

UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF COLORADO

IN RE:	)	
	)	Case No. 16-10897-JGR
PYKKONEN CAPITAL, LLC, d/b/a	)	
ECHO MOUNTAIN RESORT, d/b/a	)	Chapter 11
FRONT RANGE SKI CLUB	)	
	)	
Debtor.	)	

**DISCLOSURE STATEMENT TO ACCOMPANY PLAN OF REORGANIZATION  
DATED SEPTEMBER 16, 2016**

This Disclosure Statement has been prepared by Pykkonen Capital, LLC (“Debtor”) to accompany its Plan of Reorganization Dated September 16, 2016 filed by the Debtor (the “Plan”). The Plan may be amended prior to confirmation. This Disclosure Statement is being provided to all creditors and interest holders of the Debtor. This Disclosure Statement is subject to final approval pursuant to 11 U.S.C. § 1125 by the United States Bankruptcy Court for the District of Colorado as containing adequate information to enable creditors and interest holders to determine whether to accept the Debtor’s Plan. The Court’s approval of this Disclosure Statement does not constitute a decision on the merits of the Plan. Issues related to the merits of the Plan and its confirmation will be the subject of a confirmation hearing which is scheduled for \_\_\_\_\_, **2016 AT** :\_ \_  
\_M. at the United States Custom House, Courtroom D, 721 19th Street, Denver, Colorado **80202.**

**THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION. THE COMMISSION HAS SIMILARLY NOT REVIEWED THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT.**

The Plan of Reorganization is the governing document or contract between the Debtor and creditors once it is confirmed by the Court. In the event of any inconsistencies between the Plan and this Disclosure Statement, the Plan supersedes the Disclosure Statement and will be the sole court-approved document that governs the post-confirmation relationship and agreements between the parties.

This Disclosure Statement is provided to you along with a copy of the Debtor’s Plan and a

Ballot to be used for voting on the Plan. Please complete the Ballot according to the instructions contained on the Ballot if you intend to vote for or against the Debtor's Plan. Each creditor or interest holder entitled to vote on the Plan may vote on the Plan by completing the enclosed Ballot and returning it to counsel for the Debtor at the address below:

Lee M. Kutner  
Keri L. Riley  
Kutner Brinen, P.C.  
1660 Lincoln St.  
Suite 1850  
Denver, CO 80264

This Ballot must be received by Kutner Brinen, P.C. no later than **5:00 p.m. on** \_\_\_\_\_, **2016** which is the date set by the Court as the last day to vote on the Plan. Terms contained in this Disclosure Statement, which are defined in the Plan, have the same meaning as set forth in the definitional section of the Plan, Article II.

**Recommendation.** As discussed more fully below, the Debtor firmly believes that the Plan represents the best alternative for providing the maximum value for creditors. The Plan provides creditors with a distribution on their Claims in an amount greater than any other potential known option available to the Debtor.

**Voting Requirements.** Pursuant to the Bankruptcy Code, only Classes of Claims or Interests that are "impaired" under the Plan are entitled to vote to accept or reject the Plan. Classes of Claims and Interests that are not impaired are not entitled to vote and are deemed to have accepted the Plan. Voting on the Plan shall be pursuant to the provisions of the Bankruptcy Code and the Bankruptcy Rules, and a Class shall have accepted the Plan if the Plan is accepted by at least two-thirds in amount and more than one-half in number of the Allowed Claims of such Class actually voting.

**Voting Classes.** Each holder of an Allowed Claim in Classes 2 through 4 shall be entitled to vote to accept or reject the Plan.

**Deemed Acceptance of Plan.** Unimpaired classes are conclusively presumed to accept the Plan pursuant to Section 1126(f) of the Bankruptcy Code.

**Deemed Rejection of Plan.** Classes that receive and retain nothing under the Plan are deemed to reject the Plan pursuant to Section 1126(g) of the Bankruptcy Code.

**One Vote Per Holder.** If a holder of a Claim holds more than one Claim in any one Class,

all Claims of such holder in such Class shall be aggregated and deemed to be one Claim for purposes of determining the number of Claims voting for or against the Plan.

## **I. CHAPTER 11 AND PLAN CONFIRMATION**

Chapter 11 of the United States Bankruptcy Code is designed to allow for the rehabilitation and reorganization of financially troubled entities or individuals. Chapter 11 allows the debtor to retain its assets during the administration of the Chapter 11 case as debtor-in-possession. Following confirmation of the Plan, Chapter 11 allows the debtor to distribute its remaining assets in accordance with the priority set forth in the Bankruptcy Code.

The Plan divides creditors into classes of similarly situated creditors. All creditors of the same Class are treated in a similar fashion. All interests are also classified and treated alike. Each Class of creditors or interest holders is either impaired or unimpaired under the Plan. A Class is unimpaired if the Plan leaves unaltered the legal, equitable and contractual rights to which each creditor in the Class is entitled or if the Plan provides for the cure of a default and reinstatement of the maturity date of the claim as it existed prior to default.

On March 4, 2016, the Debtor filed a Motion to Set Bar Date for Filing Claims and Requests for Allowance of Administrative Expense Claims under 11 U.S.C. § 503(b)(9), and Approving the Form, Manner, and Notice Thereof. On March 7, 2016, the Court entered an Order establishing May 2, 2016 as the last day: a) for filing of any Proof of Claim for a pre-petition claim or interest; and b) by which motions or requests for allowance of administrative expense claims pursuant to 11 U.S.C. §503(b)(9) must be filed (“Bar Date”). The Plan provides that Claims and Interests of all Classes shall be allowed only if such Claims are either: (a) evidenced by a timely filed Proof of Claim or Interest; or b) appear in the Schedules filed by the Debtor and are not scheduled as disputed, contingent or unliquidated, unless subsequently allowed by the Court. Creditors may check as to whether or not their Claims are scheduled as disputed, contingent or unliquidated by reviewing the Schedules and the amendments thereto filed by the Debtor in the Bankruptcy Court for the District of Colorado. Alternatively, creditors may contact counsel or the Debtor directly in order to determine how their claim was scheduled.

Chapter 11 does not require that each holder of a Claim or Interest vote in favor of the Plan in order for the Court to confirm the Plan. The Plan, however, must be accepted by at least one

impaired Class of Claims by a majority in number and two-thirds in amount, without including insider acceptance of those Claims of such Class actually voting on the Plan. Assuming one impaired Class votes to accept the Plan, the Plan may be confirmed over its rejection by other Classes if the Court finds that the Plan does not discriminate unfairly and is fair and equitable with respect to each Class of Claims that is impaired under and has not accepted the Plan.

If all Classes of Claims and Interests vote to accept the Plan, the Court may confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation. Among other things, Section 1129 requires that the Plan be in the best interest of the holders of Claims and Interests and be feasible through a showing that confirmation will not be followed by the need for further financial reorganization of the Debtor.

## II. OVERVIEW OF THE PLAN AND MEANS OF EXECUTION

The Plan divides creditors and interest holders into the following four (4) Classes. Treatment of each of the Classes is discussed in greater detail below and in the Plan. The following table summarizes the Classes, whether or not each such Class is impaired, and, to the extent determinable, the treatment of each Class.

<u>CLASS</u>	<u>IMPAIRMENT</u>	<u>TREATMENT</u>
Class 1 – All Allowed Unsecured Claims Specified in Section 507(a)(4) and 507(a)(5) of the Code as Having Priority	Unimpaired	Paid in full on the Effective Date of the Plan
Class 2 – Allowed Secured Claim held by Yuki Group	Impaired	Distribution of the sale proceeds in the full amount of its secured claim as determined by agreement between the parties or, if the parties are unable to reach an agreement, as determined by the Court.
Class 3 – Allowed Claims held by unsecured creditors	Impaired	Pro rata distribution of the remaining net proceeds from the sale, cash on hand, and any Avoidance Action proceeds. Nora Pykkonen and her immediate family will voluntarily waive receipt of payment on their claim until the other Class 3 creditors have been paid their Allowed Claims in full.
Class 4 – Interests in the Debtor	Impaired	Interests shall be cancelled within six (6) months of the Effective Date

		of the Plan.
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### III. BACKGROUND AND EVENTS LEADING TO CHAPTER 11 FILING

The Debtor was formed in 2011. In 2012, the Debtor purchased Echo Mountain Ski Resort (“Echo Mountain”), a full service ski resort with chair lifts, lighting for night skiing, ski lessons, and a restaurant. More information regarding Echo Mountain can be found on their website at [www.echmountainresort.com](http://www.echmountainresort.com). The purchase of Echo Mountain was funded by a loan in the amount of \$1,000,000 from Squaw Pass Ranch, LLC (“Squaw Pass Ranch”). The loan was evidenced by a Promissory Note (“Note”) and Deed of Trust in favor of Squaw Pass Ranch.

From 2012 through 2015, Echo Mountain was closed to the public and operated as a private race training facility. Echo Mountain’s real and personal property was owned by the Debtor, and ongoing operations, including revenue from the ski lessons and races, were conducted through Echo Mountain Resort, LLC (“EMR”). As a private race training facility, Echo Mountain hosted competitions, and served as a training facility for local and global ski teams. Yearly maintenance and improvements for Echo Mountain were funded primarily through private loans and infusions of capital from the Debtor’s owner and operator, Nora Pykkonen. The Debtor was ultimately unable to sustain its operations, and defaulted under the Note in May 2014. The Debtor subsequently entered into a Settlement and Forbearance Agreement (“Forbearance Agreement”) with Squaw Pass Ranch on October 15, 2014. Pursuant to the Forbearance Agreement, Squaw Pass Ranch agreed to forbear from exercising its rights under the Note and Deed of Trust and the Debtor agreed to employ a broker and list Echo Mountain for sale.

The Debtor attempted to market the Echo Mountain for sale from 2015 through mid-2016, while simultaneously opening to the public for the 2015 to 2016 ski season to generate revenue and interest in Echo Mountain. The Debtor was ultimately unable to sell Echo Mountain by the deadline required in the Forbearance Agreement, and on January 21, 2016, during the height of the ski season, Squaw Pass Ranch sent a Notice of Default to the Debtor. The January 21, 2016 Letter required the Debtor to pay the full amount owed under the Note by or before February 10, 2016 or Squaw Pass Ranch would initiate foreclosure proceedings against the Debtor. Without sufficient funds to immediately pay Squaw Pass Ranch and no contract for the sale of Echo Mountain, the Debtor filed its bankruptcy case to avoid foreclosure on Echo Mountain, maintain its operations through the ski season, and sell assets or reorganize the Debtor.

#### **IV. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASE**

The Debtor has complied with all requirements of the Bankruptcy Code and of the Office of the U.S. Trustee, including attending the Initial Debtor Interview and its Meeting of Creditors, and the filing of monthly operating reports. The Debtor also worked diligently to market Echo Mountain during the life of the bankruptcy case.

##### **A. Motion to Reject Right-to-Sell Listing Contract**

On March 4, 2016, the Debtor filed its Motion to Reject Exclusive Right-to-Sell Listing Contract (the "Motion to Reject") pursuant to 11 U.S.C. § 365. Prior to the Petition Date, the 100% owner of the Debtor, Nora Pykkonen, entered into an Exclusive Right-to-Sell Listing Contract ("Listing Contract") with Prudential Commercial Real Estate, Rebecca B. Martin and Jerry Jones Brokers (the "Brokers") to list Echo Mountain, for sale. RBM Real Estate ("RBM") filed an Objection to Debtor's Motion to Reject Exclusive Right-to-Sell Listing Contract on March 23, 2016. A preliminary hearing on the Motion to Reject was held on April 13, 2016. A second hearing was held on May 11, 2016, at which the Court set a one-day evidentiary hearing on the Motion to Reject for July 27, 2016. On July 8, 2016, RBM filed a Request to Continue Hearing on Motion to Reject Exclusive Right-To-Sell Listing Contract. On July 11, 2016, the Court entered an Order Granting Request to Continue Hearing on Motion to Reject Exclusive Right-to-Sell Listing Contract, vacating the evidentiary hearing set for July 27, 2016, and requiring the parties to file a motion to re-set the evidentiary hearing. This matter is still pending before the Court, and the parties have not moved to set an evidentiary hearing.

##### **B. Motion to Dismiss and Withdrawal of Motion**

On April 6, 2016, the Debtor filed its Motion to Dismiss Chapter 11 Bankruptcy Case ("Motion to Dismiss") after securing sufficient financing to pay its primary secured creditor and resolve the claims of unsecured creditors. The United States Trustee filed an Objection to the Motion to Dismiss on April 26, 2016. The Board of County Commissioners of the County of Clear Creek ("Clear Creek County"), also filed an Opposition to the Motion to Dismiss on April 27, 2016. The Debtor's prospective financing ultimately fell through and the Debtor withdrew its Motion to Dismiss on April 27, 2016.

**C. Squaw Pass Ranch's Motion to Appoint Chapter 11 Trustee Pursuant to 11 U.S.C. § 1104**

On May 27, 2016, Squaw Pass Ranch filed a Motion to Appoint Chapter 11 Trustee Pursuant to 11 U.S.C. § 1104 (the "Motion to Appoint Trustee"). On June 10, 2016, Objections to the Motion to Appoint Trustee were filed by Troy Johnson, H10 Seattle, LLC, Robert Gregory, and Bradley Holm ("Holm"). The Debtor filed its objection to the Motion to Appoint Trustee on June 13, 2016. On June 14, 2016, Clear Creek County, filed its Joinder in the Motion to Appoint Trustee. Shortly thereafter, Holm acquired the Deed of Trust held by Squaw Pass Ranch, and on July 12, 2016, Squaw Pass Ranch filed a Motion to Withdraw the Motion to Appoint Trustee. The Motion to Withdraw the Motion to Appoint Trustee was granted on July 20, 2016. Clear Creek County's claim was subsequently paid in full by Holm under the Deed of Trust, after which Clear Creek County filed a Motion to Withdraw its Joinder in the Motion to Appoint Trustee on July 20, 2016. As a result, the Court vacated the hearing scheduled for July 27, 2016, and the Debtor remains a Debtor-in-Possession.

**D. Motion to Sell Property Free and Clear of Liens, Claims, and Encumbrances Pursuant to 11 U.S.C. § 363**

The Debtor filed its Motion to Sell Property Free and Clear of All Liens, Claims, and Encumbrances Pursuant to 11 U.S.C. § 363 ("Motion to Sell") on July 22, 2016. In the Motion to Sell, the Debtor sought a Court Order authorizing the sale of Echo Mountain for \$4,000,000 to SkiEcho, LLC, less certain deductions, resulting a total sale price of \$3,778,525. The sale contract provided for payment in full of all IRS claims, a refund of the claims of Clear Creek paid by Holm, and Holm's Deed of Trust. Objections to the Motion to Sell were filed by Yuki Alpine Investments, LLC ("Yuki"), the United States Trustee, and RBM. On August 3, 2016, the Debtor filed its Response to Objections to Motion to Sell Property Free and Clear of All Liens, Claims, and Encumbrances Pursuant to 11 U.S.C. § 363, addressing the concerns of the objecting parties. The Court conducted a hearing on the Motion to Sell on August 17, 2016, after which the Court entered an Order Granting Motion to Sell Property Free and Clear of All Liens, Claims, and Encumbrances Pursuant to 11 U.S.C. § 363(f).

On September 2, 2016, the Debtor filed a Motion to Approve Bill of Sale By and Between the Debtor, Front Range Ski Club, LLC ("FRSC"), and Echo Mountain Resort, LLC ("Support Motion") seeking approval of the Bills of Sale from FRSC and EMR to the Debtor, transferring any

and all assets or interests held by FRSC or EMR to the Debtor. The Support Motion was intended to allow all assets or interests to be included under the Order Granting the Motion to Sell, and bring all claims under the Debtor's bankruptcy case in order to effectuate the closing of the sale of the Property to SkiEcho in time to prepare for the 2016-2017 ski season. The objection date for the Support Motion is September 16, 2016. If no objections are received, the Court will likely grant the Bill of Sale Motion, and the sale of Echo Mountain will close within ten (10) business days.

**E. Motion of the United States Trustee to Convert Case to a Case Under Chapter 7**

On July 8, 2016, the United States Trustee ("UST") filed his motion to Convert Case to a Chapter 7 or, in the Alternative, Dismiss ("Motion to Convert"). RBM joined in the Motion to Convert on August 1, 2016. The Debtor filed its Response in Objection to the Motion to Convert on August 8, 2016. The Court held a preliminary hearing on the Motion to Convert on August 17, 2016. Following the preliminary hearing, the Court ordered the Debtor to file a Plan of Reorganization or Motion to Dismiss on or before September 16, 2016.

**V. DESCRIPTION OF ASSETS**

The scheduled value of the Debtor's assets, as of the Petition Date (unless otherwise indicated), is set forth in the following chart.

<b>Asset</b>	<b>Estimated Value</b>
Cash on Hand and in Debtor-in-Possession Account (Current Value)	\$44.00
Office Furniture and Equipment	\$72,000.00
Vehicle (30 year old Ford truck w/ Snow Plow)	\$3,500.00
Machinery, Fixtures, and Equipment (Snow Cats, Ski Lifts, Snowmaking Equipment, Fire Suppression System, Race Equipment, Restaurant Equipment, Miscellaneous Equipment, Safety Nets, Snow Guns, etc.)	\$1,303,500.00
Real Property (19285 Highway 103, Idaho Springs, CO 80452)	\$2,600,000.00
Website ( <a href="http://www.echmountainresort.com">www.echmountainresort.com</a> )	Unknown
Liquor License	\$2,700.00
<b>Total</b>	<b>\$3,981,744</b>



The Debtor's primary assets consist of real property located at 19285 Highway 103, Idaho Springs, Colorado 80452 and personal property including snow cats, ski lifts, snowmaking equipment, fire suppression system, restaurant equipment, safety nets, and snow guns, which are collectively used to run Echo Mountain Resort.

The Debtor's valuation of the assets listed above reflects the liquidation value of the Debtor's assets. Pursuant to the Order Granting Motion to Sell Property Free and Clear of All Liens, Claims, and Encumbrances Pursuant to 11 U.S.C. § 363(f), the Debtor has sought and obtained Court approval to sell substantially all of its assets free and clear of all liens, claims, and encumbrances pursuant to 11 U.S.C. § 363 to SkiEcho for \$4,000,000.00, less the cost of repairing certain equipment and the retail value of outstanding lift tickets, resulting in final proceeds from the sale in the amount of \$3,778,525.00. After the repayment of the secured claims at closing, with the exception of the Yuki Group claim which may encumber certain personal property that will be conveyed to the Debtor under the Bill of Sale Motion, the Debtor is anticipated to have net proceeds from the sale of approximately \$2,111,717.99.

## **VI. DESCRIPTION OF LIABILITIES**

### **A. Priority Claims**

#### **1. Priority Claims**

Priority Claims are defined in the Plan as any pre-petition Claim entitled to a priority in payment under § 507(a) of the Code, excluding any Administrative Claim or Tax Claim. Section 507(a) of the Code includes but is not limited to claims for: domestic support obligations owed on the date of filing; wages, salaries, or commissions, including vacation, sick leave, or severance pay owing to employees; and sales commissions earned by an individual within 180 days prior to filing the petition. 11 U.S.C. § 507(a)(1)-(4) (2016). The Debtor does not believe that any such priority claims exist.

#### **2. Administrative Claims**

Administrative Claims are those Claims for payments of administrative expenses of the kind specified in § 503(b) or § 1114(e)(2) of the Bankruptcy Code and are entitled to priority pursuant to § 507(a)(2) of the Bankruptcy Code, including but not limited to: the actual, necessary costs and expenses of preserving the estate; payment of professional fees; fees payable to the trustee; and all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a final order of

the Bankruptcy Court. The Administrative Claims include the professional fees incurred during the case which remain unpaid, including fees and costs for Kutner Brinen, P.C. (“KB”).

### **3. Tax Claims**

Tax Claims are any Claim of a governmental unit for taxes entitled to priority pursuant to 11 U.S.C. § 507(a)(8). Pursuant to the Debtor’s Motion to Sell Property Free and clear of All Liens, Claims and Encumbrances Pursuant to 11 U.S.C. § 363 and the terms of the Sale Contract, the following claims will be paid through the sale contract: (1) the claim of the Internal Revenue Service in the amount of \$300.00 (Poof of Claim No.10); (2) the claims of any other federal state, county or local government entities; (3) The claims of Clear Creek County (including but not limited to Proofs of Claim Nos. 1, 2, 3, 4, 5, 6, and 11, however, Ski Echo will reimburse the Debtor for amounts advanced to pay for water storage for the 2016-2017 water year). The Debtor therefore does not believe that any further tax claims will exist on the Confirmation Date.

## **B. Secured Claims**

As set forth above, creditors with a secured claim in property included in the sale of Echo Mountain will be paid at closing. Accordingly, the Debtor believes that the only remaining secured claim is that of the Yuki Group.

### **1. Class 2, Allowed Secured claim by Yuki Group.**

The Class 2 Secured Claim consists of the Allowed Secured Claim of the Yuki Group, consisting of Yuki Alpine Investments, LLC, John Woodard, Larry Kim, Mary and Nate Ford, Scott Soden, Drake Investments, Robert Reich, and Steven Halverson. While the Yuki Group was not secured by the Debtor’s assets when the case was filed, they do claim a security interest in certain personal property owned by FRSC. Pursuant to the Debtor’s Motion To Approve Bill Of Sale By and Between Debtor, Front Range Ski Club, LLC, and Echo Mountain Resort, LLC (“Support Motion”), FRSC will transfer its interest in any and all personal property located at Echo Mountain to the Debtor in exchange for the Debtor’s assumption of any liabilities of FRSC. Since the Yuki Group holds a security interest in the FRSC personal property, they would then retain their lien in the assets when received by the Debtor and, in connection with the Debtor’s sale of the assets to SkiEcho, LLC the Yuki Group lien would transfer into the proceeds. The claims of the Yuki Group are all claims that are allowed against the Debtor in addition to FRSC since the Debtor is a co-maker of the loans.

**C. Non-Priority Unsecured Creditors**

The Debtor has a number of unsecured pre-petition creditors which comprise Class 3. The Debtor has compiled a list of the claims scheduled in the bankruptcy case and the proofs of claim filed by creditors. To the extent that a creditor who was scheduled by the Debtor filed a proof of claim, the amount of the claim as filed by the creditor is considered in the Class 3 analysis. The schedule of known creditors in Class 3 is attached hereto as Exhibit A. As set forth in Exhibit A, the unsecured claims against the Debtor's estate in Class 3 total approximately \$2,282,348. This number includes the claim of Keith and Nora Pykkonen in the amount of \$1,432,088. The number also does not include any claim for RBM Real Estate Solutions for any commission they allege is due from the Debtor arising out of their prior Listing Agreement. The Debtor disputes any claim is due to this broker.

**D. Leases**

Pursuant to the terms of the Plan, as of the Effective Date of the Plan, the Debtor assumes those executory contracts and unexpired leases listed in Exhibit A to the Plan. As of the Effective Date of the Plan, the Debtor will reject all executory contracts and unexpired leases to which it is a party which are listed in Exhibit B to the Plan.

The Debtor is subject to a pre-petition lease with Clear Creek County for water rights. Pursuant to the Motion to Sell, the lease for water rights will be assigned and assumed by the purchaser, SkiEcho. On the Petition Date, the Debtor was also subject to an equipment supply and revenue share agreement with Christy Sports. This agreement ended on its own terms on April 15, 2016, and therefore does not require assumption or rejection.

The Debtor was also a party to a pre-petition Exclusive Right-to-Sell Listing Contract ("Listing Contract") with Prudential Commercial Real Estate, Rebecca B. Martin and Jerry Jones Brokers. As discussed above, the Debtor filed a Motion to Reject the Listing Contract on March 4, 2016, which Motion is still pending before the Court. Even if the Listing Contract is not deemed rejected by the Court prior to Plan Confirmation, the Listing Contract expired by its own terms on March 31, 2016.

**VII. DESCRIPTION OF PLAN**

**A. General Description**

The Plan provides for the reorganization of the Debtor under Chapter 11 of the Bankruptcy

Code. Pursuant to the Plan, the Debtor shall distribute the net proceeds from the sale of Echo Mountain and the proceeds from any avoidance actions prior to winding up the Debtor. At the current time, the Debtor does not believe that any avoidance action exists or will be pursued.

The Plan provides for the specification and treatment of all creditors and interest holders of the Debtor. The Plan identifies whether each Class is impaired or unimpaired. A Class is unimpaired only if the Plan leaves unaltered the legal, equitable or contractual obligations between the Debtor and the unimpaired claimants or interest holders. The following is a brief summary of the Plan. The actual text of the Plan should be reviewed for more specific detail. In the event of any conflict between the Plan and this Disclosure Statement, the terms of the Plan govern.

As provided in § 1123(a)(1) of the Code, the Administrative and Tax Claims against the Debtor are not designated as classes. The holders of such Allowed Claims are not entitled to vote on the Plan and such claims will be paid in full.

## **B. Claims**

### **1. Unclassified Priority Claims**

#### **a. Administrative Claims**

The holders of Allowed Claims of the type specified in Section 507(a)(2) of the Code, Administrative Claims, shall receive cash equal to the Allowed amount of such Claim or a lesser amount or different treatment as may be acceptable and agreed to by particular holders of such Claims. Such Claims shall be paid in full on the Effective Date of the Plan, or as otherwise agreed to by the particular holders of such Claims. Section 507(a)(2) Administrative Claims that are Allowed by the Court after the Effective Date of the Plan shall be paid upon Allowance.

The Debtor has paid its administrative expenses in the ordinary course during the bankruptcy case, and therefore does not believe that any material administrative claims exist, with the exception of the administrative claims of Kutner Brinen, P.C. (“KB”).

Through September 16, 2016, KB has charged approximately \$50,000 in fees, and \$1,250.09 in costs. This amount has been paid in part through a pre-petition retainer in the amount of \$22,000.00. KB’s fees and costs are anticipated to increase approximately \$5,000 to \$10,000 through Plan confirmation assuming minimal litigation over confirmation of the Debtor’s Plan, resolving issues related to the sale of Echo Mountain, and resolving issues related to creditor claims. The total amount owed to KB on the Effective Date is anticipated to be approximately \$38,000.

**b. Tax Claims**

Tax Claims are any Claim of a governmental unit for taxes entitled to priority pursuant to 11 U.S.C. §507(a)(8). Pursuant to the terms of the Motion to Sell, all tax claims will be paid at closing on the sale of Echo Mountain.

**c. United States Trustee Fees**

All payments due from the Debtor to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6) shall be paid on the Effective Date, and the U.S. Trustee shall thereafter be paid fees due on a quarterly basis until the case is closed, converted, or dismissed. The Debtor shall request entry of a final decree closing the case within three months of Plan confirmation assuming no ongoing litigation exists in the Bankruptcy Court over claims or avoidance actions. The Debtor anticipates that it will owe quarterly fees in the amount of \$10,400 following the sale of Echo Mountain and the distribution of sale proceeds at closing and under the Plan.

**2. Classified Priority Claims**

**a. Class 1, All Allowed Unsecured Claims specified in Section 507(a)(4) and 507(a)(5) of the Code as having priority.**

The Allowed Class 1 Priority Claims shall be paid in full on the Effective Date. The Class 1 Claims for certain pre-petition wages and employee Claims are more particularly described in Sections 507(a)(4) and 507(a)(5) of the Code. The Debtor does not believe any Class 1 Claims exist.

**3. Secured Claims**

**a. Class 2, The Allowed Secured Claims Held by Yuki Group.**

The Class 2 Secured Claim consists of the Allowed Secured Claim of the Yuki Group. While the Yuki Group was not secured by the Debtor's assets when the case was filed, they do claim a security interest in certain personal property owned by a company known as Front Range Ski Club, LLC ("FRSC"), which shall be assumed by the Debtor pursuant to the Motion To Approve Bill Of Sale By and Between Debtor, Front Range Ski Club, LLC, and Echo Mountain Resort, LLC ("Support Motion"). The amount of the Yuki's Group secured claim will be determined by stipulation between the Debtor and the Yuki Group, or, if the parties are unable to reach an agreement, shall be set by the Court. Once the amount of the Yuki Group's secured claim is determined, the Yuki Group will receive payment in full on account of their secured claim from the sale proceeds. Any remaining unsecured claim, if any, would participate as a Class 3 creditor in the distribution of remaining funds under this Plan.

#### **4. Class 3, General Unsecured Claims**

Class 3 consists of the Allowed Claims of the unsecured creditors. Class 3 Claimants will receive pro-rata distribution of the remaining sale proceeds after payment on account of administrative expenses, Class 1 Priority Claims, and the Yuki Group's secured claim. The amount to be distributed to Class 3 Claimants is estimated to be approximately \$2,063,544.90, less any amounts required to pay the Yuki Group's secured claim.

In addition to the distribution of the proceeds from the sale of Echo Mountain, Class 3 shall be entitled to receive the proceeds from any avoidance actions undertaken by the Debtor. At the current time, the Debtor does not believe any such avoidance actions exist, and therefore does not anticipate any additional proceeds from such actions.

As set forth on Exhibit A, the total amount of the unsecured claims in Class 3 is \$2,282,348<sup>1</sup>. Pursuant to the Plan, Keith and Nora Pykkonen agree to waive their distribution on account of their \$1,432,088 claim until all other Class 3 Claimants are paid in full. As a result, the total amount of Class 3 claims sharing in the initial distribution is approximately \$850,260.

#### **C. Interests**

##### **1. Class 4, Interests Held by Pre-Petition Equity Holders.**

Class 4 is impaired by the Plan. Within six (6) months of the Effective Date of the Plan, all Class 4 interests shall be cancelled.

#### **D. Default Provisions Under the Plan**

In the event of default by the Debtor under the Plan, creditors are required to provide the Debtor with written notice of the claimed default, and provide a ten (10) day period within which the Debtor can cure the claimed default. If the Debtor is unable to cure the default by such time, the creditor may enforce all rights and remedies against the Debtor for breach of contract. A secured creditor claiming a default under the Plan shall be entitled to enforce all rights and remedies related to their secured claim, including foreclosure of their secured interest pursuant to the terms of the document.

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<sup>1</sup> The Yuki Group's claim is approximately \$704,612.51 as of the Petition Date and may be higher for accrued interest, costs, and attorney fees. The claim is treated as fully secured solely for illustrative purposes in the Disclosure Statement, and is not intended to in any way limit or waive any claims or defenses the Debtor may have as to the extent or validity of the Yuki Group's claim. Any amount of the Yuki Group's claim determined to be unsecured shall share in the distribution to Class 3 Creditors.

### VIII. PLAN FEASIBILITY

The Debtor believes that the Plan, as proposed, is feasible. The funding for the Plan will come from the proceeds of the sale of Echo Mountain to SkiEcho. Closing on the sale of Echo Mountain is anticipated to occur no later than ten (10) days after the Court enters an Order granting the Support Motion. Assuming no objections to the Support Motion are filed, the Order granting the Motion is anticipated to enter no later than September 22, 2016, resulting in closing occurring no later than October 3, 2016. After such time, the Debtor will retain the net sale proceeds in a segregated account pending further order of the Court. The funds will therefore be available for distribution upon entry of an Order confirming the Debtor's Plan.

### IX. TAX CONSEQUENCE

The Debtor is not providing tax advice to creditors or interest holders. **U.S. Treasury Regulations require you to be informed that, to the extent this section includes any tax advice, it is not intended or written by the Debtor or its counsel to be used, and cannot be used, for the purpose of avoiding federal tax penalties.** Each party affected by the Plan should consult its own tax advisor for information as to the tax consequences of Plan confirmation. Generally, unsecured creditors should have no tax impact as a result of Plan confirmation. The recovery of each creditor is payment on account of a debt and generally not taxable, unless the creditor wrote off the debt against income in a prior year in which case income may have to be recognized. Interest holders may have very complicated tax effects as a result of Plan confirmation.

### X. LIQUIDATION ANALYSIS UNDER CHAPTER 7

The principal alternative to the Debtor's reorganization under Chapter 11 is a conversion of the case to Chapter 7 of the Bankruptcy Code. Chapter 7 requires the liquidation of the Debtor's assets by a Trustee who is appointed by the United States Trustee's office. In a Chapter 7 case, the Chapter 7 Trustee would take over control of the assets. Under a Chapter 7 liquidation, the Chapter 7 Trustee would get a percentage of the assets of the estate pursuant to 11 U.S.C. § 326, totaling approximately \$136,604.75. In addition, the Chapter 7 Trustee would likely hire professionals to aide in the administration of the estate, likely incurring an additional \$20,000.00 in administrative expenses. These administrative expenses, in addition to any Chapter 11 administrative expenses would be paid prior to distribution to unsecured creditors, substantially reducing the funds available for unsecured creditors.

Moreover, under a Chapter 7 liquidation, Keith and Nora Pykkonen would not waive distribution on account of their \$1,432,088.00 claim. Accordingly, unsecured creditors would be forced to share in a pro rata distribution on account of \$2,282,348<sup>2</sup> of unsecured claims. Accordingly, if the Debtor's case were converted to a case under Chapter 7, unsecured creditors would receive approximately 51% of their allowed unsecured claims. In contrast, the Debtor's Plan will likely result in payment of full of the allowed unsecured claims. Accordingly, confirmation of the Plan is in the best interest of the Debtor and its creditors.

DATED: September 16, 2016

Pykkonen Capital, LLC

By: /s/ Nora Pykkonen  
Nora Pykkonen, Manager

Kutner Brinen, P.C. ("KB") has acted as legal counsel to the Debtor on bankruptcy matters during the Chapter 11 case. KB has prepared this Disclosure Statement with information provided primarily by the Debtor. The information contained herein has been approved by the Debtor. KB has not made any separate independent investigation as to the veracity or accuracy of the statements contained herein.

Counsel to the Debtor and  
Debtor- In-Possession:

KUTNER BRINEN, P.C.

By: 

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<sup>2</sup> The claim of the Yuki Group is treated as fully secured solely for the purposes of the Chapter 7 liquidation analysis. The Debtor is not waiving any claims or defenses it may have as to the extent or validity of the Yuki Group's secured claim.



### CERTIFICATE OF SERVICE

The undersigned certifies that on September 16, 2016, I served by prepaid first class mail a copy of the foregoing **DISCLOSURE STATEMENT TO ACCOMPANY PLAN OF REORGANIZATION DATED SEPTEMBER 16, 2016** on all parties against whom relief is sought and those otherwise entitled to service pursuant to the FED. R. BANKR. P. and these L.B.R. at the following addresses:

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Vicky Martina

EXHIBITS TO DISCLOSURE STATEMENT

Exhibit A – List of Unsecured Claim

## Unsecured Creditors

Creditor Name	Amount of Claim on Schedule F	Amount of Claim in Proof of Claim	Amount of Claim for Purposes of Class 5 Analysis	Notes
Bob Gregory	\$165,000		\$165,000	
Brad Holm	\$262,500.00	\$313,830.76 (Proof of Claim No. 7)	\$313,830.76	
H10 Capital	\$121,429.52		\$121,429.52	
Honnen Equipment	\$0		\$0	
JP Morgan Chase	\$0		\$0	
Keith and Nora Pykkonen	\$1,432,088		\$1,432,088	Pursuant the Plan, Keith and Nora Pykkonen will waive distribution on account of their claim until all other Class 3 Claims are paid in full
Snow Machines, Inc. a/k/a SMI Gun	\$7,500	\$0 (Proof of Claim No. 8-2)	\$0	
RBM Real Estate Solutions	n/a	Contingent Claim of \$255,000	\$0	Disputed, Contingent
Troy Johnson	\$250,000		\$250,000	