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7 UNITED STATES BANKRUPTCY COURT  
8 NORTHERN DISTRICT OF CALIFORNIA  
9

10 In re: ) Case No. 16-10637  
11 )  
12 BJORNER ENTERPRISES, INC., ) Chapter 11  
13 )  
A California corporation, ) **DISCLOSURE STATEMENT**  
14 Debtor. ) **FOR DEBTOR'S PLAN OF**  
15 ) **REORGANIZATION DATED**  
16 ) **SEPTEMBER 30, 2016**

17 **THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE UNITED STATES**  
18 **BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA AS CONTAINING**  
19 **ADEQUATE INFORMATION AS REQUIRED BY THE BANKRUPTCY CODE FOR SOLICITATION OF**  
20 **ACCEPTANCES OF THE CHAPTER 11 PLAN OF REORGANIZATION DATED SEPTEMBER 30, 2016,**  
21 **2011, AND FILED BY THE DEBTOR IN THIS PROCEEDING. HOWEVER, APPROVAL OF THE**  
22 **DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT OF THE PLAN BY THE**  
23 **COURT. THE COURT HAS MADE NO INDEPENDENT INVESTIGATION OR DETERMINATION OF**  
24 **ANY FACTUAL STATEMENTS OR DOLLAR VALUES SET FORTH IN THE PLAN OR THE**  
25 **DISCLOSURE STATEMENT.**  
26

1 I. INTRODUCTION

2 This Disclosure Statement has been prepared by Bjorner Enterprises, Inc., the Debtor and  
3 Debtor-in-possession in the above-entitled Chapter 11 case. This Disclosure Statement is being  
4 disseminated to all creditors for the purpose of soliciting acceptances of the Plan, a copy of  
5 which accompanies this Disclosure Statement. This Disclosure Statement is being provided to  
6 creditors to provide adequate information of a kind, and in sufficient detail, to enable creditors to  
7 make informed judgments about the Plan before exercising their rights to vote for acceptance or  
8 rejection of the Plan. Capitalized terms in this Disclosure Statement are defined in the Plan.

9 An acceptance or rejection of the Plan may be voted by completing the ballot which  
10 accompanies the Plan and mailing, faxing, or emailing it to MacConaghy & Barnier, PLC,  
11 attorneys for the Debtor, 645 First Street West, Suite D, Sonoma, California 95476; (707) 935-  
12 7501 (fax); or macclaw@macbarlaw.com.

13 II. BACKGROUND OF THE DEBTOR

14 The Debtor is a longstanding California corporation organized in 1976 and wholly owned  
15 by John Bjorner.

16 The Debtor was formerly involved in diversified business activities including the  
17 operation of an electrical supply business, the operation of a chain of natural foods retail stores,  
18 and the ownership of investment real estate. As of the filing of the petition for relief, all of these  
19 business activities were terminated with the exception of the ownership of a luxury estate parcel  
20 located at 2535 Madrona Ave., St. Helena, CA (the "Madrona Property"). In conjunction with  
21 an adjacent parcel known as 2509 Madrona Ave owned by Mr. Bjorner personally, the Madrona  
22 Property generates substantial income as a vacation rental.

23 The two properties together include a 5,000 square foot "Main House" containing 4  
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1 bedrooms and 5 bathrooms<sup>1</sup>, a 2 BR/2BA “Guest House”, a second 4 BR/2BA house<sup>2</sup>, a large  
2 Media/Game building, a pool/spa, tennis court, and bocce ball court. The property typically  
3 rents for \$10,000 - \$15,000 per week, and can be viewed on <https://www.vrbo.com/284516>.

4 Prior to filing Chapter 11, the Debtor used the income from the Madrona Property in an  
5 unsuccessful effort to keep its other businesses afloat. As a result, it went into default on the  
6 secured debt on the subject property and the lenders commenced foreclosure proceedings. This  
7 Chapter 11 case was filed on July 26, 2016 to stay a foreclosure sale by the first deed of trust.

8 The Debtor believes that the 2535 Madrona Ave. Property is worth \$4,500,000. It is  
9 subject to three deeds of trust totaling approximately \$3,133,000.

10 Now that the Madrona Property is no longer financially burdened by the Debtor’s other  
11 businesses, the Debtor believes that it can generate sufficient rental income to service a  
12 confirmable plan of reorganization.

13 The assets and liabilities of the Chapter 11 estate are discussed in further detail in Section  
14 IV below.

15 Following the filing of the Chapter 11 case, the Debtor filed all required Schedules,  
16 Statements of Affairs, and other initial papers. The Debtor was authorized to retain the law firm  
17 of MacConaghy & Barnier, PLC as its counsel in the proceedings. Prior to the Chapter 11 filing,  
18 MacConaghy & Barnier, PLC was paid a \$25,000 retainer on account of services to be rendered  
19 in this case.

20 No official committee of unsecured creditors has been appointed in this case.

### 21 III. SUMMARY OF THE PLAN

22 The Debtor’s Plan seeks to restructure its debts in three main ways. First, the first and  
23 the second deeds of trust on the Debtor’s Madrona Property be reamortized into new notes

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24  
25 <sup>1</sup> This building is located on 2509 Madrona.

26 <sup>2</sup> These buildings are located on 2535 Madrona. Mr. Bjorner uses the 4BR/2BA house  
on 2535 Madrona as his personal residence.

1 secured by the existing deed of trusts, bearing interest at the current contract rates in the existing  
2 obligations. These new notes will be amortized over 40 years, payable in monthly installments  
3 of principal and interest, and due in full in ten years. Second, the junior debt in favor of The  
4 Robert Wagner Pension Trust will be likewise be reamortized into a new note secured by the  
5 existing deed of trust. This note will bear interest at 7.5% interest, payable in monthly  
6 installments of interest only, and due in full in ten years. Third, unsecured creditors will be paid  
7 a Pro Rata dividend of one hundred percent (100%) of the amount of such allowed unsecured  
8 claims, with interest at the Legal Rate (as that term is defined in the Plan) from the Petition Date.  
9 Dividends to unsecured creditors are to be paid in semiannual installments commencing six  
10 months from the Effective Date, and all payments on allowed unsecured claims shall be due in  
11 full in three years.

12 If the Debtor fails to meet these requirements, the secured creditors will be permitted to  
13 foreclose and/or the case may be converted to Chapter 7 liquidation proceedings on the motion  
14 of a party in interest.

15 The treatment of claims and interests described below applies only to Allowed Claims.  
16 Determination of the amounts due to creditors will be after reconciliation of the amounts claimed  
17 by the Creditor in question with the Debtor's records. In the event of a dispute, the Debtor will  
18 file objections to the allowance of the claim.

19 The treatment of each particular type of Creditor is described below.

#### 20 A. UNCLASSIFIED CLAIMS

21 Section 1123(a)(1) of the Bankruptcy Code provides that certain claims, including claims  
22 for post-petition administrative expenses (including professional fees) and certain claims by  
23 governmental units for taxes, are not classified under the Plan. Entities holding unclassified  
24 claims are not entitled to vote on the Plan.

25 Any unpaid professional fees incurred up through Confirmation will be paid if and when  
26 allowed by the Court pursuant to Bankruptcy Code Section 330. The amount of unpaid

1 professional fees depends in large part on whether there are contested Confirmation proceedings.  
2 Debtor's counsel estimates that the amount of these additional fees may range from zero to  
3 \$25,000. All other post-petition administrative expenses, including quarterly fees due or to  
4 become due to the United States Trustee will be paid as of the Effective Date of the Plan. The  
5 Debtor estimates that, other than professional fees, unpaid administrative expenses will be less  
6 than \$5,000.

7 All tax claims entitled to priority under Bankruptcy Code Section 507(a)(8) ("Tax  
8 Claims") will receive deferred cash payments over a period not to exceed five (5) years after the  
9 Petition Date, as provided by Bankruptcy Code Section 1129(a)(9)(C). Tax Claims will bear  
10 interest at the rate specified in Section 6621 of the Internal Revenue Code. Unclassified Tax  
11 Claims do not include local real estate taxes. The Debtor believes that it owes no unclassified  
12 Tax Claims. However, the applicable taxing authorities have filed priority Proofs of Claim in  
13 the aggregate amount of \$23,508.00

#### 14 B. CLASSIFIED CLAIMS AND INTERESTS

15 The Plan divides claims and interests into five (6) classes. A description of each class  
16 and its treatment under the Plan is as follows:

17 Class 1: Secured Claim of The County of Napa

18 The County of Napa holds a Secured Claim in an unknown amount, which claim, if any,  
19 is collateralized by a lien on the Madrona Property as provided by non-bankruptcy law. The Plan  
20 provides that to the extent that the County of Napa has an Allowed Secured Claim, it will be paid  
21 on a current basis in accordance with nonbankruptcy law. This Class is unimpaired and not  
22 entitled to vote on the Plan.

23 Class 2: Secured Claim of Caliber Home Loans

24 Caliber Home Loans holds a Secured Claim in the approximate amount of \$1,250,000  
25 collateralized by a first deed of trust on the Madrona Property. The Plan provides that to the  
26 extent that Caliber has an Allowed Secured Claim, it will be given a new promissory note (the

1 “Caliber Modified Note”) secured by its existing lien. The principal amount of the Caliber  
2 Modified Note will be all unpaid principal, interest, attorneys’ fees, and collection costs due  
3 under the existing obligation. The Caliber Modified Note will bear fixed interest at the current  
4 Contract Rate, payable in monthly installments of principal and interest amortized over 40 years,  
5 but due in full in ten years. The Caliber Modified Note also will provide that the Class 3 and/or  
6 Class 4 Claimants may assume the Caliber Modified Note in any nonjudicial or judicial  
7 foreclosure of the Madrona Property which the Class 2 Claimant may commence after  
8 Confirmation of the Plan. Distributions on the Class 2 Allowed Secured Claim are to commence  
9 on the Effective Date. This Class is impaired and entitled to vote on the Plan.

10 Class 3: Secured Claim of JP Morgan Chase Bank

11 JP Morgan Chase Bank (“Chase”) holds a Secured Claim in the approximate amount of  
12 \$525,000 collateralized by a second deed of trust on the Madrona Property. The Plan provides  
13 that to the extent that Chase has an Allowed Secured Claim, it will be given a new promissory  
14 note (the “Chase Modified Note”) secured by its existing lien. The principal amount of the  
15 Chase Modified Note will be all unpaid principal, interest, attorneys’ fees, and collection costs  
16 due under the existing obligation. The Chase Modified Note will bear fixed interest at the  
17 current Contract Rate, payable in monthly installments of principal and interest amortized over  
18 40 years, but due in full in ten years. The Chase Modified Note also will provide that the Class 4  
19 Claimant may assume the Chase Modified Note in any nonjudicial or judicial foreclosure of the  
20 Madrona Property which the Class 3 Claimant may commence after Confirmation of the Plan.  
21 Distributions on the Class 3 Allowed Secured Claim are to commence on the Effective Date.  
22 This Class is impaired and entitled to vote on the Plan.

23 Class 4: Secured Claim of The Robert Wagner Pension Trust

24 The Robert Wagner Pension Trust (“Wagner”) holds a Secured Claim in the approximate  
25 amount of \$1,358,000 collateralized by a third deed of trust on the Madrona Property. The Plan  
26 provides that to the extent that Wagner has an Allowed Secured Claim, it will be given a new

1 promissory note (the “Wagner Modified Note”) secured by its existing lien. The principal  
2 amount of the Wagner Modified Note will be all unpaid principal, interest, attorneys’ fees, and  
3 collection costs due under the existing obligation. The Wagner Modified Note will bear fixed  
4 interest at the rate of 7.5% per annum, payable in monthly installments of interest only, and due  
5 in full in ten years. Distributions on the Class 4 Allowed Secured Claim are to commence on the  
6 Effective Date. This Class is impaired and entitled to vote on the Plan.

7 Class 5: Claims of General Unsecured Creditors

8 General Unsecured Creditors are to be paid a Pro Rata dividend of one hundred percent  
9 (100%) of the amount of such allowed claims, with interest at the Legal Rate (as that term is  
10 defined in the Plan) from the Petition Date. Dividends on Allowed Class 5 Claims are to be paid  
11 in semiannual installments commencing six months from the Effective Date. In addition, all  
12 payments on Allowed Class 5 Claims shall be due in full no later than three years from the  
13 Effective Date. The Debtor estimates that general unsecured creditors are owed a total of  
14 \$50,500.00. This Class is impaired and entitled to vote on the Plan.

15 Class 6: Equity Interests in the Debtor

16 The Class 6 interests of the sole shareholder of the Debtor shall remain unaltered by this  
17 Plan, and the Class 6 Claimant is to receive no distribution of cash or equity pursuant to the Plan.  
18 This Class is unimpaired and therefore is not entitled to vote on the Plan.

19 C. OTHER PROVISIONS OF THE PLAN

20 The Plan contains a number of other provisions concerning its implementation. The  
21 following is a summary. Consult the Plan itself for details.

22 1. Post-Confirmation Disbursing Agent.

23 Following Confirmation, the Reorganized Debtor will act as the Disbursing Agent under  
24 the Plan. The Debtor reserves the right to appoint any other Person as the Disbursing Agent  
25 under the Plan, if it so chooses.

26 2. Post-Confirmation Compensation and Reimbursement of Professionals.

1 All professionals employed by the Reorganized Debtor or the Disbursing Agent (if a  
2 third party Disbursing Agent is appointed), including the Debtor's Professionals, shall be entitled  
3 to payment of their post-Confirmation Date fees and reimbursement of expenses on a monthly  
4 basis, based on the service of a detailed statement of the requested fees and expenses on the  
5 Notice Parties as discussed more fully in the Plan. Pre-Confirmation compensation remains  
6 subject to the noticed motion requirements of Bankruptcy Code Section 330.

7 3. Distributions and Claims.

8 Subject to the deadlines in the Plan, Distributions will be made to Creditors when their  
9 Claims are Allowed Claims, as defined in the Plan. Proofs of Claim, when required, must be  
10 filed with the Bankruptcy Court no later than the applicable Claims Bar Date, or the applicable  
11 Governmental Unit Claims Bar Date for prepetition tax and similar Claims. However,  
12 Bankruptcy Rule 3001(b) provides that it is not necessary for a Creditor to file a proof of Claim  
13 if its Claim has been listed on the Debtor's Schedules filed with the Bankruptcy Court pursuant  
14 to Section 521(a)(1) of the Bankruptcy Code and Rule 1007(a)(3) of the Bankruptcy Rules, and  
15 is not listed as disputed, contingent, unliquidated or unknown as to amount. Except as provided  
16 by the Plan or as otherwise permitted by the Bankruptcy Court, the Bankruptcy Rules or  
17 applicable law, upon expiration of the applicable bar date, proofs of Claim may not be filed or  
18 amended unless the amendment is solely to decrease the amount or priority. Distributions to  
19 Creditors under the Plan will be made to the Persons shown on the Debtor's or the Bankruptcy  
20 Court's records on the Effective Date.

21 **Any party who acquires a claim against the Reorganized Debtor after the**  
22 **Effective Date must arrange with the holder on that date to receive**  
23 **Distributions to which the transferee may be entitled. Neither the**  
24 **Reorganized Debtor nor the Disbursing Agent will be required to track**  
25 **changes in ownership of claims after the Effective Date.**

26 Objections to any Claim may be filed by any party in interest and shall be filed no later  
than the Claims Objection Date, which is defined in the Plan as 90 days after the Effective Date.



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4. Reservation of Litigation Rights.

Under the Plan, the Debtor reserves all of its litigation rights and defenses against all Creditors, including without limitation (1) any claims and causes of action against any party, and (2) the right to object to any Claim, even if the Creditor in question votes to accept the Plan. The failure of this Disclosure Statement to disclose or discuss any particular potential Claim objection, cause of action or claim for relief held by the Debtor or the Bankruptcy Estate is not and shall not be construed as a settlement, compromise, waiver, or release of any such Claim objection, cause of action or claim for relief.

5. Retention of Jurisdiction.

Article X of the Plan provides that the Bankruptcy Court shall retain broad jurisdiction under the Bankruptcy Code to adjudicate any disputes arising out of the Plan, the administration of the case, and claims for relief held by the Debtor or Reorganized Debtor.

6. Persons Bound/Discharge of Debts.

Confirmation of the Plan binds the Debtor, the Reorganized Debtor, any entity acquiring property under or otherwise accepting the benefits of the Plan, and every Creditor, whether or not such Creditor has filed a proof of Claim in the bankruptcy case, whether or not the Claim of such Creditor is impaired under the Plan, and whether or not such has accepted or rejected the Plan. The Confirmation Order shall operate as an injunction against the commencement or continuation of any action to collect, recover or offset any debt in this case from the Debtor, the Reorganized Debtor, or its Estate, except as otherwise permitted by this Plan, the Bankruptcy Code, or order of the Court.

IV. STATEMENT OF ASSETS AND LIABILITIES  
AND FEASIBILITY OF THE PLAN

A. In General

This section will describe the assets and liabilities of the Debtor and discuss the feasibility of the Plan.

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B. Assets

The sole meaningful asset of this Estate is the Debtor’s Madrona property. The Debtor believes that its Madrona Property asset has a fair market value of \$4,500,000.

C. Liabilities

The Debtor’s best estimate of the amount of asserted claims against the Chapter 11 Estate, is as follows:

Secured Debt	
Caliber Home Loans	\$1,250,000.00
JP Morgan Chase Bank	525,000.00
Robert Wagner Pension Trust	1,358,000.00
<b>SUBTOTAL SECURED DEBT</b>	<b>\$3,133,000.00</b>
Unsecured Debt	
Administrative Expenses	\$ 25,000.00
Priority Claims (Non-Tax)	0.00
Priority Unsecured Tax Claims	23,508.30
General Unsecured Claims	50,050.00
<b>SUBTOTAL UNSECURED DEBT</b>	<b>\$98,558.30</b>
<b>TOTAL DEBT</b>	<b><u>\$3,231,558.30</u></b>

D. Feasibility of the Plan

Successful consummation of the Plan requires the Debtor to make monthly payments to its secured and unsecured creditors and to maintain the Madrona Property.

The Debtor estimates that the monthly debt service accruing and/or due to its secured Creditors under the Plan will be approximately \$15,000 per month. Other operating costs on the Madrona Property are approximately \$1,500.00 per month. As is noted above, the Debtor estimates that it owes approximately \$50,500 in unsecured claims. The Plan requires that these claims be paid in 36 months; i.e., on average, approximately \$1,400.00 per month. Thus, the Plan requires total payments of approximately \$17,900 per month, or \$214,800 per year.

1 The Debtor believes that it can make these payments.

2 Aside from financial matters, the Debtor believes that it can comply with all technical  
3 requirements of the Bankruptcy Code necessary to confirm and substantially consummate the  
4 Plan.

5 V. ALTERNATIVES TO THE PLAN

6 A. Chapter 7 Liquidation

7 In a Chapter 7 liquidation proceeding, the Debtor's interests in any assets of the Estate  
8 would vest in a Chapter 7 trustee, who would either release them to the respective secured  
9 Creditors or attempt to sell those assets to third parties and distribute any proceeds Pro Rata to  
10 all Creditors of the estate under the priorities established by Bankruptcy Code Section 507. A  
11 Chapter 7 Trustee also has the statutory power to assert "avoidance claims" and other litigation  
12 claims held by the Estate against third parties pursuant to Bankruptcy Code Sections 510, 541,  
13 544, 545, 547, 548, and 549, which can generate funds to pay unsecured Creditors.

14 The Debtor believes that the Plan is significantly more beneficial to Creditors than  
15 Chapter 7 for two main reasons.

16 First, the Debtor is utilizing its powers under Bankruptcy Code Section 1123(a)(5) to  
17 modify and extend the Caliber, Chase, and Wagner secured debt on its Madrona Property for the  
18 benefit of all Creditors. A Chapter 7 Trustee lacks these powers.

19 Second, the Debtor's Plan provides the only mechanism by which unsecured Creditors  
20 may receive any dividends on their allowed Claims. Under the Plan, unsecured Creditors will be  
21 paid Distributions in full, and with interest at the Legal Rate commencing within six months  
22 after the Plan's Effective Date. In addition, all allowed unsecured claims shall be paid within  
23 three years after the Plan's Effective Date. The Debtor believes that the Madrona Property will  
24 be lost to foreclosure in the event that the case proceeds under Chapter 7 of the Bankruptcy  
25 Code. Given this likely result in any Chapter 7 case, the Debtor's Chapter 11 Plan is in the  
26 unsecured Creditors' best interests.

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B. No Other Plans

The Bankruptcy Code permits parties in interest other than the Debtor to propose a plan of reorganization under certain circumstances. The Plan submitted by the Debtor is the only plan of reorganization that has been proposed at this time.

VI. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. In General

The following is a summary of certain United States federal income tax consequences of the Plan that may be material to Creditors (each a “Holder”). This discussion is included for general information purposes only and is not intended to be, and is not, legal or tax advice to any particular Holder. This summary is based on the current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), the Income Tax Regulations (the “Regulations”) and other legal authorities, all of which are subject to change, possibly with retroactive effect. No rulings from the Internal Revenue Service (the “IRS”) or opinions of counsel have been or will be requested concerning the matters discussed below. The tax consequences set forth in the following discussion are not binding on the IRS or the courts, and no assurance can be given that contrary positions will not be successfully asserted by the IRS or adopted by a court.

This summary does not address the taxation of the Debtor or the Holders under state, local law or foreign law.

**TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY DEBTOR IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

**EACH HOLDER SHOULD CONSULT THE HOLDER’S OWN TAX ADVISOR TO DETERMINE THE HOLDER’S PARTICULAR U.S. FEDERAL INCOME**

1           **TAX CONSEQUENCES AND OTHER TAX CONSEQUENCES TO THE HOLDER**  
2           **OF THE PLAN, INCLUDING ANY STATE, LOCAL AND FOREIGN TAX LAWS**  
3           **AND THE EFFECT OF ANY CHANGES IN SUCH LAWS.**

4                   B.     Consequences to Creditors.

5           Creditors should consult its own tax advisors concerning any income tax consequences of  
6           its respective treatment under the Plan.

7                   C.     Wage Withholding.

8           If any Allowed Claim under the Plan constitutes “wages” for U.S. federal income tax  
9           purposes, the U.S. federal income tax rules applicable to wage withholding will apply to the  
10          payment of the Allowed Claim.

11                  D.     Backup Withholding.

12          U.S. federal income tax laws require that, to avoid backup withholding with respect to  
13          “reportable payments” (in an amount equal to 28%), Creditor or Holder must (a) provide the  
14          Debtors with its correct taxpayer identification number (“TIN”) on IRS Form W-9 and certify as  
15          to its eligibility for exemption from backup withholding, or (b) establish a basis for exemption  
16          from backup withholding on an appropriate IRS Form W-8 (including a Form W-8BEN, W-  
17          8ECI, W-8EXP and W-8IMY) or IRS Form W-9, as applicable. Exempt Creditors and Holders  
18          (including, among others, all corporations and certain foreign individuals) are not subject to  
19          backup withholding and reporting requirements. If withholding is made and results in an  
20          overpayment of taxes, a refund may be obtained.

21                               **VII. VOTING, ACCEPTANCE AND CONFIRMATION**

22                   A.     In General.

23          The Hon. Alan Jaroslovsky, Judge, United States Bankruptcy Court, has set a date for the  
24          hearing on the Confirmation of the Plan. The hearing is to held at the United States Bankruptcy  
25          Court, 99 South E Street, Santa Rosa, CA 95404. The Plan can be implemented only if accepted  
26          by the requisite percentage of Creditors and confirmed by the Bankruptcy Judge. Creditors  
entitled to vote should vote on the Plan by filling out and mailing the accompanying ballot to

1 counsel. There is no assurance that, if accepted, the Plan will be confirmed by the Bankruptcy  
2 Judge.

3 B. Voting.

4 Only impaired classes under the Plan will be entitled to vote on the Plan. The definition  
5 of an “impaired” class of Creditors is set forth in Section 1124 of the Bankruptcy Code. Classes  
6 2, 3, 4, and 5 are impaired by the Plan and entitled to vote. No other Classes are impaired under  
7 the Plan. Pursuant to Section 1126(f) of the Bankruptcy Code, a class that is not impaired under  
8 the Plan, and each holder of a Claim of such class, are conclusively presumed to have accepted  
9 the Plan, and solicitation of acceptances with respect to such class from the holders of Claims of  
10 such class is not required. The Bankruptcy Code defines “acceptance” of a plan by a class of  
11 Creditors as acceptance by the holders of two-thirds (2/3) in dollar amount and more than one-  
12 half (1/2) in number of the claims of that class which actually cast ballots for acceptance or  
13 rejection of the Plan.

14 In addition to the requirement that a Creditor be in an “impaired class”, in order for a  
15 Creditor's vote to be counted, either for or against the Plan, the Creditor must have either (1)  
16 filed a proof of claim on or before the “Claims Bar Date”; or (2) have been listed by the Debtor  
17 in the Schedule of Liabilities as having a claim which was noncontingent and undisputed.

18 **IF YOU HAVE ALREADY FILED A CLAIM YOU NEED NOT REFILE FOR THE PURPOSE OF**  
19 **VOTING ON THE PLAN.**

20 If a Creditor wishes to vote for or against the Plan, the Creditor should complete an  
21 acceptance or rejection of the Plan on the form ballot enclosed herewith which must be returned  
22 pursuant to the instructions set forth thereon.

23 C. Confirmation

24 If no impaired Creditor classes accept the Plan, it cannot be confirmed. If at least one  
25 impaired class of Creditors accepts the Plan, the Court will hold a Confirmation Hearing. At the  
26 Confirmation hearing, the Bankruptcy Judge has the duty to determine whether the Plan meets

1 the requirements of Section 1129 of the Bankruptcy Code. The principal requirements of  
2 Section 1129 include the following: (1) that the proponents of the Plan have complied with the  
3 applicable provisions of the Bankruptcy Code on all matters connected with the case; (2) that the  
4 Plan has been proposed in good faith, and not by any means forbidden by law; (3) that the  
5 requisite amount of Creditors have accepted the Plan or that the Creditors are receiving an  
6 amount not less than they would receive if liquidation under Chapter 7 took place; (4) that at  
7 least one class of Creditors has accepted the Plan; and (5) that Confirmation of the Plan is not  
8 likely to be followed by liquidation, or the need for further financial reorganization of the debtor;  
9 and (6) that the Debtors and the Plan in all other respects comply with applicable law. Only if  
10 such determinations are made will the Judge confirm the Plan.

11 In addition, if there are impaired Creditor classes which have rejected the Plan, the  
12 Bankruptcy Judge may order Confirmation over its rejection, but only if the Judge first  
13 determines that the rights of non-consenting classes of Creditors are protected under Bankruptcy  
14 Code Section 1129(b) and other applicable law.

15 D. Modification of the Plan.

16 The Debtor may propose amendments to or modifications of the Plan under Section  
17 1127(a) of the Bankruptcy Code and Bankruptcy Rule 3019 at any time prior to the conclusion  
18 of the hearing on Confirmation of the Plan. After the Confirmation Date, the Debtor or  
19 Reorganized Debtor may modify the Plan in accordance with Section 1127(b) of the Bankruptcy  
20 Code and Bankruptcy Rule 3019.

21 VIII. CONCLUSION

22 The Debtor believes that its Plan of Reorganization realistically affords to Creditors their  
23 best opportunity for receiving a prompt, meaningful dividend. The Debtor therefore respectfully  
24 requests that Creditors vote to accept the Plan.

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Dated: October 31, 2016

MacCONAGHY & BARNIER, PLC

/s/ John H. MacConaghy  
By John H. MacConaghy  
Attorneys for Debtor

Dated: October 31, 2016

BJORNER ENTERPRISES, INC.  
A California corporation

/s/ John Bjorner  
Its Responsible Individual