 2017. Simple interest on the outstanding principal amount will accrue at a rate per annum equal to six percent (6%). The Class 5 Promissory Note shall mature on June 1, 2023.
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11			The terms of the Settlement Agreement, the Class 5 Promissory Note and the Deed of Trust are hereby expressly incorporated as though fully set forth herein.
12			
13			

5. Class of Equity Interest Holders

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. The following chart sets forth the Plan’s proposed treatment of the Class of equity interest holders:

<u>Class #</u>	<u>Description</u>	<u>Impaired?</u>	<u>Treatment</u>
6	Equity interests of all current general and limited partners.	No	Will retain equity interest in the Debtor.

D. Means of Implementing the Plan

1. Source of Payments to Creditors

On or before the Confirmation Hearing, the equity interest holders shall deposit into Debtor’s counsel’s trust account an amount sufficient to facilitate the implementation of the Plan. On the Effective Date, the required funds will be disbursed from counsel for the Debtor’s trust account in accordance with the Plan. (See Exhibit F.) Post-confirmation, the proposed Plan payments will be made from the Debtor’s income and/or from further capital contributions to the Debtor.

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2. Post-Confirmation Management

The General Partners will continue to manage the affairs of the Debtor post-confirmation. They will continue to receive the same level of compensation for their services (combined \$36,000 per year).

E. Risk Factors

The proposed Plan has the following risks: drought, natural disaster, or other environmental factors may reduce or eliminate the projected grape yields which may reduce the projected revenues for Professional Growers, Inc. This and/or other circumstances may cause Professional Growers, Inc. to fail to perform under the terms of the proposed Management Agreement (see *infra* § IV(D)(2)). Professional Growers, Inc.’s failure to perform under the Management Agreement may cause a default of the Class 5 payments. Ameliorating this risk is the fact that the obligations under the Management Agreement have been guaranteed by the Manager’s principal(s). In addition, the Judgment Creditor Class may fail to make payments on the Class 3 secured claim of Shortt & Associates Incorporated Retirement Trust, which may in turn cause Shortt & Associates Incorporated Retirement Trust to exercise its rights and remedies under its leasehold deed of trust.

F. Executory Contracts and Unexpired Leases

In Article VIII of the Plan, there is a list of all executory contracts and unexpired leases that the Debtor will assume or reject under the Plan upon Confirmation. Assumption means that the Debtor will continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Bankruptcy Code, if any. Article VIII also lists how the Debtor will cure and compensate the other party to such contract or lease for any such defaults. The proposed executory contracts and/or unexpired leases to be assumed are as follows:

Executory Contract and/or Unexpired Lease	Cure Required? (11 U.S.C. § 365(b)(1))
Vineyard Lease dated January 14, 2000, and Amendment to Vineyard Lease dated July 1, 2011, for 17.54 acres of vineyards	Yes. Assumed pursuant to Motion (Docket No. 60, filed Sept. 21, 2015); cure to be paid on the Effective Date, amount determined via claim objection and/or adversary proceeding. Asserted cure amount: approx.

	\$70,000. Debtor asserts no cure amount is owed.
First Amendment and Restatement of the Howell Mountain Partners, L.P. Agreement of Limited Partnership, dated April 1, 2013	No.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline objecting to the confirmation of the Plan, unless the Bankruptcy Court has set an earlier or later time.

The proposed executory contracts and/or unexpired leases to be rejected are as follows:

<p>Executory Contract and/or Unexpired Lease</p> <p>Settlement Agreement and Mutual Release dated March 31, 2013 (the “Former Settlement Agreement”). Provided, however, pursuant to section 10.06 of the Class 5 Settlement Agreement, certain obligations under Section 6 and 9 of the Former Settlement Agreement shall continue in full force and effect.</p>
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All executory contracts and unexpired leases that are not listed in Article VIII of the Plan will be deemed assumed under the Plan, with no cure required. Consult your adviser or attorney for more specific information about particular contracts or leases. If you object to the rejection of your contract or lease, or dispute the proposed cure amount, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan. **The deadline for filing a proof of claim based on a claim arising from the rejection of a lease or contract is thirty (30) days from the entry of the Confirmation Order.** Any claim based on the rejection of a contract or lease will be barred if the proof of claims is not timely filed.

G. Tax Consequences of Plan

Creditors and equity interest holders concerned with how the Plan may affect their tax liability should consult with their own accountants, attorneys, and/or advisers. The following are the anticipated tax consequences of the Plan:

Because the Debtor is a limited partnership, all federal income tax consequences of the Plan will be borne by the Debtor’s partners. This statement does not address the foreign, state, or local tax consequences of the Plan.

1 **The above text is only the most basic statement of the anticipated tax**
2 **consequences of the Plan and does not constitute legal or tax advice. Neither the Debtor nor**
3 **its counsel are experts in tax matters. Neither the Debtor nor the Debtor's professionals**
4 **have in any way attempted to provide tax advice to any of the Debtor's creditors or equity**
5 **security holders. The Plan has been drafted with the goal of providing economic**
6 **restructuring of the Debtor's business, and not with the goal of minimizing the potential**
7 **adverse tax consequences to the Debtor's creditors and equity security holders. Interested**
8 **parties concerned with how the Plan may affect their tax liability should consult their own**
9 **professional(s).**

10 **IV. CONFIRMATION REQUIREMENTS AND PROCEDURES**

11 To be confirmable, the Plan must meet the requirements listed in section 1129 of
12 the Bankruptcy Code. These include the requirements that: the Plan must be proposed in good
13 faith; at least one (1) impaired class of claims must accept the Plan, without counting votes of
14 insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the
15 creditor or equity interest holder would receive in a Chapter 7 case, unless the creditor or equity
16 interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not
17 the only requirements listed in section 1129 of the Bankruptcy Code and they are not the only
18 requirements for confirmation.

19 **A. Who May Vote or Object**

20 Any party in interest may object to the confirmation of the Plan if the party
21 believes that the requirements for confirmation are not met. Many parties in interest, however, are
22 not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to
23 vote for or against the Plan only if that creditor or equity interest holder has a claim or equity
24 interest that is both (1) allowed or allowed for voting purposes, and (2) impaired.

25 In this case, the Debtor believes that classes 4 and 5 are impaired and that holders
26 of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The
27 Debtor believes that classes 1, 2a, 2b, 3, and 6 are unimpaired and that holders of claims in this
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1 class, therefore, do not have the right to vote to accept or reject the Plan.

2 **1. What is an Allowed Claim or an Allowed Equity Interest**

3 Only a creditor or equity interest holder with an allowed claim or an allowed
4 equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if
5 either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been
6 scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or
7 equity interest, unless an objection has been filed to such proof of claim or equity interest. When
8 a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or
9 equity interest cannot vote unless the Bankruptcy Court, after notice and hearing, either overrules
10 the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a)
11 of the Federal Rules of Bankruptcy Procedure.

12 **The deadline for filing a proof of claim in this case was September 17, 2015.**

13 **The deadline for filing a governmental proof of claim was November 18, 2015.**

14 **The deadline for filing objections to claims is the later of: (a) 180 days after**
15 **the Effective Date, and (b) 90 days after the date on which the claim was filed.**

16 **The deadline for filing an administrative claim in this case was June 6, 2016.**

17 **2. What is an Impaired Claim or Impaired Equity Interest**

18 As noted above, the holder of an allowed claim or equity interest has the right to
19 vote only if it is in a class that is *impaired* under the Plan. As provided in section 1124 of the
20 Bankruptcy Code, a class is considered impaired if the Plan alters the legal, equitable, or
21 contractual rights of the members of that class.

22 **3. Who is Not Entitled to Vote**

23 The holders of the following six (6) types of claims and equity interests are *not*
24 entitled to vote:

- 25 • Holders of claims and equity interests that have been disallowed by an
26 order of the Bankruptcy Court;
- 27 • Holders of other claims or equity interests that are not Allowed Claims or
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1 Allowed Equity Interests (as discussed above), unless they have been
2 allowed for voting purposes;

- 3
- 4 • Holders of claims or equity interests in unimpaired classes;
 - 5 • Holders of claims entitled to priority pursuant to sections 507(a)(2), (a)(3),
6 and (a)(8) of the Bankruptcy Code;
 - 7 • Holders of claims or equity interests in classes that do not receive or retain
8 any value under the Plan; and
 - 9 • Holders of claims for administrative expenses.

10 **Even if you are not entitled to vote on the Plan, you have a right to object to
11 the confirmation of the Plan.**

12 **B. Votes Necessary to Confirm the Plan**

13 If impaired classes exist, the Bankruptcy Court cannot confirm the Plan unless (1)
14 at least one impaired class of creditors has accepted the Plan without counting the votes of any
15 insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the
16 Plan is eligible to be confirmed by “cram down” on non-accepting classes, as discussed in Section
17 IV(B)(2).

18 **1. Votes Necessary for Class to Accept the Plan**

19 A class of claims accepts the Plan if both of the following occur: (1) the holders of
20 more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept
21 the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in
22 the class, who vote, cast their votes to accept the Plan. A class of equity interests accepts the Plan
23 if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class,
24 who vote, cast their votes to accept the Plan.

25 **2. Treatment for Nonaccepting Classes**

26 Even if one or more impaired classes reject the Plan, the Bankruptcy Court may
27 nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by
28 section 1129(b) of the Bankruptcy Code. A plan that binds nonaccepting classes of claims or

1 equity interests if it meets all the requirements for consensual confirmation except the voting
2 requirements of section 1129(a)(8) of the Code, does not “discriminate unfairly” and is “fair and
3 equitable” toward each impaired class that has not voted to accept the Plan. **You should consult
4 your own attorney if a “cram down” confirmation will affect your claim or equity interest,
5 as the variations on this general rule are numerous and complex.**

6 **C. Liquidation Analysis**

7 To confirm the Plan, the Bankruptcy Court must find that all creditors and equity
8 interest holders who do not accept the Plan will receive at least as much under the Plan as such
9 claim and equity interest holders would receive in a Chapter 7 liquidation. A liquidation analysis
10 is attached to this Disclosure Statement as Exhibit D. The Liquidation Analysis demonstrates that
11 under a Chapter 7 liquidation, unsecured creditors will receive approximately 13%, whereas
12 under the Plan the unsecured creditors will receive approximately 100% or be paid pursuant to the
13 terms of the Settlement Agreement.

14 **D. Feasibility**

15 The Bankruptcy Court must find that confirmation of the Plan is not likely to be
16 followed by the liquidation, or the need for further financial reorganization, of the Debtor or any
17 successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan. (11
18 U.S.C. § 1129(a)(11).) The Debtor believes the Plan is feasible because, both on the Effective
19 Date and for the duration of the Plan, the Debtor estimates it will have sufficient cash to make all
20 distributions.

21 **1. Ability to Initially Fund Plan**

22 The Debtor will have enough cash on hand on the Effective Date of the Plan to pay
23 all claims and expenses that are entitled to be paid on that date. On or before the Confirmation
24 Hearing, the equity interest holders shall effectuate a capital contribution(s) in an amount
25 sufficient to facilitate the implementation of the Plan. Pending confirmation of the Plan, the
26 capital contribution(s) will be held in counsel for the Debtor’s trust account. Exhibit E shows the
27 estimated amount of cash on hand on the Effective Date to implement the Plan and the sources of
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1 that cash. On the Effective Date, the required funds will be disbursed in accordance with the
2 terms of the Plan. (See Exhibit F.)

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4 **2. Ability to Make Future Plan Payments and Operate Without Further
Reorganization**

5 The Debtor must also show that the Debtor will have enough cash over the life of
6 the Plan to make the required plan payments. Post-confirmation, the proposed Plan payments will
7 be made from the Debtor's income and/or from further capital contributions to the Debtor. The
8 Debtor has provided projected financial information. Those projections are listed in Exhibit F.

9 **You should consult with your accountant or other financial advisor if you have any
10 questions pertaining to these projections.**

11 With regard to the Debtor's income, in conjunction with confirmation, the Debtor
12 will seek approval to enter into a Management Agreement (the "Management Agreement") with
13 Professional Growers, Inc. (the "Manager"). A copy of the Management Agreement is attached to
14 this Disclosure Statement as Exhibit G. The Settlement Agreement requires approval of the
15 Management Agreement. Pursuant to the Management Agreement, commencing January 2017,
16 the Manager will be the Debtor's authorized representative under the Lease and will provide the
17 general assistance and vineyard maintenance services, shall maintain, farm and cultivate the
18 vineyard in accordance with customary industry standard and shall pay all costs associated
19 therewith. The Manager shall manage the vineyard in accordance with the Lease and shall have
20 the discretion to make all sales of grapes. In exchange, commencing January 2018, and
21 continuing annually for the term of the Lease, the Manager shall pay the Debtor \$250,000.00, in
22 exchange for the right and privilege of operating the vineyard and retaining the grapes from the
23 vineyard and the profits from sales thereof.

24 The Manager shall carry crop insurance to ensure its ability to make the annual
25 payment to the Debtor. The Management Agreement will also be guaranteed by the Manager's
26 principal(s). If the Manager fails to perform, or if the Management Agreement is terminated for
27 whatever reason, the Debtor will continue to grow and manage the vineyard.

28 It is estimated that unsecured creditors holding Allowed Claims will receive

1 distributions of approximately 100 cents on the dollar and creditors holding allowed claims
2 related to the Settlement Agreement will receive distributions in accordance with the Settlement
3 Agreement. The Plan also provides for the payment of administrative and priority claims to be
4 paid in full on the Effective Date of the Plan to the extent permitted by the Bankruptcy Code,
5 unless otherwise agreed to by the claimant.

6 **V. EFFECT OF CONFIRMATION OF PLAN**

7 **A. Default**

8 Unless otherwise provided, the Debtor shall have a ten (10) calendar day grace
9 period to make all Plan payments. If the Debtor fails to make a Plan payment within the grace
10 period, the creditor entitled to the delinquent payment may transmit to counsel for Debtor a ten-
11 day notice of default with an opportunity to cure. The failure to cure will result in the Debtor
12 being in default of the terms and conditions of the Plan. Upon default, a creditor or any other
13 party in interest may bring a motion to convert or dismiss this case pursuant to section 1112(b) of
14 the Bankruptcy Code. If the Bankruptcy Court orders the case converted to Chapter 7, all property
15 that had been property of the Debtor's Chapter 11 estate that has not been disbursed pursuant to
16 this Plan, shall re-vest in the Chapter 7 estate.

17 Notwithstanding the foregoing, the Debtor shall have a ten (10) day grace period
18 to make all payments required under the Settlement Agreement, Class 5 Promissory Note and/or
19 Deed of Trust. If the Debtor fails to make a payment within the grace period, the Class 5
20 Claimants (Judgment Creditor Class) may transmit, in accordance with section 10.04 of the
21 Settlement Agreement, a ten-day notice of default with an opportunity to cure. Upon a failure to
22 cure, the Class 5 Claimants (Judgment Creditor Class) may proceed with all enforcement rights
23 pursuant to those agreements under any applicable law without further order of the Bankruptcy
24 Court.

25 **B. Injunction**

26 Confirmation of the Plan shall permanently enjoin the commencement or
27 continuation of any judicial, administrative, or other action or proceeding, including but not
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1 limited to any enforcement action, against the Debtor's partners or their property with respect to
2 or on account of a claim and/or judgment arising from or related to a claim against the Debtor that
3 arose prior to the Petition Date.

4 **C. Discharge of Debtor**

5 Vesting Property Free and Clear. Upon the Effective Date, title to all estate assets
6 shall vest in the Debtor for purposes contemplated under the Plan and shall no longer constitute
7 property of the estate in the Debtor's Chapter 11 case pursuant to section 541 of the Bankruptcy
8 Code. Except as otherwise provided by this Plan (including, for example, the Debtor's indemnity
9 obligations to the General Partners, which for the avoidance of doubt, include the reimbursement
10 obligations as described above and in the Settlement Agreement), and to the full extent allowed
11 by sections 1141(b) and (c) of the Bankruptcy Code, upon the Effective Date, all estate assets
12 shall be free and clear of all claims, liens, and interests, including Unsecured Claims. Any
13 Unsecured Claims against the Debtor or the Estate shall be of no further force or effect except
14 with respect to the rights of holders of Allowed Claims to receive payments or distributions as set
15 forth herein. Following the Effective Date, the Debtor may use, acquire or dispose of any such
16 property free of any restrictions imposed by the Bankruptcy Court, the Bankruptcy Code or the
17 Bankruptcy Rules and without further approval of the Bankruptcy Court or notice to creditors,
18 except as may otherwise be required under the Plan or the Confirmation Order. Except as
19 otherwise expressly provided in the Plan or Confirmation Order, all rights or causes of action are
20 hereby preserved and retained for enforcement solely and exclusively by and at the discretion of
21 the Debtor.

22 Discharge. On the Confirmation Date of this Plan, the Debtor and, to the extent
23 that the General Partners are derivatively liable for the Debtor's obligations, the General Partners,
24 will be discharged from any debt that arose before confirmation of this Plan, subject to the
25 occurrence of the Effective Date, to the extent specified in section 1141(d)(1)(A) of the Code,
26 except that the Debtor will not be discharged of any debt or obligation imposed or preserved by
27 this Plan; accordingly, no entity holding a claim against or interest in the Debtor may receive any
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1 payment from, or seek recourse against, any assets that are to be distributed under the Plan other
2 than assets required to be distributed to that entity under the Plan. As of the Effective Date, all
3 parties are precluded from asserting against any property that is to be distributed under the Plan
4 any claims, rights, causes of action, liabilities, or interests based upon any act, omission,
5 transaction, or other activity that occurred before the Effective Date except as expressly provided
6 in the Plan or the Confirmation Order.

7 Notwithstanding the forgoing, the Debtor's obligation to indemnify, defend,
8 reimburse and limit the liability of its partners, to the extent provided by law, the Settlement
9 Agreement, and in the assumed LP Agreement, are preserved and will remain in full force and
10 effect after the Effective Date. Nothing in the Plan shall in any way limit, modify, alter, or amend
11 the LP Agreement.

12 **D. Modification of Plan**

13 The Debtor may modify this Plan at any time before confirmation. However, the
14 Bankruptcy Court may require a new disclosure statement and/or re-voting on this Plan if the
15 Debtor modifies this Plan before confirmation. The Debtor may also seek to modify this Plan at
16 any time after confirmation so long as (1) this Plan has not been substantially consummated and
17 (2) the Bankruptcy Court authorizes the proposed modifications after notice and hearing.

18 **E. Final Decree**

19 Once the estate has been fully administered, as provided in Rule 3022 of the
20 Federal Rules of Bankruptcy Procedure, the Debtor, or such other party as the Bankruptcy Court
21 shall designate in the Plan Confirmation Order, shall file a motion with the Bankruptcy Court to
22 obtain a final decree to close the case. Alternatively, the Bankruptcy Court may enter such a final
23 decree on its own motion.

24 **F. Binding Effect**

25 The rights and obligations of any entity named or referred to in this Plan will be
26 binding upon, and will inure to the benefit of the successors or assigns of such entity.
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VI. RETENTION OF JURISDICTION

The Bankruptcy Court shall retain and have jurisdiction over the Plan for all permissive purposes as provided by the Bankruptcy Code, Bankruptcy Rules of Federal Procedure, and Title 28 of the United States Code.

Dated: August 12, 2016

HOWELL MOUNTAIN PARTNERS, L.P.

By: / s / Edward J. Welch
EDWARD J. WELCH
Managing General Partner
HOWELL MOUNTAIN PARTNERS, L.P.,
a California Limited Partnership

Dated: August 12, 2016

TIEMSTRA LAW GROUP, PC.

By: / s / James A. Tiemstra
JAMES A. TIEMSTRA
Attorneys for Debtor-in-Possession
HOWELL MOUNTAIN PARTNERS, L.P.,
a California Limited Partnership