

**IN THE UNITED STATES BANKRUPTCY COURT FOR THE  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:	§	Chapter 11
	§	
COLORADO 2002B LIMITED	§	
PARTNERSHIP and COLORADO 2002C	§	Case No. 16-33743-BJH-11
LIMITED PARTNERSHIP,	§	
	§	
Debtors.	§	Jointly Administered

**DISCLOSURE STATEMENT FOR DEBTORS' JOINT CHAPTER 11 PLAN**

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**ATTORNEYS FOR THE DEBTORS**

Dated: March 31, 2017

**IMPORTANT INFORMATION FOR YOU TO READ**

All creditors and equity interest holders are advised and encouraged to read this Disclosure Statement and the Plan in their entirety. Plan summaries and statements made in this Disclosure Statement, including the following summary, are qualified in their entirety by reference to the Plan and other exhibits annexed to the Plan. The statements contained in this Disclosure Statement are made only as of the date hereof, and there can be no assurance that the statements contained herein will be correct at any time after the date hereof.

This Disclosure Statement has been prepared in accordance with section 1125 of the Bankruptcy Code and Rule 3016 of the Federal Rules of Bankruptcy Procedure and not necessarily in accordance with federal or state securities laws or other applicable law.

As to contested matters, adversary proceedings, and other actions or threatened actions, this Disclosure Statement shall not constitute or be construed as an admission of any fact or liability, a stipulation, or a waiver.

This Disclosure Statement shall not be admissible in any nonbankruptcy proceeding involving the Debtors or any other party, nor shall it be construed to be conclusive advice on the tax or other legal effects of the Plan on holders of Claims or Equity Interests.

The Debtors are providing this Disclosure Statement to holders of Claims and Equity Interests, for their information only. **Nothing in this Disclosure Statement may be used or relied upon by any person or entity for any other purpose.**

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**DISCLOSURE STATEMENT DATED MARCH 31, 2017**

**SOLICITATION OF VOTES WITH RESPECT TO THE  
JOINT CHAPTER 11 PLAN OF COLORADO 2002B LIMITED PARTNERSHIP AND  
COLORADO 2002C LIMITED PARTNERSHIP**

**THE PLAN IS PROPOSED JOINTLY BY THE DEBTORS WHO  
STRONGLY URGE YOU TO VOTE TO ACCEPT IT**

THE PLAN INCLUDES CERTAIN THIRD-PARTY RELEASES. YOU MAY OPT-OUT OF THESE RELEASES BY MARKING THE APPLICABLE BOX ON THE BALLOT. IF YOU DO NOT OPT-OUT, YOU WILL BE DEEMED TO HAVE CONSENTED TO THE THIRD-PARTY RELEASES. IF YOU OPT-OUT, YOU WILL BE DEEMED TO HAVE FORFEITED YOUR RIGHT TO YOUR SHARE OF THE \$1,500,000 DIRECT CLAIM SETTLEMENT PAYMENTS.

This Disclosure Statement (the "Disclosure Statement") solicits acceptance of the Joint Chapter 11 Plan, dated March 31, 2017 (the "Plan"), of Colorado 2002B Limited Partnership ("2002B") and Colorado 2002C Limited Partnership ("2002C") (collectively, the "Debtors"), as debtors and debtors in possession in the above-captioned jointly administered chapter 11 cases. The Plan is being proposed jointly by the Debtors.

The purpose of this Disclosure Statement is to enable a Claim or Equity Interest holder whose Claim or Equity Interest is impaired under the Plan and who may receive a distribution under the Plan to make an informed decision in exercising its right to vote to accept or reject the Plan.

The Plan, which is attached hereto as Exhibit "A", contemplates the sale of all assets of the Debtors and the subsequent liquidation of the Debtors by distributing all cash held or to be received by the Debtors to each Debtor's creditors and Equity Interest Holders. The Plan also provides for a settlement with the Debtors' managing general partner, PDC, whereby PDC will pay the Debtors \$1,500,000.00 for a general release of any causes of action of the limited partners; *provided, however*, any limited partner may refuse to give PDC a release and opt-out of receiving of a share of this \$1,500,000.00 payment. Attached hereto as Schedule A is a summary calculation of the financial impact of the settlement with PDC. In addition, on the Effective Date of the Plan, PDC will place up to \$350,000.00 in an Administrative Reserve to pay (i) Allowed Administrative Expense Claims (as defined in the Plan) against the Debtors, and (ii) the post-Effective Date costs and expenses of winding down the Debtors' estates, up to \$25,000. An Initial Distribution of approximately \$1,600,000.00, in the aggregate, will be made to the Debtors' limited partners. Any amounts remaining in the Administrative Reserve after the payment of Allowed Administrative Expense Claims shall be returned to PDC; *provided, however*, that \$25,000 of the Administrative Reserve shall remain with the Post-Confirmation Debtors post-Effective Date to cover all costs and expenses associated with winding down the Debtors' estates. Additional interim distributions, after the Initial Distribution, may be made. Once all remaining administrative costs and expenses have been paid or reserved for, a final



distribution of all remaining cash on hand will be made to the holders of Allowed Claims and Allowed Equity Interests.

A summary of the classification and treatment of Claims and Equity Interests under the Plan are as follows:

Class	Description	Entitled to Vote	Estimated Claims	Approximate Estimated Recovery	Treatment
Classes 1A and 1B	Priority Non-Tax Claims	No	\$0.00	100%	Each holder of an Allowed Class 1A or Class 1B Claim against a Debtor shall be paid in Cash in full from such Debtor on (or as soon as reasonably practicable after) the later of (i) the Effective Date or (ii) fourteen (14) days after such Priority Non-Tax Claim becomes Allowed.
Classes 2A and 2B	Secured Claims	No	\$0.00	100%	In the discretion of the Debtors, each holder of an Allowed Class 2A or Class 2B Claim against a Debtor shall receive one of the following treatments: (i) payment in full in Cash from such Debtor; (ii) delivery of the collateral securing such Allowed Class 2A or Class 2B Claim; or (iii) other treatment that renders such Allowed Class 2A or Class 2B Claim unimpaired.

Classes 3A and 3B	General Unsecured Claims	No	3A - \$2,140.00 3B - \$109,281.00	100%	Each holder of an Allowed Class 3 Claim against a Debtor shall be paid in Cash in full from such Debtor on (or as soon as reasonably practicable after) the later of (i) the Effective Date or (ii) fourteen (14) days after such General Unsecured Claim becomes Allowed.
Classes 4B and 4B	Equity Interests	Yes	4A – 2002B 4B – 2002C	unknown <sup>1</sup>	Each holder of an Allowed Class 4A or Class 4B Equity Interest in a Debtor shall receive its Pro Rata share of any Cash remaining with such Debtor after payment of Allowed Administrative Expense Claims, Allowed Priority Claims, and Allowed Claims in Classes 1A, 1B, 2A, 2B, 3A and 3B against such Debtor.

The Debtors believe that the Plan is in the best interests of holders of Claims and Equity Interests. Accordingly, Claim and Equity Interest holders who are entitled to vote are urged to vote in favor of the Plan. **To be counted, your ballot must be fully completed, executed and actually received by BMC Group, Inc. (the “Tabulation Agent”) at the following address no later than 5:00 p.m. (prevailing Central Time) on May 2, 2017 (the “Voting Deadline”):**

<sup>1</sup> Schedule B attached hereto reflects the expected total Cash distributions to limited partnership unit holders and PDC pursuant to the Plan.

**IF BY REGULAR MAIL:**

BMC Group, Inc.  
Attn: Colorado Ballot Processing Center  
P. O. Box 90100  
Los Angeles, CA 90009

**IF BY MESSENGER OR OVERNIGHT  
DELIVERY:**

BMC Group, Inc.  
Attn: Colorado Ballot Processing Center  
3732 W 120<sup>th</sup> Street  
Hawthorne, CA 90250

**IF BY ELECTRONIC MAIL:**

[colorado@bmcgroup.com](mailto:colorado@bmcgroup.com)  
Please indicate "Colorado Ballot"  
in the "subject" line of the email

Holders of Claims and Equity Interests who are entitled to vote should carefully read this Disclosure Statement and the Plan in their entirety prior to voting on the Plan. Each holder of a Claim or Equity Interest should consult its individual attorney, accountant and/or financial advisor as to the effect of the Plan on such holder.

Pursuant to section 1128(a) of the Bankruptcy Code, **a hearing on confirmation of the Plan (the "Confirmation Hearing") has been scheduled to commence on May 17, 2017 at 1:15 p.m., prevailing Central Time**, before the Honorable Barbara J. Houser, Chief United States Bankruptcy Judge, in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "Bankruptcy Court"), 1100 Commerce Street, 14<sup>th</sup> Floor, Dallas, Texas 75242. At the Confirmation Hearing, the Bankruptcy Court will consider whether the Plan satisfies the requirements of the Bankruptcy Code.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a chapter 11 plan. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed no later than **5:00 p.m. prevailing Central Time on May 2, 2017** (the "Confirmation Objection Deadline") and simultaneously served on the following parties:

Counsel to the Debtors:

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U.S. Trustee

Office of the United States Trustee  
for the Northern District of Texas  
Attn: Meredyth Kippes  
1100 Commerce Street  
Room 9C60  
Dallas, Texas 75242

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. If an **objection to confirmation is not timely filed and served, the Bankruptcy Court may not consider it.**

For the convenience of Claim and Equity Interest holders, this Disclosure Statement summarizes the terms of the Plan. However, the Plan and any Exhibits and Schedules thereto are the operative documents, and govern.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN AS A DESCRIPTION OF THE PLAN THE CHAPTER 11 CASES, AND NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE LEGAL EFFECT OF THE PLAN ON HOLDERS OF CLAIMS OR EQUITY INTERESTS. CERTAIN INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS, BY ITS NATURE, FORWARD LOOKING, AND CONTAINS ESTIMATES, FORECASTS AND ASSUMPTIONS WHICH MAY PROVE TO BE MATERIALLY DIFFERENT FROM ACTUAL RESULTS.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED. NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THE PLAN SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE OF THIS DISCLOSURE STATEMENT OR THE DATE ON WHICH THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE COMPILED.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT OR INDEPENDENT VERIFICATION. THE INFORMATION CONTAINED HEREIN AND THE RECORDS KEPT BY THE DEBTORS ARE NOT WARRANTED OR REPRESENTED TO BE WITHOUT INACCURACY.

NO REPRESENTATIONS OR ASSURANCES CONCERNING THE DEBTORS OR THEIR BUSINESSES OR THE PLAN ARE AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON OTHER THAN THOSE CONTAINED HEREIN SHOULD NOT BE RELIED UPON. ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL TO THE DEBTORS.

THE SECURITIES AND EXCHANGE COMMISSION HAS NEITHER APPROVED NOR DISAPPROVED THIS DISCLOSURE STATEMENT, NOR HAS IT PASSED UPON THE ADEQUACY OR ACCURACY OF THE STATEMENTS CONTAINED HEREIN.

All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to those terms in the Plan.

## **I. GENERAL INFORMATION**

### **A. PURPOSES OF THIS DISCLOSURE STATEMENT**

This Disclosure Statement has been prepared by the Debtors to provide information that the Bankruptcy Court has determined to be material and necessary to enable holders of Claims and Equity Interests, who are entitled to vote on the Plan, to make an informed judgment about the Plan. Confirmation of a plan pursuant to chapter 11 of the Bankruptcy Code depends, in part, upon the receipt of a sufficient number of votes in favor of the Plan. However, holders of Claims and Equity Interests whose claims are unimpaired are deemed to have conclusively accepted the Plan and are not entitled to vote thereon. As set forth in this Disclosure Statement, holders of Claims in Classes 1A, 1B, 2A, 2B, 3A and 3B are unimpaired and deemed to have accepted the Plan. Holders of Equity Interests in Classes 4A and 4B are impaired and entitled to vote to accept or reject the Plan.

On March 31, 2017, after notice and a hearing, the Bankruptcy Court entered an order (the "Disclosure Statement Solicitation Order"), pursuant to section 1125 of the Bankruptcy Code, approving this Disclosure Statement as containing "adequate information." "Adequate information" is information of a kind, and in sufficient detail, to enable a hypothetical investor typical of the holders of Claims and Equity Interests in the Chapter 11 Cases, that would enable such hypothetical investor to make an informed judgment about the Plan. A copy of the Disclosure Statement Solicitation Order is attached hereto as Exhibit "B".

### **B. GENERAL INFORMATION CONCERNING CHAPTER 11**

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code, pursuant to which a debtor in possession attempts to reorganize, or liquidate, its business for the benefit of itself, its creditors and equity interest holders.

The commencement of a chapter 11 case creates an estate, comprised of all legal and equitable interests of the debtor in property as of the date the petition is filed, wherever located and by whomever held. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee. The Debtors are operating as debtors in possession.

The filing of a chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362(a) of the Bankruptcy Code provides for, among other things, an automatic stay of all attempts to collect prepetition debts against the debtor or to otherwise

interfere with the debtor's property or business. Except as otherwise ordered by the bankruptcy court, the automatic stay remains in full force and effect until the time a plan of reorganization is confirmed.

The formulation of a plan of reorganization is the principal purpose of a chapter 11 case. A plan sets forth the means for satisfying the claims against and equity interests in the debtor. Generally, unless a trustee is appointed, only the debtor may file a plan during the first 120 days of a chapter 11 case (the "Exclusive Period"). A debtor is generally then given 60 additional days (the "Solicitation Period") during which it may solicit acceptance of its plan. The Exclusive Period and the Solicitation Period may be extended or reduced by the court upon a showing of "cause."

### **C. GENERAL INFORMATION CONCERNING TREATMENT OF CLAIMS AND INTERESTS**

A chapter 11 plan may provide for anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of a debtor's assets. After a chapter 11 plan has been filed, certain holders of claims against or equity interests in a debtor are permitted to vote to accept or reject the plan.

Section 1123 of the Bankruptcy Code provides that a plan of reorganization must classify the claims of a debtor's creditors and equity interest holders. In compliance therewith, the Plan divides claims and equity interests into classes and sets forth the treatment for each class. In accordance with section 1123(a) of the Bankruptcy Code, Administrative Expense Claims have not been classified in the Plan. A debtor is also required, under section 1122 of the Bankruptcy Code, to classify claims and equity interests into classes that contain claims and equity interests that are substantially similar to the other claims and equity interests in such class. The Debtors believe that the Plan has classified all Claims and Equity Interests in compliance with the provisions of Bankruptcy Code section 1122.

Pursuant to sections 1122(a) and 1123(a)(1) of the Bankruptcy Code, Claims against and Equity Interests in the Debtors are classified as set forth previously at the beginning of this Disclosure Statement.

### **D. CLASSES IMPAIRED UNDER A PLAN**

Only classes of impaired claims or equity interests may vote to accept or reject a plan. A class is "impaired" if the legal, equitable, or contractual rights relating to the claims or equity interests in that class are modified by the plan. Modification for purposes of determining impairment, however, does not include curing defaults or reinstating maturity. Classes of claims or equity interests that are not "impaired" under a plan of reorganization, and each member of such class, are conclusively deemed to have accepted the plan and thus are not entitled to vote. Similarly, classes of claims or equity interests that will neither receive nor retain any property under a plan are deemed to not have accepted the plan and are thus not entitled to vote. Accordingly, acceptances of a plan will only be solicited from holders of claims and/or equity interests in impaired classes that may receive distributions under the plan.

As set forth in section 1124 of the Bankruptcy Code, a class of claims or interests is impaired under a plan of reorganization unless, with respect to such class, the plan: (1) leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or interest; or (2) notwithstanding any contractual provision or applicable law that entitles the holder of a claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default: (a) cures any such default that occurred before or after the commencement of the case, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) expressly does not require to be cured; (b) reinstates the maturity of such claim or interest as it existed before such default; (c) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance on such contractual provision or such applicable law; (d) if the claim or interest arises from a failure to perform a non-monetary obligation (other than a default from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A)), compensates the holder (other than the debtor or an insider) for any actual pecuniary loss incurred by the holder as a result of such failure; and (e) does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the holder of such claim or interest.

All holders of Claims are unimpaired, as they will be paid in full. As a result, all holders of Claims are conclusively deemed to have accepted the Plan. Holders of Equity Interests are impaired. The Debtors are seeking the votes of Equity Holders in Classes 4A and 4B.

## **E. VOTING AND OPT-OUT RIGHTS**

### **1. Voting on the Plan**

Holders of Equity Interests in the Debtors are impaired under the Plan and are entitled to vote to accept or reject the Plan. No objections have been filed with respect to any Equity Interests. As a result, all holders of Equity Interests may vote to accept or reject the Plan. A Ballot casting a vote on the Plan may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such Ballot was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

All proofs of claim by creditors of the Debtors (not including Governmental Units), must be filed with the Clerk of the Bankruptcy Court by January 25, 2017; proofs of claim by Governmental Units are due by March 23, 2017 (the last date to file a claim is referred to as the "Bar Date"). If a claimant already filed a proof of claim with the Bankruptcy Court, or if the claim in question was scheduled by the Debtors as not being contingent, unliquidated, or disputed, a proof of claim need not have been filed. The schedules for all of the Debtors were filed with the Bankruptcy Court on October 20, 2016 and are available for inspection on the Bankruptcy Court's website at [www.txnb.uscourts.gov](http://www.txnb.uscourts.gov), or upon written request to the Debtors' counsel. As set forth in section 8.4(b) of the Plan, Equity Interest holders are not required to file proofs of interest in order to receive a distribution under the Plan. Any references in the Plan or Disclosure Statement to any Claims or Equity Interests shall not constitute an admission of the existence, nature, extent or enforceability thereof.

2. **Opt-Out Rights**

The Plan provides for certain third-party releases of PDC and others, as more fully described in section IV.C.3.(b) hereof captioned “Managing General Partner Settlement” and in section 11.4 of the Plan. If any holder of an Equity Interest does not wish to consent to a release of its individual claims and causes of action (if any) against the third parties proposed to be released, the Ballot accompanying this Disclosure Statement allows you to “opt-out” of the third party releases. If you choose to opt-out, you will forfeit your allocation of the \$1,500,000.00 payment being offered by PDC as consideration for the third party release. As reflected on Schedule B to this Disclosure Statement, it is estimated that each unit holder in 2002B and 220C who accepts the third party releases will receive an additional cash payment of approximately \$2,200 and \$950 per unit, respectively.

**F. CONFIRMATION**

There are two methods by which a plan may be confirmed: (i) the “acceptance” method, pursuant to which all impaired classes of claims and interests have voted in the requisite amounts to accept the plan and the plan otherwise complies with section 1129(a) of the Bankruptcy Code; and (ii) the “cram-down” method under section 1129(b) of the Bankruptcy Code, which is available even if classes of claims vote against the Plan.

1. **Acceptance of the Plan**

A plan is accepted by an impaired class of claims if the holders of at least two-thirds ( $\frac{2}{3}$ ) in amount and more than one-half ( $\frac{1}{2}$ ) in number of the allowed claims in such class actually voting vote to accept the plan. A plan is accepted by an impaired class of equity interests if holders of at least two-thirds ( $\frac{2}{3}$ ) in amount of allowed equity interests in such class actually voting vote to accept the plan.

**BALLOTS OF HOLDERS OF EQUITY INTERESTS THAT ARE SIGNED BUT THAT DO NOT EXPRESSLY INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN, OR INDICATE BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL BE DISREGARDED.**

In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim or equity interest in an impaired class entitled to vote or that the plan otherwise be found by the bankruptcy court to be in the best interests of each holder of a claim or equity interest in such class (*see* discussion of “Best Interests Test” below).

2. **Confirmation Without Acceptance By All Impaired Classes**

Under section 1129 of the Bankruptcy Code, the Debtors have the right to seek confirmation of the Plan notwithstanding the rejection of the Plan by a class of Equity Interests.



A plan may be confirmed notwithstanding its rejection by one or more classes of claims or equity interests if, in addition to satisfying the applicable requirements of section 1129(a) of the Bankruptcy Code, the plan (1) is “fair and equitable” with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan and (2) does not “discriminate unfairly.”

A plan is “fair and equitable” under the Bankruptcy Code with respect to a dissenting class of secured claims if either (a)(i) the holders of such secured claims retain the liens securing such claims and (ii) each holder of a claim in such class receives deferred cash payments equal to the present value of such claim; (b) the property subject to the holders’ liens is sold, subject to the creditors’ right to credit bid, with the creditors’ liens to attach to the proceeds of sale; or (c) the holders receive the “indubitable equivalent” of their claims.

A plan is “fair and equitable” under the Bankruptcy Code with respect to a dissenting class of unsecured claims if, with respect to such dissenting class either (a) the plan provides that each holder of a claim of such class receive or retain property of a value equal to the allowed amount of such claim, or (b) no holders of junior claims or equity interests receive or retain any property under the plan on account of such junior claims or interests.

A plan is “fair and equitable” under the Bankruptcy Code with respect to a dissenting class of equity interests if, with respect to such dissenting class, either (a) each holder of an interest of such class shall receive or retain on account of such interest property of a value equal to the greater of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled or the value of such interest, or (b) the holder of any interest that is junior to the interest of such class shall not receive or retain any property on account of such junior interest.

This fair and equitable standard, also known as the “absolute priority rule,” requires, among other things, that unless a dissenting unsecured class of claims or equity interests receives full compensation for its allowed claims or allowed interests, no holder of claims or interests in any junior class may receive or retain any property under the plan on account of such claims or interests. The Debtors believe that if a non-consensual confirmation is necessary, the requirements for non-consensual confirmation will be met and the Plan will be confirmed despite its rejection by any impaired dissenting Class of Equity Interests.

The requirement that a plan not “discriminate unfairly” means, among other things, that a dissenting class must be treated substantially equally with respect to other classes of equal rank. The Debtors believe that the Plan meets this requirement with respect to any class of Equity Interests that might reject the Plan, because all Classes of Equity Interests are being treated the same.

### 3. **Best Interests Test**

Notwithstanding acceptance of the Plan by each impaired Class, in order for the Plan to be confirmed the Bankruptcy Court must determine that the Plan is in the best interests of each holder of a Claim or Equity Interest in an impaired Class who has not voted to accept the Plan.

Accordingly, if an impaired Class does not unanimously accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides for each holder of a Claim or Equity Interest in such Class to receive or retain on account of such Claim or Equity Interest property of a value, as of the Effective Date of the Plan, that is not less than the amount each such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

In this case, the Debtors are liquidating. As a result, and by implication, constituents will receive under the Plan at least what they would otherwise receive if the Chapter 11 Cases were converted and the Debtors were liquidated in chapter 7.

## **II. BACKGROUND AND EVENTS LEADING UP TO CHAPTER 11**

### **A. ORGANIZATIONAL INFORMATION**

The Debtors are publicly subscribed West Virginia limited partnerships which, as of the Petition Date, owned undivided working interests in oil and natural gas properties. The Debtors were organized and began operations with cash contributed by limited and additional general partners (collectively, the “Investor Partners”) and the managing general partner. These Investor Partners own approximately 72% of each respective Debtor’s capital, or equity interests. PDC (PDC, collectively with the Investor Partners, the “Partners”), owns the remaining approximately 28% of each respective Debtor’s capital or equity interests, and is the sole managing general partner of each of the Debtors. In the aggregate, the Debtors have over 800 limited partnership unit holders.

### **B. THE DEBTORS’ BUSINESS AND OPERATIONS**

The primary business of the Debtors is the operation and development of oil and natural gas properties and the appropriate allocation of cash proceeds, costs, and tax benefits among the Partners. Upon funding, each of the Debtors entered into a Drilling and Operating Agreement with PDC, as operator for the Debtors, which governs the drilling and operational aspects of the Debtors’ oil and gas properties. The Debtors utilized substantially all of the capital raised in their respective offerings for the initial drilling and completion of their wells. In accordance with the Debtors’ limited partnership agreements, the Investor Partners that held general partnership interests in each Debtor had such interests converted to limited partnership units upon the completion of the Debtors’ drilling activities. PDC remains the sole general partner for each of the Debtors.

PDC serves as operator for each of the wells in which the Debtors have a working interest. PDC markets and sells the oil, gas, and natural gas liquids, pays all applicable operating expenses and royalty interest holders, and thereafter, allocates the net distributable income on each applicable well to the appropriate Debtor and other non-Debtor working interest holders, after netting out and reimbursing itself for expenses incurred. On behalf of each Debtor, PDC then distributes such Debtor’s net distributable income to each Debtor’s Partners. The Debtors have no operations, no employees and no creditors (other than PDC, to whom the Debtors owe, in any given month, reimbursement for expenses incurred in connection with drilling activities).

### C. EVENTS LEADING TO THE CHAPTER 11 FILINGS

The Debtors' primary non-cash assets – their wells – are coming to end of their useful lives. Given that production has been trailing off, the monthly cost of operating these wells exceeds the revenue generated by the wells. For the period of January 1, 2015 through June 30, 2016, the average monthly revenue for 2002B was \$5,742 and the average monthly cost to operate 2002B's wells was \$10,308. For that same 18-month period, the average monthly revenue for 2002C was \$9,790 and the average monthly cost to operate 2002C's wells was \$11,873. In total, for the period of January 1, 2015 through June 30, 2016, 2002B and 2002C generated losses of \$82,196 and \$37,508.65, respectively.

As discussed above, PDC operates each Debtor's assets and would regularly distribute each Debtor's net distributable income to each Debtor's Partners. Given the fact that the wells were operating at a loss, after consultation with PDC, the decision was made to suspend the Debtors' interim distributions to the Partners. The Debtors last made distributions to their Partners on March 26, 2015.

Given the reduction in production that has occurred and will continue to escalate as time passes, and in light of the lack of distributions to Partners and the potential plugging and abandonment liability ("P&A liability") (which PDC, as managing general partner, typically accounts for at approximately \$50,000.00 per well), in early 2016, PDC formally engaged Atropos Incorporated ("Atropos") to analyze all options available to wind down Debtors operations and maximize final returns for the Investor Partners. Atropos provided Karen Nicolaou ("Nicolaou") to serve as Responsible Party to the Debtors for the purpose of Debtors' winding down efforts. Nicolaou tested the oil and gas market to determine the value and marketability of the Debtors' wells. Nicolaou spoke to multiple industry participants – including potential acquirers and valuation professionals – and provided them with all requested information regarding the assets, but no offers for purchase were received. Instead, the information received by Nicolaou from these parties was that the value of Debtors' wells were minimal, and were vastly outweighed by the P&A liabilities. As a result, the Debtors received no offers for the purchase of their respective assets.

As of the Petition Date, 2002B had approximately \$48,000 in cash on hand, and 2002C had approximately \$100,000 in cash on hand. In the aggregate, the Debtors have 23 wells – 2002B has 11 wells and 2002C has 12 wells, leaving the cash on hand grossly insufficient to fund their respective P&A liabilities.

After review of their options for disposing of Debtors' assets and securing payment of their P&A liabilities, the Debtors and PDC began discussions for an overall transaction pursuant to which PDC would pay some amount of cash to the estates for the wells, assume the Debtors' P&A liabilities, pay up to a maximum amount of administrative expenses to fund these chapter 11 bankruptcy cases, and also pay an additional sum of money in exchange for a release of certain potential claims against PDC. As part of the overall transaction, the Debtors sought relief under chapter 11 of the Bankruptcy Code, in order to use section 363 of the Bankruptcy Code, as well as the other tools provided by chapter 11, to efficiently wind down their businesses and make a final distribution to Partners.

### III. THE BANKRUPTCY FILINGS

The Debtors' Chapter 11 Cases were commenced by the filing of voluntary chapter 11 petitions on September 24, 2016 (the "Petition Date"). The Chapter 11 Cases are pending under Jointly Administered Case No. 16-33743-bjh11, before the Honorable Barbara J. Houser in the United States Bankruptcy Court for the Northern District of Texas.

#### A. POST-FILING ACTIVITIES

##### 1. Employment of Professionals

The Debtors engaged the following professionals in the Chapter 11 Cases: Gray Reed & McGraw, P.C. ("Gray Reed") as counsel; Atropos, through its principal Nicolaou, as Responsible Party; and BMC Group, Inc. ("BMC") as Noticing, Solicitation and Tabulation Agent. The application to retain BMC was approved by the Bankruptcy Court on October 14, 2016, the application to retain Gray Reed was approved by the Bankruptcy Court on December 6, 2016 and the application to retain the Responsible Party was approved by the Bankruptcy Court on January 19, 2017.

##### 2. First Day Motions and Orders

###### (a) **Administrative and Procedural Matters**

Shortly after the Petition Date, the Debtors filed several motions seeking the following administrative and procedural orders, each of which was entered by the Bankruptcy Court on October 14, 2015: (i) an order directing joint administration of the Chapter 11 Cases; and (ii) an order establishing certain notice procedures. An order extending the Debtors' time to file their respective schedules and statements of financial affairs (the "Schedules and Statements") was entered on October 12, 2016. The Schedules and Statements were filed on October 20, 2016.

###### (b) **Business Related Matters**

To smooth the transition into chapter 11 and ensure the continued operation of the business, the Debtors filed a motion requesting an order authorizing continued use of cash management payment systems, bank accounts and business forms, which the Bankruptcy Court entered on October 14, 2016.

##### 3. Plugging of Certain Wells

After the conclusion of the hearing to consider the Disclosure Statement, PDC advised the Debtors that five wells (two 2002B wells and three 2002C wells) were recommended for plugging and abandonment in advance of nearby horizontal hydraulic fracture operations set to commence in May 2017. The Debtors are currently unable to produce oil and gas in economic quantities from these wells and do not expect production to improve. Noble Energy, Inc., the third party seeking to drill the nearby horizontal wells, has agreed to cover the cost of plugging these wells, up to \$50,000 per well. The Responsible Party has determined that it is in the best interest of the Debtors and their unit holders to plug and abandon the recommended five wells.

Although the Responsible Party believes that this falls within the ordinary course of the Debtors' business, out of an abundance of caution, the Debtors contemplate filing an emergency motion seeking authority from the Bankruptcy Court to plug and abandon the subject wells. The proposed plugging and abandonment of these wells will not alter the transaction with PDC contemplated by the Plan.

**B. EXCLUSIVITY**

Pursuant to section 1121(b) of the Bankruptcy Code, the period during which the Debtors had the exclusive right to file a chapter 11 plan of reorganization was set to terminate on January 23, 2017. On December 23, 2016, the Debtors filed a motion to extend their exclusive periods for thirty (30) days, through and including February 21, 2017. The Bankruptcy Court entered an order granting the Debtors' request on January 19, 2017.

A hearing on confirmation of the Plan is scheduled for **May 17, 2017 at 1:15 p.m. prevailing Central Time.**

**C. BAR DATES**

As previously set forth, the Bar Date for all creditors of the Debtors, except Governmental Units was January 25, 2017. The Bar Date for Governmental Units was March 23, 2017.

Under section 2.1 of the Debtors' Plan, requests for payment of Administrative Expense Claims arising prior to the Effective Date must be filed within thirty (30) days after the Effective Date. Professional Persons holding Fee Claims must also file such Claims within thirty (30) days after the Effective Date.

**D. CLAIMS AGAINST THE DEBTORS**

1. **In General**

The Debtors' records reflect the following Claims against their respective estates, in the aggregate:

Secured Claims:	\$0.00
Priority Tax Claims:	\$0.00
Priority Non-Tax Claims:	\$0.00
General Unsecured Claims:	\$111,421.00

As discussed below, the amount of General Unsecured Claims represent prepetition amounts owing to PDC. PDC will only be paid once, and will not receive a double recovery.

2. **Unsecured Claims**

The Debtors identified in their schedules aggregate unsecured claims in the amount of \$111,421.00, representing \$2,140.00 owed to PDC by 2002B and \$109,281.00 owed to PDC by 2002C. PDC's unsecured claims are for amounts incurred by PDC in connection with its pre-petition operation of the Debtors' oil and gas properties. As discussed below, the Plan proposes to pay the Debtors' General Unsecured Claims in their entirety.

No additional proofs of claim have been filed by any other persons.

3. **Administrative Expense Claims**

As of February 28, 2017, there are approximately \$89,500.00 in unpaid Administrative Expense Claims. These amounts are comprised of the following:

- Approximately \$12,000.00 in unpaid fees and expenses for the Responsible Party and
- Approximately \$77,500.00 in unpaid legal and advisory fees and expenses for the Debtors' professionals.

These amounts will increase by the Confirmation Date. Under the Plan, Allowed Administrative Expense Claims will be paid in full on the Effective Date. Requests for payment of Administrative Expense Claims must be filed no later than thirty (30) days following the Effective Date, unless an earlier date is set by separate Bankruptcy Court order. The Plan provides for an Administrative Reserve of up to \$350,000.00 to cover these costs.

4. **Priority Non-Tax Claims**

The Debtors believe that, as of the Confirmation Date, there will be \$0.00 owing in respect of Priority Non-Tax Claims. To the extent any Priority Non-Tax Claims are ultimately Allowed, however, such Claims will be paid in full under the Plan.

5. **Priority Tax Claims**

The Debtors believe that, as of the Confirmation Date, there will be \$0.00 owing in respect of Priority Tax Claims. To the extent any Priority Tax Claims are ultimately Allowed, however, such Claims will be paid in full on the Effective Date of the Plan.

#### IV. THE PLAN

The Plan constitutes a compromise, settlement and release of all potential claims against PDC; the sale of the Debtors' assets and liabilities to PDC; and a liquidation of the Debtors by distributing all Cash on hand and to be received, after payment of all Allowed Administrative Expense Claims, Priority Tax Claims, Priority Non-Tax Claims, Secured Claims and General Unsecured Claims, to the Debtors' equity interest holders.

On the Effective Date of the Plan, up to \$350,000.00 will be placed in an Administrative Reserve by PDC for payment of Allowed Administrative Expense Claims (as defined in the Plan) against the Debtors, as well as the costs and expenses of administering the Chapter 11 Cases from the Effective Date and the winding down the Debtors' estates, up to \$25,000. In addition, \$46,100.00 shall be paid to the Debtors by PDC as Cash Consideration for the purchase of the Debtors assets. Finally, \$1,500,000.00 will be placed in escrow with the Debtors by PDC as the Direct Claim Settlement Payments to be made to equity interest holders who do not opt out of the PDC release described below.

All Cash on hand, less any amounts used to pay General Unsecured Claims, will be distributed to equity holders as the Initial Distribution; *provided however*, that neither PDC nor any unit holders who opt out of the third party release set forth in the Plan will receive their share of the \$1,500,000.00 Direct Claim Settlement Payments. Any balance left in the Administrative Reserve after payment in full of all Allowed Administrative Expense Claims shall be returned to PDC; *provided, however*, that \$25,000 of the Administrative Reserve shall remain with the Post-Confirmation Debtors post-Effective Date to cover all costs and expenses associated with winding down the Debtors' estates. Set forth below is the treatment of each class of Claims and Equity Interests and the consideration to be paid to each member of each class under the Plan. The treatment and payment of Administrative Expense Claims are also discussed.

**A. CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN**

**1. Classes 1A and 1B: Priority Non-Tax Claims**

Except to the extent that a holder of an Allowed Priority Non-Tax Claim agrees to a different treatment, each holder of an Allowed Priority Non-Tax Claim against a Debtor will be paid in full in Cash from the applicable Debtor on (or as soon as reasonably practicable after) the later of the Effective Date of the Plan or fourteen (14) days after such Priority Non-Tax Claim becomes Allowed. The holders of Priority Non-Tax Claims are unimpaired, deemed to accept the Plan, and not entitled to vote thereon.

**2. Classes 2A and 2B: Secured Claims**

On the Effective Date (or as soon as reasonably practicable thereafter), each holder of an Allowed Secured Claim against a Debtor shall, at the Debtors' option, receive one of the following treatments: (i) payment in full in Cash from the applicable Debtor; (ii) delivery of the collateral securing such Allowed Secured Claim; or (iii) other treatment that renders such Allowed Secured Claim unimpaired.

Holders of Secured Claims are unimpaired, deemed to accept the Plan, and not entitled to vote thereon.

3. **Classes 3A and 3B: General Unsecured Claims**

Except to the extent that a holder of an Allowed General Unsecured Claim against a Debtor agrees to a different treatment, each holder of an Allowed General Unsecured Claim against a Debtor shall be paid in full in Cash from the applicable Debtor on (or as soon as reasonably practicable after) the Effective Date or fourteen (14) days after such General Unsecured Claim becomes Allowed.

Holders of General Unsecured Claims are unimpaired, deemed to accept the Plan, and not entitled to vote thereon.

4. **Classes 4A and 4B: Equity Interests**

Except to the extent that a holder of an Allowed Equity Interest in a Debtor agrees to a different treatment, each holder of an Allowed Equity Interest in a Debtor shall receive, in one or more distributions upon and after the Effective Date, or at such other time set forth in the Plan, its Pro Rata share of any Cash remaining with the applicable Debtor after (i) payment of Allowed Administrative Expense Claims, Allowed Priority Claims, and Allowed Claims in Classes 1A, 1B, 2A, 2B, 3A and 3B against the applicable Debtor. The timing of distributions to holders of Allowed Equity Interests shall be as set forth in section 7.1 of the Plan. No portion of the Direct Claim Settlement Payments shall be paid to PDC.

Holders of Equity Interests are impaired and entitled to vote thereon.

Schedule B attached to this Disclosure Statement sets forth various metrics for each partnership unit, including the total non-PDC distribution per unit. The information contained in Schedule B is derived from information and calculations maintained by PDC in the ordinary course of business.

**B. ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS**

The Bankruptcy Code requires that all Administrative Expense Claims against the Debtors' estates be paid in full in cash on the Effective Date of the Plan, unless the holder of such a Claim agrees to a different treatment. Administrative Expense Claims and Priority Tax Claims are not classified under the Plan. Except to the extent the holder of an Administrative Expense Claim has agreed to a different treatment, each such holder shall receive Cash in full payment of the Allowed amount of such Administrative Expense Claim on the later of (i) the Effective Date or (ii) fourteen (14) days after a Bankruptcy Court order allowing such Administrative Expense Claim has been entered. Except to the extent that a holder of a Priority Tax Claim has agreed to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, on the Effective Date, Cash in an amount equal to the Allowed amount of such Claim.

To the extent interest is required to be paid on any Priority Tax Claim, the rate of such interest shall be the rate determined under applicable nonbankruptcy law, as set forth in section 511 of the Bankruptcy Code. To the extent the holder of an Allowed Priority Tax Claim has a



Lien on the Debtors' property, such Lien shall remain in place until such Allowed Priority Tax Claim has been paid in full. On and after the Effective Date, the Debtors will pay (or reserve for) all *ad valorem* property taxes (if any) as they become due in the ordinary course.

Pursuant to section 2.1 of the Plan, holders of Administrative Expense Claims arising from the Petition Date through the Effective Date, other than Professional Persons holding Fee Claims, must file with the Bankruptcy Court a request for payment of such Claims within thirty (30) days after the Effective Date, unless an earlier date has been set by separate order of the Bankruptcy Court. Pursuant to section 2.2 of the Plan, Professional Persons holding Fee Claims that have not been the subject of a final fee application and accompanying Bankruptcy Court order shall similarly file a final application for payment of fees and reimbursement of expenses no later than the date that is thirty (30) days after the Effective Date.

### **C. IMPLEMENTATION OF THE PLAN**

#### **1. Plan Funding/Distributions**

As stated earlier, the Plan contemplates that all of the Debtors' Cash on hand, and all Cash received in connection with the sale of the Debtors' assets and the settlement of claims against the Managing General Partner, will be paid to the holders of Allowed Claims and Allowed Equity Interests on the terms set forth in the Plan. The Initial Distribution will be made on the Effective Date and subsequent interim distributions may be made as and when the Responsible Party deems appropriate based on the progress of closing down the Chapter 11 cases. After all costs and expenses of closing down the Chapter 11 Cases have been paid, a final distribution will be made to holders of Allowed Claims and Allowed Equity Interests. It is anticipated that the bulk of the funds will be distributed prior to June 30, 2017.

All distributions under the Plan shall be made from Cash on hand as of the Effective Date and all Cash subsequently received by the Debtors, if any.

#### **2. Release of Liens**

Except as otherwise provided in the Plan, upon the occurrence of the Effective Date, any Lien securing a Secured Claim shall be deemed released, and the holder of such Secured Claim shall be authorized and directed to release any Collateral or other property of the Debtors (including any Cash collateral) held by such holder and to take such actions as may be requested by the Responsible Party to evidence the release of such Lien, including the execution, delivery and filing or recording of releases. As of the Effective Date, the Responsible Party shall be authorized to file on behalf of holders of Secured Claims form UCC-3s or such other forms as may be necessary to implement the provisions of section 6.3 of the Plan.

#### **3. Managing General Partner Settlement.**

Pursuant to Bankruptcy Rule 9019, with the approval of the Bankruptcy Court, the Plan shall constitute a compromise, settlement and release of all potential claims against PDC effective on the Effective Date as set forth below.

(a) Release of Estate Claims. In exchange for the consideration set forth in section 6.2 of the Plan, the Debtors and PDC agree to the following releases: on the Effective Date the Debtors shall release and be permanently enjoined from any prosecution or attempted prosecution of any and all claims, obligations, suits, judgments, damages, rights, remedies, causes of action and liabilities of any nature, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, matured or unmatured, contingent or non-contingent, existing or hereafter arising, in law, equity or otherwise, including any claims or causes of action under the Bankruptcy Code or other applicable law which they have or may have against any of their respective members, managers, officers, directors, employees, partners, affiliates, funds, advisors, attorneys or agents, the Responsible Party, PDC, and each of their respective members, managers, officers, directors, employees, partners, affiliates, funds, advisors, attorneys, agents and representatives and their respective property. Likewise, on the Effective Date, PDC shall release and be permanently enjoined from any prosecution or attempted prosecution of any and all claims, obligations, suits, judgments, damages, rights, remedies, causes of action and liabilities of any nature, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, matured or unmatured, contingent or non-contingent, existing or hereafter arising, in law, equity or otherwise, including any claims or causes of action under the Bankruptcy Code or other applicable law which it has or may have against the Responsible Party, the Debtors, and each of their respective members, managers, officers, directors, employees, partners, affiliates, funds, advisors, attorneys, agents and representatives and their respective property.

(b) Settlement of Direct Claims Against PDC. As set forth more fully on the Ballot, **all holders of Equity Interests in the Debtors shall be deemed to have consented to the third party release described in section 11.4 of the Plan, regardless of whether a Ballot has been submitted, unless the holder of an Equity Interest has specifically checked the box on the Ballot to opt out of the third party release.** INACTION BY HOLDERS OF EQUITY INTERESTS WILL BE DEEMED AS A RELEASE OF ALL CLAIMS AGAINST PDC. THE ONLY WAY TO RETAIN YOUR CAUSES OF ACTION AGAINST PDC (IF ANY) IS TO CHECK THE OPT-OUT OPTION ON THE BALLOT AND TIMELY RETURN THE BALLOT IN ACCORDANCE WITH THE INSTRUCTIONS SET FORTH ON THE BALLOT. In consideration for the release contemplated by section 11.4 of the Plan, within five (5) Business Days of the Confirmation Date, PDC shall pay the 2002B Direct Claim Settlement Payment into escrow with 2002B and shall pay the 2002C Direct Claim Settlement Payment into Escrow with 2002C. On the Effective Date, in full and final satisfaction and release of any and all Causes of Action that could be asserted against PDC by the holder of an Equity Interest in either of the Debtors, the Direct Claim Settlement Payment shall be released from escrow to the Debtors' respective estates and shall be distributed Pro Rata to the holders of Equity Interests in the Debtors who have not checked the box on the Ballot to opt out of the third party release provided for in section 11.4 of the Plan; *provided, however*, that no portion of the Direct Claim Settlement Payments shall be distributed to PDC. *Any holder of an Equity Interest who has checked the box on the Ballot to opt out of the third party release shall be deemed to have forfeited its right to its share of the Direct Claim Settlement Payments.* PDC, together with any Equity Interest holder who opts out of the third party release and forfeits its right to its share of the Direct Claim Settlement Payment, shall have its share of the Direct

Claim Settlement Payment reallocated Pro Rata to the other holders of Equity Interests in the applicable Debtor who have not opted out of the third party release.

(c) Purchase of Estate Assets. PDC shall purchase from the Debtors, and Debtors shall sell to PDC, all of the Purchased Assets. The Purchased Assets shall be acquired by PDC free and clear of any and all liens, claims and encumbrances. The consideration to be paid by PDC to the Debtors' estates for the purchase, sale and assignment of the Purchased Assets is the sum of \$38,500.00 (the "Cash Consideration"), with \$7,600.00 allocated to the assets purchased from 2002B and \$30,900.00 allocated to the assets purchased from 2002C. PDC agrees to waive any right to recovery on account of its Equity Interest in the Debtors with respect to the Cash Consideration. In addition to the Cash Consideration, PDC shall assume all liabilities associated with the Purchased Assets, including but not limited, to any and all plugging and abandonment liability and any environmental liability associated with the Purchased Assets (the "Purchased Asset Liabilities" and, together with the Cash Consideration, the "Purchase Price"). On the Effective Date, PDC shall pay via wire to the Debtors' estates the Cash Consideration, and the Debtors shall execute and deliver to PDC such assignments, bills of sale and other instruments, in form and substance mutually agreed upon by the Debtors and PDC, as may be reasonably requested to convey ownership, title and possession of the Purchased Assets to PDC. PDC shall be deemed to be a good faith purchaser and shall be entitled to the protections of section 363(m) of the Bankruptcy Code

(d) Funding of Administrative Costs. In addition to the other consideration, terms and conditions set forth in the Plan and discussed herein, PDC shall contribute up to \$350,000.00 to the Debtors' estates to fund the Administrative Reserve; *provided, however,* that none of funds contributed pursuant to section 6.2(d) of the Plan may be used to pay or reimburse fees, costs, expenses incurred in connection with actions that (i) oppose the transactions set forth in section 6.2 of the Plan, or (ii) are adverse to or otherwise challenge PDC's legal or equitable rights or interests. Any balance left in the Administrative Reserve after payment in full of all Allowed Administrative Expense Claims shall be returned to PDC; *provided, however,* that \$25,000 of the Administrative Reserve shall remain with the Post-Confirmation Debtors post-Effective Date to cover all costs and expenses associated with winding down the Debtors' estates.

#### 4. Cancellation of Limited Partnership Agreements and Equity Interests.

Upon the Effective Date, each Debtors' Limited Partnership Agreement, and the Equity Interests in each Debtor, shall be of no further force or effect, and the obligations of the Debtors thereunder shall be deemed satisfied in full and discharged; *provided, however,* that such Limited Partnership Agreements and Equity Interests shall continue in effect for the sole purpose of allowing the Debtors to wind-up their respective estates and implement the terms of the Plan. Upon the Effective Date, Equity Interests in the Debtors shall represent nothing more than an Equity Interest holder's right to a Pro Rata distribution of Cash on hand from the respective Debtor, without any other or further rights of any kind. Any and all trading in the Debtors' Equity Interests shall cease and desist on the Effective Date, and no further transfers of Equity Interests shall be of any force or effect, nor shall any transfers be recognized by the Debtors or PDC for any purpose.

5. **Partnership Actions.**

Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects. All matters provided for in the Plan involving the partnership structure of the Debtors and any partnership action required by the Debtors or PDC in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by any holders of Equity Interests, PDC or the Responsible Party. On or (as applicable) prior to the Effective Date, the Responsible Party and PDC, as appropriate and applicable, shall be authorized and directed to issue, execute and deliver the agreements, documents, and instruments contemplated by the Plan, and otherwise take any and all such actions necessary or desirable to effect the transactions contemplated by the Plan. Such authorizations and approvals shall be effective notwithstanding any requirements under non-bankruptcy law.

**V. ADDITIONAL PROVISIONS AND EFFECT OF THE PLAN**

**A. LEGAL EFFECT OF THE PLAN**

1. **Exculpations**

Neither the Debtors, the Disbursing Agent, the Responsible Party, PDC, nor any of their respective present or former members, managers, officers, directors, employees, equity holders, partners, affiliates, funds, advisors, attorneys or agents, or any of their predecessors, successors or assigns, shall have or incur any liability to any holder of a Claim or an Equity Interest, or any other party-in-interest, or any of their respective agents, employees, equity holders, partners, members, affiliates, funds, advisors, attorneys or agents, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the administration of the Chapter 11 Cases, the negotiation and pursuit of approval of the Disclosure Statement, the preparation of the Plan, the solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the funding of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, and shall be deemed to have acted in good faith in connection therewith and entitled to the protections of section 1125(e) of the Bankruptcy Code. Notwithstanding anything to the contrary contained in the Plan, section 11.2 of the Plan shall not exculpate any party from any liability based upon gross negligence or willful misconduct.

2. **Releases by the Debtors**

On the Effective Date, effective as of the Confirmation Date, the Debtors shall release and be permanently enjoined from any prosecution or attempted prosecution of any and all claims, obligations, suits, judgments, damages, rights, remedies, causes of action and liabilities of any nature, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, matured or unmatured, contingent or non-contingent, existing or hereafter arising, in law, equity or otherwise, including any claims or causes of action under Chapter 5 of the Bankruptcy Code or other applicable law which they have or may have against any of their respective members, managers, officers, directors, employees, partners, affiliates, funds, advisors, attorneys or agents,

the Responsible Party, PDC, and each of their respective members, managers, officers, directors, employees, partners, affiliates, funds, advisors, attorneys, agents and representatives and their respective property.

3. **Third Party Releases**

*Upon the Effective Date, except as otherwise provided in the Plan and except for the right to enforce the Plan, all Persons who are entitled, directly or indirectly, to receive a distribution under the Plan, and who have not specifically opted out of this release on the Ballot, shall be deemed to forever release, waive and discharge the Debtors, the Post-Confirmation Debtors, the Responsible Party, PDC, and each of their respective constituents, principals, officers, directors, employees, members, managers, partners, affiliates, agents, representatives, attorneys, professionals, advisors, affiliates, funds, successors, predecessors, and assigns of and from any and all Liens, Claims, obligations, suits, judgments, damages, rights, remedies, causes of action, liabilities, encumbrances, security interests, Equity Interests or charges of any nature or description whatsoever relating to the Debtors, the Chapter 11 Cases or affecting property of the Debtors' estates, whether known or unknown, discovered or undiscovered, scheduled or unscheduled, contingent, fixed, unliquidated or disputed, matured or unmatured, contingent or noncontingent, senior or subordinated, whether assertable directly or derivatively by, through, or related to the Debtors, against successors or assigns of the Debtors and the individuals and entities listed above, whether at law, in equity or otherwise, based upon any condition, event, act, omission, occurrence, transaction or other activity, inactivity, instrument or other agreement of any kind or nature occurring, arising or existing prior to the Effective Date in any way arising out of, relating to or connected with the operation of the Debtors' businesses or the Chapter 11 Cases, all regardless of whether (a) a proof of Claim or Equity Interest has been filed or is deemed to have been filed, (b) such Claim or Equity Interest is Allowed or (c) the holder of such Claim or Equity Interest has voted to accept or reject the Plan, except for willful misconduct or gross negligence.*

4. **Injunction and Stay**

(a) *Except as otherwise expressly provided in the Plan, all Persons or entities who have held, hold, or may hold Claims against or Equity Interests in any Debtor are permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind on any such Claim or Equity Interest against any Post-Confirmation Debtor or other entity released, discharged or exculpated hereunder, (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against any Post-Confirmation Debtor with respect to any such Claim or Equity Interest, (iii) creating, perfecting or enforcing any encumbrance of any kind against any Post-Confirmation Debtor, or against the property or interests in property of any Post-Confirmation Debtor, as applicable with respect to any such Claim or Equity Interest, (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from any Post-Confirmation Debtor, or against the property or interests in property of any Post-Confirmation Debtor with respect to any such Claim or Equity Interest, and (v) pursuing any Claim released pursuant to section 11.4 of the Plan.*

(b) Unless otherwise provided, all injunctions or stays arising under or entered during the Debtors' Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

5. **Revesting of Assets**

Upon the Confirmation Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of the Debtors' estates, including Causes of Action, shall vest in the Post-Confirmation Debtors as set forth in the Plan, free and clear of all Claims, Liens, encumbrances, charges and other interests, except as otherwise provided in the Plan.

**B. CONDITIONS PRECEDENT TO EFFECTIVE DATE**

1. **Conditions to Confirmation**

Confirmation of the Plan shall not occur, and the Confirmation Order shall not be entered, until each of the following conditions precedent have been satisfied or waived:

(a) An order, finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code shall have been entered; and

(b) The Confirmation Order shall be in a form and substance satisfactory to the Debtors and PDC.

2. **Conditions to Effective Date**

The Effective Date of the Plan shall not occur until each of the following conditions precedent have been satisfied or waived:

(a) The clerk of the Bankruptcy Court shall have entered the Confirmation Order in the Chapter 11 Cases and there shall not be a stay or injunction (or similar prohibition) in effect with respect thereto;

(b) The Direct Claim Settlement Payments and the Cash Consideration shall have been placed into escrow with the Debtors; and

(c) All other actions and all agreements, instruments or other documents necessary to implement the terms and provisions of the Plan (if any) shall have been executed and delivered by the parties thereto, and, in each case, all conditions to their effectiveness shall have been satisfied or waived as provided in the Plan.

Within five (5) business days of the Effective Date, the Debtors shall file a notice of the occurrence of the Effective Date and serve the same on holders of Equity Interests. The Debtors may serve such notice simultaneously with the Initial Distribution under the Plan.

3. **Waiver of Conditions to Effective Date**

Any of the foregoing conditions (with the exception of the conditions set forth in sections 10.1(b) and 10.2(a) of the Plan) may be waived by agreement of the Debtors and PDC without notice to or order of the Bankruptcy Court. The failure to satisfy or waive any condition may be asserted by the Debtors and PDC regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtors and PDC). The failure of the Debtors and PDC to exercise any of the foregoing rights shall not be deemed a waiver of any other rights and each such right will be deemed an on-going right that may be asserted at any time.

4. **Effect of Failure of Conditions; Reservation of Rights**

If the foregoing conditions have not been satisfied or waived in the manner provided in sections 10.2 and 10.3 of the Plan within ninety (90) days of entry of the Confirmation Order, then (i) the Confirmation Order shall be of no further force or effect; (ii) no distributions under the Plan shall be made; (iii) the Debtors and all holders of Claims against and Equity Interests in the Debtors shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred; (iv) all of the Debtors' obligations with respect to the Claims and Equity Interests shall remain unaffected by the Plan; (v) nothing contained in the Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors; and (vi) the Plan shall be deemed withdrawn. Upon such occurrence, the Debtors shall file a written notification with the Bankruptcy Court and serve it on the parties appearing on the limited service list maintained in the Chapter 11 Cases.

The Plan shall have no force or effect unless and until the Effective Date occurs. Prior to the Effective Date, none of the filing of the Plan, any statement or provision contained in the Plan, or action taken by the Debtors or PDC with respect to the Plan shall be, or shall be deemed to be, an admission or waiver of any rights of any of the Debtors, PDC or any other party with respect to any Claims or Equity Interests or any other matter.

**C. MODIFICATION OR REVOCATION OF THE PLAN; SEVERABILITY**

Subject to section 1127 of the Bankruptcy Code and, to the extent applicable, sections 1122, 1123, and 1125 of the Bankruptcy Code, alterations, amendments or modifications of the Plan may be proposed in writing by the Debtors at any time prior to or after the Confirmation Date. Holders of Claims and Equity Interests that have accepted the Plan shall be deemed to have accepted the Plan, as altered, amended, or modified; *provided*, that any holders of Claims and Equity Interests who were deemed to accept the Plan because such Claims and Equity Interests were unimpaired shall continue to be deemed to accept the Plan only if, after giving effect to such amendment or modification, such Claims and Equity Interests continue to be unimpaired.

If the Bankruptcy Court determines that any provision of the Plan is unenforceable either on its face or as applied to any Claim or Equity Interest, the Debtors may modify the Plan in accordance with section 13.4 thereof so that such provision shall not be applicable to the holder of any Claim or Equity Interest. Any determination of unenforceability shall not (i) limit or affect the enforceability and operative effect of any other provisions of the Plan; or (ii) require the resolicitation of any acceptance or rejection of the Plan unless otherwise ordered by the Bankruptcy Court.

**D. RETENTION OF BANKRUPTCY COURT JURISDICTION**

Following the Confirmation Date, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, or related to, the Debtors' Chapter 11 Cases and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

(a) To hear and determine pending applications for the assumption, assignment or rejection of executory contracts or unexpired leases and the allowance of Claims resulting therefrom;

(b) To determine any and all adversary proceedings, applications, and contested matters in the Chapter 11 Cases and grant or deny any application involving the Debtors that may be pending on the Effective Date or that are retained and preserved by the Debtors under section 11.6 of the Plan;

(c) To ensure that distributions to holders of Allowed Claims and Allowed Equity Interests are effected as provided in the Plan;

(d) To hear and determine any timely objections to Administrative Expense Claims or to proofs of Claim and Equity Interests, including any objections to the classification of any Claim or Equity Interest, and to allow or disallow any Disputed Claim or Disputed Equity Interest, in whole or in part;

(e) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(f) To take any action and issue such orders as may be necessary to construe, enforce, implement execute and consummate the Plan or maintain the integrity of the Plan following consummation;

(g) To consider any amendments to or modifications of the Plan, or to cure any defect or omission, or to reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order;

(h) To hear and determine all requests for payment of Fee Claims;

(i) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, the



documents that are ancillary to and aid in effectuating the Plan or any agreement, instrument, or other document governing or relating to any of the foregoing;

(j) To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including the expedited determination of taxes under section 505(b) of the Bankruptcy Code);

(k) To hear any other matter not inconsistent with the Bankruptcy Code;

(l) To hear and determine all disputes involving the existence, scope, and nature of the exculpations and releases granted under sections 11.2, 11.3 and 11.4 of the Plan;

(m) To issue injunctions and effect any other actions that may be necessary or desirable to restrain interference by any entity with the consummation or implementation of the Plan; and

(n) To enter a final decree(s) closing the Chapter 11 Cases.

## **E. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

### **1. Rejection of Contracts and Leases**

Except as otherwise provided in the Plan, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, as of the Effective Date, each Debtor shall be deemed to have rejected each executory contract and unexpired lease to which it is a party, unless such contract or lease (i) was previously assumed, assumed and assigned or rejected by the Debtors, (ii) previously expired or terminated pursuant to its own terms, (iii) is the subject of a motion to assume, assume and assign, or reject filed by the Debtors on or before the Confirmation Date. The Confirmation Order shall constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving the contract and lease assumptions or rejections described above, as of the Effective Date.

Unless otherwise specified, each executory contract and unexpired lease shall include any and all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease.

### **2. Rejection of Contracts and Leases and Rejection Claims**

All Claims arising out of the rejection of executory contracts and unexpired leases (if any) must be served upon the applicable Debtor and its counsel within thirty (30) days after the earlier of (i) the date of entry of an order of the Bankruptcy Court approving such rejection or (ii) the Effective Date. Any Claims not filed within such time shall be forever barred from assertion against the Debtors, their estates and their property.

**F. DISTRIBUTIONS UNDER THE PLAN**

**1. Date and Manner of Distributions**

Unless otherwise provided in the Plan, any distributions and deliveries to be made under the Plan shall be made on the Effective Date or as soon as practicable thereafter. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

The Initial Distribution shall be made by the Disbursing Agent to holders of Allowed Class 4A and Class 4B Equity Interests, on the Effective Date (or as soon as practicable thereafter). Thereafter, additional interim distributions shall be made to holders of Allowed Class 4A and Class 4B Equity Interests, as and when the Responsible Party deems appropriate, on a Pro Rata basis based upon the amount of Cash on hand attributable to each Debtor, but subject to appropriate funding for the Administrative Reserve. After all remaining costs of administration have been reserved for or paid, the Disbursing Agent shall make a final Pro Rata distribution to holders of Allowed Class 4A and Class 4B Equity Interests. If the final distribution will be in an amount less than \$15 to any holder of an Allowed Class 4A or Class 4B Equity Interest, the Disbursing Agent shall donate such sums to the Anthony H. N. Schnelling Endowment Fund maintained by the American Bankruptcy Institute, to assist in the provision of resources for research and education.

**2. Disbursing Agent**

The Initial Distribution to be made to holders of Allowed Claims and Allowed Equity Interests shall be made by the Disbursing Agent. The Disbursing Agent shall not be required to give any bond, surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court. All further distributions under the Plan after the Initial Distribution shall be made by the Disbursing Agent (upon direction from the Responsible Party, if the Responsible Party is not the Disbursing Agent).

**3. Means of Payment**

Payments made pursuant to the Plan shall be in Cash.

**4. Record Date for Distributions**

At the close of business on the Distribution Record Date, the transfer ledgers or registers for the Debtors' existing Equity Interests shall be closed, and there shall be no further changes in the record holders of such Equity Interests. The Debtors and the Disbursing Agent shall have no obligation to recognize any transfer of any of the foregoing occurring after the Distribution Record Date, and shall be entitled instead to recognize for all purposes hereunder, including to effect distributions hereunder, only those record holders stated on the transfer ledgers or registers maintained by the Debtors and PDC as of the close of business on the Distribution Record Date.

5. **Recipients of Distributions**

All distributions to holders of Allowed Claims and Allowed Equity Interests under the Plan shall be made to the holder of the Claim or Equity Interest as of the Distribution Record Date. Changes as to the holder of a Claim or Equity Interest after the Distribution Record Date shall only be valid and recognized for distribution if notice of such change is filed with the Bankruptcy Court, in accordance with Bankruptcy Rule 3001 (if applicable) and served upon the Debtors, PDC and their respective counsel.

6. **Delivery of Distributions**

Subject to Bankruptcy Rule 9010, all distributions under the Plan shall be made at the address of each holder of an Allowed Claim or Allowed Equity Interest as set forth in the books and records of the Debtors and PDC, unless the applicable Debtor or PDC has been notified in writing of a change of address. If any distribution to the holder of an Allowed Claim or Allowed Equity Interest is returned as undeliverable, no further distributions to such holder shall be made unless and until the Debtors or PDC are notified of such holder's then-current address, at which time all missed distributions shall be made to such holder without interest; *provided, however*, that such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one hundred twenty (120) days after the date of the distribution in question. After such 120<sup>th</sup> day, and notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary (i) all unclaimed property or interest in property in respect of the distribution in question shall revert to the respective Debtor from which it came and thereafter be distributed Pro Rata to the holders of that Debtor's Allowed Claims and Allowed Equity Interests in accordance with the terms of the Plan, and (ii) the Claim or Equity Interest of any holder with respect to such unclaimed property or interest in property shall be discharged and forever barred.

7. **Time Bar to Payments**

Checks issued by the Disbursing Agent under the Plan shall be null and void if not negotiated within one hundred twenty (120) days after the date of issuance. Requests for reissuance of any check shall be made in writing directly to the Disbursing Agent by the person to whom such check was originally issued. Any request for re-issuance of a voided check must be made on or before the end of the 120-day period referenced in section 7.14 of the Plan. After such 120-day period, if no request for re-issuance of a voided check was timely made, such amounts shall constitute unclaimed property and be treated in accordance with section 7.7 of the Plan, and all Claims or Equity Interests in respect of such void checks shall be discharged and forever barred.

8. **No Postpetition Interest**

Unless otherwise specifically provided for in the Plan or in the Confirmation Order, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on any Claims or Equity Interests, and no holder of a Claim or Equity Interest shall be entitled to interest accruing on or after the Petition Date.

9. **Withholding and Reporting Requirements**

In connection with the Plan and all instruments issued under the Plan, any party issuing any instrument or making any such distribution under the Plan shall comply with all applicable withholding and reporting requirements imposed by any federal, state or local taxing authority, and all distributions under the Plan shall be subject to any such withholding or reporting requirements. Notwithstanding the above, each holder of an Allowed Claim or Allowed Equity Interest that is entitled to receive a distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any applicable tax obligations, including income, withholding and other tax obligations, on account of such distribution. Any party issuing any instrument or making any distribution under the Plan to any holder of any Allowed Claim or Allowed Equity Interest has the right, but not the obligation, to not issue such instrument or make a distribution until such holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligations.

10. **Setoffs and Recoupment**

The Debtors may, but shall not be required to, setoff against or recoup from any Claim or Equity Interest any rights to payment that any of the Debtors may have against the holder of such Claim or Equity Interest. Neither the failure of the Debtors to setoff or recoup, nor the Allowance of any Claim or Equity Interest shall constitute a waiver or release by any of the Debtors of any right to payment, or right of setoff or recoupment.

**G. DISPUTED CLAIMS**

1. **Objections to Claims**

Except insofar as a Claim or Equity Interest is Allowed under the Plan or pursuant to Final Order of the Bankruptcy Court, the Debtors, or any other party in interest shall be entitled to object to Claims and Equity Interests. Any objections to Claims and Equity Interests shall be served and filed by the Objection Deadline. Any Claim or Equity Interest as to which an objection is timely filed shall be a Disputed Claim or Disputed Equity Interest, respectively.

2. **No Distributions Pending Allowance**

If a timely objection is made with respect to any Claim or Equity Interest, no payment or distribution provided under the Plan shall be made on account of such Claim or Equity Interest unless and until such Disputed Claim or Disputed Equity Interest becomes Allowed.

3. **Distributions After Allowance**

To the extent that a Disputed Claim or Disputed Equity Interest ultimately becomes an Allowed Claim or Allowed Equity Interest, distributions (if any) shall be made to the holder of such Allowed Claim or Allowed Equity Interest, in accordance with the provisions of the Plan. As soon as reasonably practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim or Disputed Equity Interest becomes a Final Order, the

Disbursing Agent shall provide to the holder of such Claim or Equity Interest the distribution (if any) to which such holder is entitled under the Plan as of the Effective Date, without any interest.

4.  **Holders of Equity Interests**

Holders of Equity Interests need not, and are not required to, file proof of such interests in order to receive a distribution under the Plan.

5.  **Administrative Reserve**

On the Effective Date, the Debtors shall establish the Administrative Reserve. Any balance left in the Administrative Reserve after payment in full of all Allowed Administrative Expense Claims shall be returned to PDC; *provided, however*, that \$25,000 of the Administrative Reserve shall remain with the Post-Confirmation Debtors post-Effective Date to cover all costs and expenses associated with winding down the Debtors' estates.

**H. MISCELLANEOUS**

1.  **Exemption from Transfer Taxes**

Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under or in connection with the Plan, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including any merger agreements or agreements of consolidation, deeds, bills of sale, or assignments executed in connection with any of the transactions contemplated under the Plan shall not be subject to any stamp, real estate transfer, mortgage recording or other similar tax. All sale transactions consummated by the Debtors and approved by the Bankruptcy Court on and after the Petition Date through and including the Effective Date, including the transfers effectuated under the Plan, the sale by the Debtors of owned property pursuant to section 363(b) of the Bankruptcy Code, and the assumption, assignment, and sale by the Debtors of unexpired leases of non-residential real property pursuant to section 365(a) of the Bankruptcy Code, shall be deemed to have been made under, in furtherance of, or in connection with the Plan, and thus, shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

2.  **Payment of Statutory Fees**

All fees payable under 28 U.S.C. § 1930 shall be paid on the Effective Date, and thereafter, as appropriate.

3.  **Ordinary Course Transactions**

From and after the Effective Date, the Responsible Party, on behalf of the Post-Confirmation Debtors, is authorized to and may enter into all transactions including, but not limited to, the retention of professionals, and pay all fees and expenses incurred thereby and in

connection therewith, in the ordinary course of business, without the need for Bankruptcy Court approval.

4. **Binding Effect**

Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code and subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim against, or Equity Interest in, the Debtors and such holder's respective successors and assigns, whether or not the Claim or Equity Interest of such holder is impaired under the Plan and whether or not such holder has accepted the Plan.

5. **No Payment of Attorneys' Fees**

Except for the fees of Professional Persons and the Responsible Party, no attorneys' fees shall be paid by the Debtors with respect to any Claim or Equity Interest unless otherwise specified in the Plan or a Final Order of the Bankruptcy Court.

6. **Governing Law**

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an exhibit to the Plan provides otherwise (in which case the governing law specified therein shall be applicable to such exhibit), the rights, duties and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with the laws of the State of Texas without giving effect to the principles of conflict of laws that would require application of the laws of another jurisdiction.

**VI. CERTAIN RISK FACTORS AND BEST INTERESTS TEST**

**A. RISKS TO CONFIRMATION AND EFFECTIVENESS**

Confirmation of the Plan and occurrence of the Effective Date of the Plan are subject to certain conditions precedent, as set forth in sections 10.1 and 10.2 of the Plan. There can be no assurance that these conditions will be met or satisfied.

**B. RISKS OF NON-CONFIRMATION**

If the Plan is not confirmed or does not become effective, the Debtors, their creditors and equity interest holders would receive less than they would have received under the Plan. If an alternative plan could not be agreed to and confirmed, it is likely that the Chapter 11 Cases would be converted to cases under chapter 7 of the Bankruptcy Code. Were that to happen, a trustee would be appointed who would hire counsel and potentially other advisors, all of whom would be entitled to be paid prior to the professionals in the Chapter 11 Cases, and prior to any other creditor or equity security holder.

## VII. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE FOLLOWING DISCUSSION SUMMARIZES CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN TO THE DEBTORS AND TO THE HOLDERS OF CERTAIN ALLOWED CLAIMS AND EQUITY INTERESTS. THIS SUMMARY IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY AND IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “TAX CODE”), THE TREASURY REGULATIONS PROMULGATED THEREUNDER (THE “REGULATIONS”), JUDICIAL AUTHORITY, AND CURRENT ADMINISTRATIVE RULINGS AND PRACTICE, ALL AS IN EFFECT AS OF THE DATE HEREOF AND ALL OF WHICH ARE SUBJECT TO CHANGE, POSSIBLY WITH RETROACTIVE EFFECT THAT COULD ADVERSELY AFFECT THE DEBTORS, HOLDERS OF ALLOWED CLAIMS AND HOLDERS OF ALLOWED EQUITY INTERESTS. THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND ARE SUBJECT TO SIGNIFICANT UNCERTAINTIES.

THIS SUMMARY DOES NOT ADDRESS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF AN ALLOWED CLAIM OR EQUITY INTEREST IN LIGHT OF ITS PARTICULAR FACTS AND CIRCUMSTANCES OR TO CERTAIN TYPES OF HOLDERS OF ALLOWED CLAIMS OR EQUITY INTERESTS THAT ARE SUBJECT TO SPECIAL TREATMENT UNDER THE TAX CODE (INCLUDING, PERSONS WHO ARE RELATED TO THE DEBTORS WITHIN THE MEANING OF THE TAX CODE, FOREIGN PERSONS, HOLDERS LIABLE FOR THE ALTERNATIVE MINIMUM TAX, HOLDERS WHOSE FUNCTIONAL CURRENCY IS NOT THE U.S. DOLLAR, HOLDERS OF ALLOWED CLAIMS WHO ARE THEMSELVES IN BANKRUPTCY, REGULATED INVESTMENT COMPANIES, FINANCIAL INSTITUTIONS, BROKER-DEALERS, INSURANCE COMPANIES, PASS-THROUGH ENTITIES SUCH AS PARTNERSHIPS AND HOLDERS THROUGH SUCH PASS-THROUGH ENTITIES, AND TAX-EXEMPT ORGANIZATIONS) AND ALSO DOES NOT DISCUSS ANY ASPECTS OF STATE, LOCAL, OR FOREIGN TAXATION OR UNITED STATES TAX LAWS OTHER THAN FEDERAL INCOME TAXATION. THE FOLLOWING SUMMARY DOES NOT ADDRESS THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS WHOSE CLAIMS ARE UNIMPAIRED UNDER THE PLAN. HOLDERS OF ALLOWED CLAIMS OR EQUITY INTERESTS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE EFFECT SUCH OWNERSHIP MAY HAVE ON THE U.S. FEDERAL INCOME TAX CONSEQUENCES DESCRIBED BELOW.

IF A PARTNERSHIP HOLDS AN ALLOWED CLAIM OR EQUITY INTEREST, THE TAX TREATMENT OF A PARTNER OF SUCH PARTNERSHIP WILL GENERALLY DEPEND UPON THE STATUS OF THE PARTNER AND THE ACTIVITIES OF THE PARTNERSHIP. IF YOU ARE A PARTNER OF A PARTNERSHIP HOLDING ALLOWED CLAIMS OR EQUITY INTERESTS, YOU SHOULD CONSULT YOUR TAX ADVISORS.

THE FOLLOWING ASSUMES THAT THE PLAN WILL BE IMPLEMENTED AS DESCRIBED AND DOES NOT ADDRESS THE TAX CONSEQUENCES IF THE PLAN IS

NOT CARRIED OUT. THIS DISCUSSION FURTHER ASSUMES THAT THE VARIOUS DEBT AND OTHER ARRANGEMENTS TO WHICH THE DEBTORS ARE A PARTY WILL BE RESPECTED FOR U.S. FEDERAL INCOME TAX PURPOSES IN ACCORDANCE WITH THEIR FORM. IN ADDITION, A SUBSTANTIAL AMOUNT OF TIME MAY ELAPSE BETWEEN THE CONFIRMATION DATE AND THE RECEIPT OF A FINAL DISTRIBUTION UNDER THE PLAN. EVENTS SUBSEQUENT TO THE DATE OF THIS DISCLOSURE STATEMENT, SUCH AS ADDITIONAL TAX LEGISLATION, COURT DECISIONS, OR ADMINISTRATIVE CHANGES, COULD AFFECT THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREUNDER.

THIS SUMMARY OF THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN IS NOT BINDING ON THE INTERNAL REVENUE SERVICE (THE “SERVICE”), AND NO RULING WILL BE SOUGHT OR HAS BEEN SOUGHT FROM THE SERVICE WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN AND NO OPINION OF COUNSEL HAS BEEN OBTAINED OR WILL BE OBTAINED BY THE DEBTORS WITH RESPECT THERETO. THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF CERTAIN ASPECTS OF THE PLAN ARE THEREFORE UNCERTAIN DUE TO THE LACK OF APPLICABLE LEGAL AUTHORITY AND MAY BE SUBJECT TO ADMINISTRATIVE OR JUDICIAL INTERPRETATIONS THAT DIFFER FROM THE DISCUSSION BELOW. THE U.S. FEDERAL INCOME TAX LAWS APPLICABLE TO PARTNERSHIPS (INCLUDING SOME OF THE DEBTORS) IN BANKRUPTCY ARE EXTREMELY COMPLEX AND THE FOLLOWING SUMMARY IS NOT EXHAUSTIVE. FOR THESE REASONS, THE DISCUSSION IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF AN ALLOWED CLAIM OR EQUITY INTEREST. ACCORDINGLY, EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

**INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE UNITED STATES INTERNAL REVENUE SERVICE, YOU ARE HEREBY NOTIFIED THAT ANY DISCUSSION OF TAX MATTERS SET FORTH IN THIS DISCLOSURE STATEMENT WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY PROSPECTIVE INVESTOR, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER FEDERAL STATE, OR LOCAL TAX LAW. EACH PROSPECTIVE INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**



**A. FEDERAL INCOME TAX CONSEQUENCES TO THE DEBTORS, CREDITORS AND HOLDERS OF EQUITY INTERESTS**

The Debtors are being sold. As a result of the sale, the Debtors will recognize gain or loss depending on their basis in each asset, and the gain or loss will flow through to holders of Equity Interests.

After payment in full of Allowed Claims, any remaining property of the Debtors will be distributed to holders of Equity Interests in complete liquidation of their partnership interests in the Debtors. Distributions in liquidation of a partner's interest are generally tax-free to both the distributee-partner and the distributor-partnership unless the partners receive unrealized receivables, inventory items which have appreciated substantially in value, or certain partnership property. As holders of Equity Interests are solely receiving cash in the distribution, the recognition of gain or loss by such holders is governed by section 731(a) of the Tax Code, which provides for (1) nonrecognition of gain except to the extent an amount of money is distributed in excess of the distributee-partner's basis in his partnership interest and (2) nonrecognition of loss unless a distribution in complete liquidation consists solely of money, unrealized receivables, and inventory. If a loss is recognized, it is equal to the amount by which the distributee-partner's predistribution basis exceeds the amount of money and the adjusted basis of the unrealized receivables and inventory items distributed to such partner. Under sections 731(a) and 741 of the Tax Code, any gain or loss recognized by the distributee-partner is treated as gain or loss from the sale or exchange of a capital asset; *i.e.*, a capital gain or capital loss. Therefore, any gain or loss to be recognized by holders of Equity Interests is dependent on their basis in the Debtors. Section 731(b) of the Tax Code provides that no gain or loss is recognized by the distributor-partnership and therefore the Debtors will not recognize any gain or loss.

**B. ACCRUED INTEREST**

To the extent that any amount received by a holder of a Claim is attributable to accrued but unpaid interest, not previously included in income for U.S. federal income tax purposes, such amount should be taxable to the holder as interest income. Conversely, a holder of a Claim may be able to recognize a deductible loss to the extent that any accrued interest on the Claims was previously included in the holder's gross income but was not paid in full by the Debtors. The Regulations generally treat a payment under a debt instrument first as a payment of accrued and unpaid interest and then as a payment of principal.

**C. MARKET DISCOUNT**

If the holder of a Claim purchased the Claim for an amount that is less than its stated redemption price at maturity, the amount of the difference may be treated as "market discount" for U.S. federal income tax purposes, unless the difference is less than a specified *de minimis* amount. Under the market discount rules, the holder of the Claim is required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, the Claim as ordinary income to the extent of the market discount that the holder of the Claim has not previously included in income and which is treated as having accrued on the Claim at the time of its payment or disposition. Any market discount is considered to accrue ratably during

the period from the date of acquisition to the maturity date of the Claim, unless the holder of the Claim elects to accrue on a constant interest method.

#### **D. WITHHOLDING AND INFORMATION REPORTING**

Generally, information reporting requirements will apply to all payments or distributions under the Plan, unless the recipient is exempt, such as a corporation. Additionally, a holder may be subject to backup withholding at applicable rates, unless the holder (i) is a corporation or other person exempt from backup withholding and, when required, demonstrates this or (ii) is a United States Person (as defined by section 7701(a)(30) of the Tax Code) that provides a correct taxpayer identification number (“TIN”) on Internal Revenue Service Form W-9 (or a suitable substitute form) and provides the other information and makes the representations required by such form and complies with the other requirements of the backup withholding rules. A holder may become subject to backup withholding if, among other things, the holder (i) fails to properly report interest and dividends for U.S. federal income tax purposes or (ii) in certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct TIN. A holder that does not provide a correct TIN also may be subject to penalties imposed by the Service.

Backup withholding is not an additional tax. The U.S. federal income tax liability of a person subject to backup withholding is reduced by the amount of tax withheld as backup withholding. If backup withholding results in an overpayment of U.S. federal income tax, the holder may obtain a refund of the overpayment by properly and timely filing a claim for refund with the Service.

**THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER’S CIRCUMSTANCES AND INCOME TAX SITUATION. HOLDERS OF ALLOWED CLAIMS AND ALLOWED EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS AND OF ANY CHANGE IN APPLICABLE TAX LAWS.**

## VIII. CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all holders of Equity Interests to vote to **ACCEPT** the Plan, and to duly complete and return their Ballots in accordance with the instructions on the Ballots. The Voting Deadline is 5:00 p.m. prevailing Central Time on May 2, 2017. To be counted, your Ballot must be fully completed, executed and actually received by the Tabulation Agent by the Voting Deadline.

Dated: March 31, 2017  
Dallas, Texas

**COLORADO 2002B LIMITED PARTNERSHIP**

By: /s/ Karen Nicolaou  
ATROPOS INCORPORATED,  
Responsible Party, by  
Karen Nicolaou, its Principal

**COLORADO 2002C LIMITED PARTNERSHIP**

By: /s/ Karen Nicolaou  
ATROPOS INCORPORATED,  
Responsible Party, by  
Karen Nicolaou, its Principal

**GRAY REED & McGRAW LLP**

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**ATTORNEYS FOR THE DEBTORS  
AND DEBTORS IN POSSESSION**

3916681.1

**EXHIBIT A**

**JOINT CHAPTER 11 PLAN**

**EXHIBIT B**

**DISCLOSURE STATEMENT APPROVAL ORDER**



CLERK, U.S. BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS

**ENTERED**

THE DATE OF ENTRY IS ON  
THE COURT'S DOCKET

The following constitutes the ruling of the court and has the force and effect therein described.

Signed March 31, 2017

*Barbara J. Houser*  
United States Bankruptcy Judge

**IN THE UNITED STATES BANKRUPTCY COURT FOR THE  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:	§	Chapter 11
	§	
COLORADO 2002B LIMITED	§	
PARTNERSHIP and COLORADO 2002C	§	Case No. 16-33743-BJH-11
LIMITED PARTNERSHIP,	§	
	§	
Debtors.	§	Jointly Administered

**ORDER APPROVING DISCLOSURE STATEMENT; THE FORM OF BALLOTS AND SOLICITATION PROCEDURES; SCHEDULING CERTAIN DATES IN CONNECTION WITH CONFIRMATION; AND GRANTING RELATED RELIEF**

Upon the *Motion for Order (I) Approving Disclosure Statement; (II) Approving Form of Ballots and Solicitation Procedures; (III) Scheduling Certain Dates in Connection with Confirmation; and (IV) Granting Related Relief* (the "Motion") [Docket No. 92] filed by the above-captioned debtors and debtors in possession (collectively, the "Debtors");<sup>1</sup>

<sup>1</sup> Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Motion.

and the Court having jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157(a) and 1334; and this matter being a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A); and venue before this Court being proper pursuant to 28 U.S.C. § 1408 and 1409; and the Court being satisfied that the relief requested in the Motion is appropriate and is in the best interests of the Debtors and their respective estates; and it appearing that sufficient notice of the Motion and the hearing to approve the Disclosure Statement has been given, and that no other or further notice is required; and upon all of the proceedings had before the Court; and after due deliberation and good cause appearing therefor, it is hereby

ORDERED AS FOLLOWS:

**Approval of Disclosure Statement and Pertinent Dates**

1. The Disclosure Statement is hereby approved as containing “adequate information,” as such term is defined in § 1125(a) of the Bankruptcy Code.

2. To the extent not withdrawn, settled, or otherwise resolved, any objection to the Disclosure Statement is overruled.

3. A hearing to consider confirmation of the Plan (the “Confirmation Hearing”) shall commence on May 17, 2017, at 1:15 p.m. prevailing Central Time. The Confirmation Hearing may be adjourned from time to time without any notice other than an announcement made in open court or at any adjourned hearing thereon.

4. May 2, 2017, at 5:00 p.m. prevailing Central Time (the “Plan Objection Deadline”) is fixed as the last day for filing written objections to the confirmation of the Plan (including any supporting brief or memorandum) and for serving same, by first class mail, to the parties listed on the Limited Service List established in these Chapter 11 Cases, and by hand delivery or e-mail to the parties at the following addresses **so as to be actually received on or before the Plan**

**Objection Deadline:** (i) counsel to the Debtors, Gray Reed & McGraw LLP, 1601 Elm Street, Suite



4600, Dallas, Texas 75201, Attn: Jason S. Brookner ([jbrookner@grayreed.com](mailto:jbrookner@grayreed.com)) and (ii) the Office of the United States Trustee, 1100 Commerce Street, Room 976, Dallas, Texas 75242, Attn: Meredyth Kippes ([Meredyth.A.Kippes@usdoj.gov](mailto:Meredyth.A.Kippes@usdoj.gov)). Any objection to confirmation of the Plan must be in writing and (a) must state the name and address of the objecting party and the amount of its Claim or the nature of its Claim or Equity Interest; (b) must state with particularity the nature of the objection; and (c) include any supporting brief or memorandum of law. Any confirmation objection not timely filed and served as set forth herein may be waived and may not be considered by the Court.

5. Any reply to any objection(s) to confirmation must be filed and served on any objecting parties on or before May 9, 2017, at 5:00 p.m. prevailing Central Time (the “Reply Deadline”).

#### **Approval of Form of Notice**

6. Notice of the Disclosure Statement hearing was appropriate and satisfied the requirements of Bankruptcy Rules 2002(b), (d) and 3017(a).

7. The form of Confirmation Hearing Notice attached as Exhibit “B” to the Motion, and incorporated herein by reference, is hereby approved.

8. The form of Ballot attached as Exhibit “C” to the Motion, and incorporated herein by reference, is hereby approved.

9. The form and manner of notice approved in this Order is adequate, appropriate, and satisfies the requirements of the Bankruptcy Code, Bankruptcy Rules, Local Rules of Bankruptcy Procedure, and Orders of this Court to the extent applicable to Persons affected thereby.

**Miscellaneous**

10. Prior to mailing, the Debtors may make (i) final, non-substantive edits, and (ii) any revisions announced on the record at the hearing on March 28, 2017, at 1:45 p.m. prevailing Central Time to the Disclosure Statement, the Plan, and all notices to be served, with such revisions to be filed with the Court and which shall be deemed approved by this Order without further notice or hearing.

11. This Court shall retain jurisdiction to hear and consider all matter arising from the interpretation or implementation of this Order.

# # # END OF ORDER # # #

**SCHEDULE A**

**SUMMARY CALCULATION OF ESTIMATED TOTAL DISTRIBUTABLE CASH**

Aggregate Cash on Hand (as of December 31, 2016)	\$167,760.20
Plus Cash Consideration Payment by PDC	38,500.00
Plus Direct Settlement Payments by PDC	<u>1,500,000.00</u> <sup>1</sup>
Estimated Total Distributable Cash	<b>\$1,706,260.20</b>

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<sup>1</sup> Equity Interest Holders who “opt out” are not entitled to share in this amount.

Schedule B  
Distribution Amounts

Partnership	Cash in Bank (12/31/16)	PDC Unsecured Claim	Net Cash in Bank Available for Equity Distribution	PDC Ownership Percentage	non-PDC Ownership Percentage	PDC Distribution	Partnership Distribution before Cash Consideration	Cash Consideration	Direct Claim Settlement Payment	Total non-PDC Partnership Distribution	Number of non-PDC unit holders	non-PDC Distribution per Unit
Colorado 2002B	\$61,066.06	\$2,140.00	\$58,926.06	28.85%	71.15%	\$16,997.54	\$41,928.52	\$7,600.00	\$1,100,000.00	\$1,149,528.52	497.2106	\$2,311.95
Colorado 2002C	\$106,694.14	\$109,281.00	-	29.75%	70.25%	-	-	\$30,900.00	\$400,000.00	\$430,900.00	414.4125	\$1,039.79
<b>Total</b>	<b>\$ 167,760.20</b>	<b>\$ 111,421.00</b>	<b>\$58,926.06</b>			<b>\$ 16,997.54</b>	<b>\$ 41,928.52</b>	<b>\$ 38,500.00</b>	<b>\$ 1,500,000.00</b>	<b>\$ 1,580,428.52</b>	<b>911.62</b>	