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5 UNITED STATES BANKRUPTCY COURT
6 IN AND FOR THE EASTERN DISTRICT OF WASHINGTON

7 In re:

No.: **15-04150-FPC11**

8 **STAMPEDE FOREST PRODUCTS, INC.,**

Chapter 11

9 Debtor.

DISCLOSURE STATEMENT

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11 I.
12 INTRODUCTION

13 Debtor provides this Disclosure Statement to all of its known Creditors in order to
14 disclose that information deemed by the Proponents, with the advice of counsel, to be
15 material, important, and necessary to Creditors to arrive at a reasonably informed decision
16 in exercising their right to vote for acceptance of the Plan of Reorganization (hereinafter
17 "the Plan") presently on file with the Bankruptcy Court. A copy of the Plan accompanies
18 this Statement.

19 The Court will set the last day for filing an acceptance or rejection of or an objection
20 to the Confirmation of the Plan. You will be notified of said date. Creditors may vote on
21 the Plan by filling out and mailing the accompanying ballot to the Bankruptcy Court at the
22 address indicated on the form. As a Creditor your acceptance is important. In order for
23 the Plan to be deemed accepted, of the ballots cast, Creditors that hold at least two-thirds
24 (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of
25 each class of Creditors must vote for the Plan.

21 NO REPRESENTATIONS CONCERNING THE DEBTOR, PARTICULARLY AS
22 TO ITS FORMER OR PRESENT BUSINESS OPERATIONS OR THE VALUE OF
23 PROPERTY, ARE AUTHORIZED BY THE PROPONENT OTHER THAN AS SET FORTH
24 IN THIS STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO
25 SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN AS CONTAINED IN THIS
STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR
DECISION.

Disclosure Statement-1

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1 THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A
2 CERTIFIED AUDIT. THE RECORDS KEPT BY THE DEBTOR UPON WHICH A
3 SUBSTANTIAL PORTION OF THIS STATEMENT IS BASED ARE DEPENDENT UPON
4 ACCOUNTING PERFORMED BY THE DEBTOR WITH THE ASSISTANCE OF
5 ACCOUNTANTS. FOR THE FOREGOING REASON, AS WELL AS BECAUSE OF THE
6 COMPLEXITY OF THE FINANCIAL MATTERS OF THE DEBTOR, IT IS UNABLE TO
7 WARRANT OR REPRESENT THE INFORMATION CONTAINED HEREIN IS WITHOUT
8 ANY INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE
9 ACCURATE.

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II
DEFINITIONS

Debtor's Plan and Disclosure Statement refer to or use certain words, which have a specific meaning under Title 11 U.S.C. (the Bankruptcy Code), the Plan or the Disclosure Statement. These words or terms are herein defined.

1. "Accountant" shall mean Chris Jenness and Leffel, Otis & Warwick, CPA, or any certified public accountant, employed or to be employed by Debtor with prior Court approval.

2. "Administrative Expense" shall mean the claims of Accountant and Attorney for Debtor as set forth in Section 503 of the Code.

3. "After Notice and Hearing" means after such notice and such opportunity for a hearing as is appropriate in the particular circumstances. It authorizes an act without an actual hearing if a notice is given properly and if a hearing is not requested timely or if there is insufficient time for a hearing to be held before the act must be done and the Court authorizes the act.

4. "Allowed Claim" shall mean a Claim for which a proof of Claim has been timely filed with the Court within the time fixed by the Court of May 2, 2016, as to which a final order or judgment has been entered allowing said amount or to which no objection to a timely filed proof of Claim being filed or listed without being disputed.

5. "Allowed Secured Claim" shall mean an Allowed Claim secured by a lien, security interest or other charge against or interest in property in which the Debtor has an interest and which property has a present fair market value in a sufficient amount to pay all superior lien Claims and the Claims.

6. "Attorney for Debtor" shall mean Southwell & O'Rourke, P.S., and any additional attorneys or successors as approved by the Court.

Disclosure Statement-2

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1 7. "Claim" shall mean any right to payment, or right to an equitable remedy for
2 breach of performance if such breach gives rise to a right to payment, whether or not such
3 right to payment or right to equitable remedy is reduced to judgment, whether unmatured,
4 disputed, undisputed, legal, equitable, secured or unsecured.

5 8. "Code" shall mean Title 11 of the United States Code, 11 U.S.C. §101, et.
6 Seq.

7 9. "Confirmation" shall mean the entry of an order confirming the Plan.

8 10. "Court" shall mean the United States Bankruptcy Court for the Eastern
9 District of Washington.

10 11. "Creditor" or "Creditors" shall mean all persons and/or entities holding
11 Claims of or against the Debtor holding claims for liabilities, demands or claims of any
12 character whatsoever.

13 12. "Debtor" or "Debtors" shall mean Stampede Forest Products, Inc.

14 13. "Debtor in Possession" shall mean Debtor, when exercising its rights,
15 powers, and duties under Section 1107(a) of the Code in the reorganization case.

16 14. "Debtor's Business" shall mean the milling and sales business conducted by
17 Debtor at Okanogan, Washington.

18 15. "Disbursing Agent" shall mean Accountant and/or the entity or individual
19 as designated by the Court in the Order of Confirmation, acting in the capacity of the
20 disbursing agent under this Plan, and having such rights, powers, and duties as may be
21 designated in the Plan, the Order of Confirmation, or by final Order of the Court. If a
22 Disbursing Agent is not appointed, Debtor shall be the Disbursing Agent.

23 16. "Disputed Claim" shall mean a filed or scheduled claim of an alleged
24 Creditor as to which an objection has been filed by a party in interest or which has been
25 scheduled in the Schedule of Liabilities filed pursuant to §521(1) of the Code as disputed,
contingent or unliquidated.

17. "Effective Date" shall mean the date on which the Order of Confirmation
becomes final and non-appealable.

18. "Estate" and/or "Property of the Estate" shall mean the estate created
pursuant to §541 of the Code.

Disclosure Statement-3

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1 19. "Final Order" shall mean an order or judgment of the Court as to which the
2 time for appeal has expired without a notice of appeal having been filed, or as to which any
3 appeal therefrom has been resolved.

4 20. "Net Proceeds of Liquidation" shall mean gross recovery less the
5 reasonable costs and expenses of any attorneys and experts employed by Debtor with
6 Court approval, to the extent said fees and expenses are fixed and approved by the Court
7 to liquidate an item or account.

8 21. "Net Proceeds of Sale" shall mean gross sales or liquidation proceeds
9 including payments on contract, less the real estate or auctioneer commission, if any,
10 approved by the Court or specifically set forth in this Plan, and less the standard, usual,
11 and reasonable costs and expenses at closing, such as attorney fees, title policy
12 expenses, excise tax, revenue stamps and recording fees. As used herein, the realtor's,
13 brokers, consignee, or auctioneer's commission shall not exceed ten percent (10%) of the
14 sales price unless increased After Notice and Hearing. Such modification shall not be
15 deemed an amendment or modification to the Plan. Provided, further, that in the case of
16 an auction, Net Proceeds of Sale shall be that amount further reduced by auction
17 advertising expenses not to exceed three percent (3%) of the gross sales price.

18 22. "Order of Confirmation" shall mean the Order of the Court confirming the
19 Plan pursuant to §1129 of the Code.

20 23. "Petition Date" shall mean the date on which Debtor filed its Voluntary
21 Petition for relief in accordance with Chapter 11 of Title 11, United States Code, with the
22 Court, commencing the reorganization case, namely, December 22, 2015.

23 24. "Plan" shall mean the Plan of Reorganization in its present form, or as it may
24 be amended, modified, or supplemented, filed by Debtor.

25 25. "Professional Persons" shall mean persons, including a trustee, if one is
appointed, retained or to be compensated pursuant to Sections 326, 327, 328, 330, and/or
1103 of the Code.

26 26. "Proponent" shall mean Debtor above-named.

27 27. "Pro rata" shall mean that with respect to a distribution to any holder of an
28 Allowed Claim or interest in a given class, the amount of such distribution shall be
29 calculated by multiplying the total amount available for distribution by a factor, the
30 numerator of which is the whole of said holder's Allowed Claim or interest, and the
31 denominator of which is the aggregate of the Allowed Claims or interest of that class.

32 28. "Reorganization" shall mean the Chapter 11 case pending before the Court
33 commenced by Debtor, designated case number 15-04150-FPC11.

34 Disclosure Statement-4

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1 29. "Reorganized Debtor" shall mean, as provided by Section 1141(d) of the
2 Code, the Debtor as revested, following the Effective Date, with all assets that were
3 formerly Property of the Estate.

4 30. "Rules" shall mean United States Bankruptcy Rules, Title 11, United States
5 Code.

6 31. "Schedules" shall mean the list of assets and liabilities required to be filed
7 pursuant to Section 521 of the Code, and which Debtor has filed, and any amendments
8 thereto.

9 32. "Secured Claim" shall mean an Allowed Claim that is a secured Claim
10 against the Debtor determined in accordance with §506(a) of the Code.

11 33. "Unclassified Claim" shall mean an Allowed Claim described in Sections
12 507(a)(1), (2) or (7) of the Code.

13 34. "Unsecured Claim" shall mean an Allowed Claim that is not a Secured
14 Claim.

15 35. "Unsecured Creditors Committee" shall mean the official Unsecured
16 Creditors' Committee appointed pursuant to Order of the Court in the reorganization case.
17 The members are: None

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ARTICLE III.
HISTORY/PRESENT BUSINESS OPERATION/PROJECTIONS

History/Present Business Operations: Debtor is a corporation organized and
existing under the laws of the State of Washington. It began business in November, 2013.
The officers, board of director members, and shareholders are:

Terry Johnson, President	45% shares
John Boyer, Vice President	45% shares
Ted Skinn	10% shares

Debtor's Business operations and management decisions are being conducted and
made most generally by the officers.

At the present time, Debtor's gross income appears to be averaging about One
Hundred Thirty-Three Thousand Dollars (\$133,000.00) per month. Its income for 2015
was \$1,606,190.00 and for 2014 was \$2,006,096.00.

Time and Basis of Financial Issues

On or about December, 2013, Debtor started building its plant. On or about June 31, 2014, Debtor, as Buyer, and Class 3, as Seller, entered into a "Wood Core Agreement" (the "Agreement"). Pursuant to the Agreement, Debtor became obligated to, among other things, purchase all wood cores produced by Class 3 at Class 3's veneer and plywood mill located in Omak, Washington and to tender payment for such goods within either 30 or ten (10) days from the date of each invoice, depending on the number of months after the date of the Agreement. Because the Debtor was not ready to process Core at that time, Debtor hauled the Core to another plant in Salem, Oregon. The Salem plant lost \$1.00/per Core due to the transportation costs. When the Debtor finally got the plant completed and was able to begin processing the Core from the plywood plant, the Debtor had to deal with a huge problem - the amount of reject Core that its supplier was producing. Normally, a plywood plant would produce 1-2% of rejects; however, the Debtor's supplier was producing a minimum of 10% and a maximum of 25%. The Debtor attempted resolve the supply issue without success. The sheer amount of reject produced hindered the Debtor's ability to run consistently and profitably.

In addition, the Debtor's original business plan was to produce pallet boards and sell them to pallet manufacturers throughout the western United States. However, in May of 2015 the economy for the Republic of China began a correction. Purchasers in the Republic of China immediately stopped buying low grade lumber. This caused a collapse in the pricing of the low grade lumber. The 2x4 economy went from \$185/mbf to \$60/mbf. The Debtor went a full month without selling one (1) load of lumber.

In June 2015, the Debtor began building pallets. Naturally this ended Debtor's ability to sell to Debtor's existing customer base, because the Debtor now was competing with them. The Debtor also began making grooved runner boards for sawmills, which is the Debtor's most profitable product. As the Debtor continues to build and sell pallets and runner boards, the Debtor expects to continue to operate. With Debtor's new product mix, very minimal transportation fees for raw materials and finished product, and very strong relationship with the Colville Confederated Tribe, the Debtor believes it can return to profitable business operations and generate sufficient income to make the necessary payments as set forth in its proposed Plan of Reorganization.

Attached hereto as Exhibit "1" is Debtor's revised Mission Statement. Attached hereto as Exhibit "2" is Debtor's Business Plan for Second Half of 2016. Attached as Exhibit "3" is Debtor's Business Plan for 2017. Attached hereto as Exhibit "4" is Debtor's Production Costs Per Day. Debtor believes the attached information supports its belief that it can make the Plan installments proposed.

Disclosure Statement-6

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IV.
CURRENT FINANCIAL INFORMATION

Debtor has filed with the Court its Schedule of Assets. Except as is set forth hereinafter, no formal appraisals have been acquired. Debtor believes the financial information used and the values set forth hereinafter are fairly accurate.

Debtor has examined newspaper ads and trade publications and reviewed information obtained online to fix the value of the majority of its non-real estate and non-business items.

Accounts: The face amount of Debtor's accounts receivables totals Three Hundred Four Thousand Three Hundred Seventy-Two and 16/100 Dollars (\$304,372.16). Included in that total are accounts Debtor believes are uncollectible in the face amount of Two Hundred Twenty-Six Thousand Eight Hundred Eighty-Four and 96/100 Dollars (\$226,884.96). The majority of the receivables are due from Diamond Forest Products, Inc. ("Diamond") and Mid-Willamette Lumber Products, Inc. ("Mid-Willamette").

Diamond: Diamond is fully owned and formerly operated by corporate officer and board member John Boyer. As a direct result of financial problems Diamond was having, it terminated its business and sold all its assets. The sales proceeds were used by it to pay towards its delinquent federal tax debt.

Since Diamond does not operate a business and disposed of its assets, Debtor does not expect to receive anything from it toward payment of the amount of Fifty-One Thousand Six Hundred Seventeen and 52/100 Dollars (\$51,617.52) it owed Debtor.

Mid-Willamette: This entity is fully owned and formerly operated by John Boyer, a corporate officer and board of director member of Debtor. As a result of large operating losses and unpaid debt, Mid-Willamette ceased operations about one (1) year ago. Debtor's representatives believe it owed the IRS over Two Hundred Fifty Thousand Dollars (\$250,000.00). All property of Mid-Willamette was sold by public auction about six (6) months ago. The auction proceeds were paid to the IRS. It has no property or proceeds to pay Debtor's claim.

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V.
SUMMARY OF THE PLAN

It is proposed that there will be eleven (11) classes of Creditors. The present members of each class and the approximate amount due and/or claimed by each class on the Petition Date are set forth hereinafter, which may not include interest which has been accruing. This Disclosure Statement contains a list, description and Debtor's estimate of the value of the security claimed by each of the Secured Claim holders, together with the payment required to be made said classes. The classes are as follows:

Disclosure Statement-7

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1 Class 1: Expenses of administration pursuant to Section 503 of the Code.
 2 Present members are Southwell & O'Rourke, P.S., Debtor's Attorneys, and Chris Jenness
 3 and Leffel, Otis & Warwick, CPA, Debtor's Accountant. Also included for fees and
 4 assessments per Title 28 of the United States Code, Chapter 123, is the U.S. Trustee.
 5 Amounts due: \$40,000.00+, \$1,000.00+, and \$350.00 respectively. To the extent county,
 6 state, or federal tax liability is created by the pre-discharge operations of Debtor's
 Business pursuant to this Plan, other than debt forgiveness or sale of property, the United
 States of America, Internal Revenue Service and/or State of Washington, Department of
 Revenue would hold valid Class 1 Claims.

7 Class 2: Okanogan County, State of Washington. Amount due: \$1.00+

8 Class 3: Omak Wood Products, LLC. Amount due: \$408,514.04 (disputed).

9 Class 4: Federated Tribal Enterprise Corporation Amount due: \$1,000.00+

10 Class 5: Diamond Forest Products. Amount due: \$1,001.16+

11 Class 6: Mid-Willamette Lumber Products, Inc. Amount due: \$5,000.00+

12 Class 7: John Boyer. Amount due: \$1,000.00+

13 Class 8: Terry Johnson. Amount due: \$1,000.00+

14 Class 9: Les Schwab Tire Centers of Wa., Inc. Amount due: \$240.54

15 Class 10: Unsecured Creditors. Amount due: \$306,698.94

<u>Creditor</u>	<u>Amount Due</u>
18 Armstrong Industrial	\$2,387.20
19 Central Oregon Truck Logistics	\$2,925.00
20 Central Saw Works	\$11,821.14
21 Diebels Welding & Machine, Inc.	\$1,703.31
22 Don Kruse Electric	\$30,496.45
23 Doug Johnson Trucking	\$4,000.00
24 Fastenal	\$762.10
25 Ferrellgas	\$0.00
Hubbard Transport, LLC	\$2,560.00
Ideal Diesel Sales	\$409.68
Jason Peters	\$0.00
John Boyer	\$93,000.00
John Kaplan	\$0.00

Disclosure Statement-8

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1	K&N Electric Motors	\$2,388.76
	Mid-Willamette Lumber Products	\$1.00+
2	Missoula Saws	\$1,928.64
	Motion Auto Supply	\$720.03
3	Multifab	\$1,736.77
	Oasis Trucking	\$1,950.00
4	Okanogan PUD	\$0.00
	Okanogan Truck & Trailer	\$472.08
5	Ore-Pac	\$400.00
	Oxarc	\$0.00
6	Peg R. Callaway	\$0.00
7	Roger's Machinery Co., Inc.	\$407.50
	Schmitt Electric	\$47,354.61
8	Storm Transport	\$3,270.00
	Swanson Hay	\$1,200.00
9	Swift Transportation	\$1,803.67
	Ted and Nancy Skinner	\$1.00+
10	Terry and Donna Johnson	\$93,000.00
11	WCLIB	\$0.00

12 Class 11: Terry Johnson (45%), John Boyer (45%), and Ted Skinner
13 (10%) (Equity Holders)

14 Debtor's Plan is a partial liquidation Plan, providing for the liquidation of a portion of
15 the property of Debtor. It also gives Debtor the option to sell its business in the future.

16 **General Introduction Of Plan Treatment Of Claims**

17 Debtor's Plan is essentially premised upon its ability to operate its business
18 profitably. Thereafter, it proposes to pay all allowable claims in full with interest, except the
19 general unsecured claims of Class 10. Class 10 shall be paid an amount in monthly
20 installments until the Allowed Claims are paid a thirty percent (30%) dividend. That will be
21 the total paid said claims as periodic payment.

22 Under any scenario, general unsecured creditors should receive a dividend. If
23 Debtor decides to sell its business and is able to create and sell its business as an
24 ongoing profitable enterprise, all creditors could be paid in full with interest, including Class
25 10 unsecured creditors; of course, this would depend on the sales price.

26 **Insider Creditors and Benefits:**

27 The Bankruptcy Code defines "insiders" in the case of a corporate debtor to include

- (i) director of debtor;

- (ii) officer of the debtor;
- (iii) person in control of the debtor;
- (iv) partnership in which the debtor is a general partner;
- (v) general partner of the debtor; or
- (vi) relative of a general partner, director, officer, or person in control of the debtor;

In the Chapter 11 case, the following creditors can be considered to be an insider for the reasons stated, namely:

1. Terry Johnson (Classes 8, 10, and 11), John Boyer (7, 10, and 11), and Ted Skinner (Classes 10 and 11) are “insiders” because they are shareholders;
2. Diamond Forest Products (Class 5) and Mid-Willamette Lumber Products can be considered “insiders” because the two (2) entities are owned and controlled by John Boyer.

Debtor does not believe any of the “insiders” are specially benefited by Debtor’s Plan.

Operation of Business

Debtor’s Plan provides that Debtor shall continue to operate its business as revised and reconstructed. Class 8 member Terry Johnson shall be the person primarily in charge of the business operations. He shall work without compensation, except as otherwise set forth herein.

Debtor’s Plan states that if Debtor terminates its business operations, it shall give written notice of that termination to all persons and entities listed on the Master Mailing List. It states this notice shall be mailed not more than thirty (30) days of termination.

Sale of Business

The Plan provides that Debtor shall use its best efforts to become profitable through changes to its business plan. Once this is accomplished and if Debtor chooses to do so in its sole discretion, the Plan provides that After Notice and Hearing (Art. II, def. #3), Debtor may sell its assets and business as a going concern. It also provides that upon sale, if any, the net proceeds of sale shall be disbursed, to the extent sufficient, as follows:

first, the Allowed Claims of Class 1 (Admin) pro rata until paid in full;

second, the Allowed Secured Claim of Class 2 (Okanogan) until paid in full;

1 third, the Allowed Secured Claim of Class 4 (Federated Tribal), if any, for
2 unpaid lease installments, until paid in full, unless assumed by the purchaser with
the consent of Class 4 (Federated Tribal);

3 fourth, the Allowed Claim of Class 10 (Unsecured) pro rata until paid in full;
4 and

5 fifth, the balance of sales proceeds pro-rata to Class 11 members

6 **Retain Premises**

7 It proposes in the Plan that Debtor shall assume, pursuant to 11 U.S.C. § 365, the
8 business premises lease between Class 4 (Federated Tribal) as landlord, and Debtor, as
9 tenant. It provides that any delinquent rent shall be brought current on or before Effective
Date.

10 **Avoidable Preference Recovery**

11 Debtor believes it holds a claim against Class 3 (Omak Wood Products) to recover
12 the sum of approximately One Hundred Twenty-Three Thousand Dollars (\$123,000.00),
13 pursuant to 11 U.S.C. §547 and related statutes. The Plan specifies that Debtor shall use
14 its best efforts to recover and liquidate this claim. It also states upon recovery, the net
proceeds of liquidation (Art. II, def. #20) shall be disbursed, to the extent sufficient, as
follows:

15 first, the Allowed Claims of Class 1 (Admin) pro rata until paid in full;

16 second, the Allowed Secured Claim of Class 2 (Okanogan) until paid in full;

17 third, the Allowed Secured Claim of Class 4 (Federated Tribal), if any, for
18 unpaid lease installments, until paid in full; and

19 fourth, the Allowed Claim of Class 10 (Unsecured) pro rata until paid in full.

20 In addition to and as part of the avoidable preference recovery, the Plan requires
21 that Debtor shall seek an order and judgment of the Court avoiding and removing any lien
and claim of Class 3 upon and in certain of Debtor's property.

22 **Monthly Payment by Debtor**

23 In addition to the treatment of Creditors identified above and the specific treatment,
24 if any, hereinafter identified, the Plan proposes that Debtor shall make the following
25 payments:

1 1. The sum of Five Thousand Dollars (\$5,000.00) per month for a period of
2 twelve (12) months. The first payment shall be made within thirty (30) days of
3 Effective Date. The sum of Seven Thousand Five Hundred Dollars (\$7,500.00) per
4 month until the Allowed Claims of Class 1 (Administrative) and Class 2 (Okanogan
5 County) are paid in full. The first installment shall be paid in the thirteenth (13)
6 month from Effective Date.

7 The Plan provides that Debtor will pay the administrative expense claims by:
8 (1) \$5,000.00 for the first twelve months, then (2) \$7,500.00 each month until paid
9 in full. The Debtor expects these to be paid in approximately eight (8) to twelve (12)
10 months. Then, the payments to Class 10 (General Unsecured Claims) will begin
11 using the Net Operating Income method described below.

12 2. After payment pursuant to 1 and 2 above, and so long as Debtor is
13 conducting business, Debtor shall pay its after tax net operating income, hereinafter
14 defined, to the Allowed Claims of Class 10 (Unsecured), pro rata, until said claims
15 are paid a thirty percent (30%) dividend.

16 The sums paid by Debtor pursuant to 1 and 2 above shall be deposited into
17 Debtor's estate account and then disbursed pro rata to the Allowed Claims of Class 1,
18 then to Class 2, unless the classes are sooner paid.

19 The Plan provides that after a Final Decree is entered and until Class 10
20 (Unsecured) is paid in full the amounts to be paid pursuant to the Plan, Debtor shall
21 prepare a monthly profit and loss statement. That statement shall be provided to any
22 creditor requesting copies.

23 Net Operating Income as used herein is about the same as earnings before interest
24 and tax. It is a measure of a company's ability to produce income on its operations in a
25 given year. It is calculated as the company's revenue less its expenses (such as
overhead) but not subtracting its tax liability or interest paid on debt. It is important to note
that it does not account for one-off or otherwise unusual revenues and expenses, only
recurring ones. It represents cash available to pay off creditors in the event of liquidation, it
is closely watched, especially when the company incurs little depreciation.

Additional Specific Treatment of Claims

26 Class 3: Debtor believes and asserts that Class 3 (Omak Wood) shall not be
27 deemed to hold an allowed claim should it not comply with the provisions of 11 U.S.C. §
28 502(d) of Code. This subsection provides in relevant part:

29 “(d) . . . the court shall disallow any claim of any entity from
30 which property is recoverable under section 542, 543, 550, or 553 of
31 this title or that is a transferee of a transfer avoidable under section

Disclosure Statement-12

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1 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of this title, unless
2 such entity or transferee has paid the amount, or turned over any
3 such property, for which such entity or transferee is liable under
4 section 522(i), 542, 543, 550, or 553 of this title.”

5 The Plan states that should Class 3 pay in full any Court awarded amount, its
6 claims shall be allowed and be paid as a member of Class 10 (Unsecured).

7 The Plan provides that any lien claim of Class 3 (Omak Wood Products, LLC) shall
8 either be avoided by this Plan or a separate adversary proceeding shall be commenced to
9 avoid any such lien. See: Article X: “Avoidable Preference Recovery.”

10 Class 5: The Plan proposes that the equipment lease between Class 5 (Diamond
11 Forest), as Lessor, and Debtor, as Lessee, be assumed and reaffirmed. All obligations of
12 both parties shall be fully and timely performed.

13 Class 6: The Plan provides that to the extent Class 6 (Mid-Willamette) pays an
14 allowed claim of Class 3 (Omak Wood), it shall hold a claim as a Class 10 (Unsecured)
15 member. Otherwise, it provides that Class 6 shall not hold any allowed claim.

16 Class 7: Class 7 (Boyer) has substantial mill equipment located at Debtor's
17 Business. This equipment, valued at approximately Four Hundred Thousand Dollars
18 (\$400,000.00), is being used by Debtor to operate its business with the permission of
19 Class 7. Class 7 is not being paid anything for the equipment use, has not requested
20 compensation, nor is he expecting anything.

21 The Plan proposes that Class 7 shall hold no claim against Debtor for use of
22 equipment unless and until Debtor and Class 7 reach an agreement to fix a payment and
23 such agreement is Court approved After Notice and Hearing.

24 It further proposes that only upon thirty (30) days written notice by Class 7 to Debtor
25 may Class 7 remove his equipment.

Class 8: The Plan states that Class 8 (Johnson) shall continue to manage Debtor's
affairs and business operations without any salary, wage, or substitute compensation. It
also states that only after not less than thirty (30) days written notice to Debtor and the
Master Mailing List may Class 8:

1. Terminate his non-compensated employment; or
2. Request a salary, wage, or expense reimbursement be paid by Debtor. Additionally, no salary, wage, or expense reimbursement may be paid without notice as required by applicable bankruptcy rules.

1 Notwithstanding any provision in the Plan to the contrary, Class 8 (Johnson) may
2 continue to receive an expense reimbursement in the sum of Two Thousand Five Hundred
3 Dollars (\$2,500.00) per month. The expense reimbursement amount maybe increased but
4 only after not less than thirty (30) days written notice to Debtor and the Master Mailing List.

5 Class 9: Debtor's Plan provides that the allowed secured claims of Class 9 (Les
6 Schwab) shall be paid in full plus interest. It further requires that it shall be paid in one (1)
7 installment within sixty (60) days of Effective Date by Debtor.

8 Class 11: The Plan specifies that the members of Class 11 are to receive no
9 distribution as equity holders, unless specifically provided herein, until Allowed Claims are
10 paid to the extent provided in this Plan.

11 **Drop Dead Provision**

12 Two (2) drop dead provisions are provided as part of Debtor's Plan as follows:

13 1. Should any creditor believe Debtor is not expending sufficient efforts to
14 liquidate property, provided for liquidation by the terms of this Plan, or that an alternative
15 means should be used, such creditor may request the Court to revise the manner of
16 liquidation, after notice and hearing, including a revision(s) of price and/or term(s), or order
17 the sale of the property by public auction if it determines such to be in the best interest of
18 the estate;

19 2. Should Debtor default in payment to creditors per this Plan or default on any
20 of its obligations owed creditors pursuant to the security instruments or other loan
21 documents the Debtor executed, said creditor shall give written notice of default to the
22 Debtor as provided for in the security instruments or the other loan documents. Thereafter,
23 should the default not be timely cured, a creditor may exercise its state law and/or
24 contractual remedies without further Order of this Court. Except as expressly modified by
25 the Plan, all terms and conditions of the promissory notes, the deeds of trust, the security
agreements, and other loan documents evidencing the Debtor's obligations and covenants
to creditors shall and hereby do remain in full force and effect. Debtor shall remain bound
by the terms of these promissory notes, deeds of trust, security agreements, and other
loan documents except as expressly modified by the Plan.

26 VI.

27 **EXPLANATION OF THE CLAIMS OF EACH CLASS**

28 Debtor has made great efforts to include, schedule, and list known Creditors. Some
29 Claims have been disputed or are being examined for the purpose of determining if they
30 should be disputed. The following explanation and amounts could change as the
31 resolution of a dispute occurs. However, no significant changes are anticipated. The
32 classes are:

33 Disclosure Statement-14

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1 Hundred Forty-Five and 70/100 Dollars (\$3,445.70), which shall be applied to Court
approved fees and expenses.

2 No interim fees for Attorneys or any other Class 1 member have been approved by
3 the Court nor applied for. The accrued and outstanding fees of Southwell & O'Rourke, P.S.
4 through March 15, 2016 are approximately Seventeen Thousand Two Hundred One
Dollars and 75/100 (\$17,201.75) and costs are approximately Five Hundred Twenty-Three
5 Dollars and 12/100 (\$523.12).

6 Class 2: The single member of Class 2 is Okanogan County, State of Washington.
It holds a first lien position upon Debtor's property for tax. The amount due Class 2 is One
7 Dollars, plus (\$1.00+).

8 Class 3: The single member of Class 3 is Omak Wood Products, LLC. It asserts
a claim in the approximate amount of Four Hundred Eight Thousand Five Hundred
9 Fourteen and 24/100 Dollars (\$408,514.24). The amount of the claim is disputed by
Debtor.
10

11 On or about June 31, 2014, Debtor, as Buyer, and Class 3, as Seller, entered
into a "Wood Core Agreement" ("Agreement"). Pursuant to the Agreement, Debtor
12 became obligated to, among other things, purchase all wood cores produced by Class 3
at Class 3's veneer and plywood mill located in Omak, Washington and to tender
13 payment for such goods within either 30 or ten (10) days from the date of each invoice,
depending on the number of months after the date of the Agreement. Debtor is
14 delinquent in its payment to Class 3.

15 On or about September 30, 2015, Debtor granted Class 3 a security interest in
and lien upon certain of its property, namely:
16

17 "All inventory of goods purchased under that certain Wood Core Supply
Agreement dated January 31, 2014 by and between Omak Wood
18 Products, LLC, Stampede Forest Products, Inc. and Mid-Willamette
Lumber Products, Inc., (including Goods and Nonconforming Goods)/by
19 Debtor from Secured Party wherever located, and whether now existing or
hereafter arising or acquired from time to time, and in all accessions
20 thereto and replacements or modifications thereof, as well as all proceeds
(including insurance proceeds) of the foregoing."
21

22 Debtor believes the perfection of the lien of Class 3 on or about September 30,
2015 creates an avoidable preference pursuant to the terms of 11 U.S.C. §547.
23

24 Class 4: The single member of Class 4 is Federated Tribal Enterprise
Corporation, holding a secured claim for One Thousand Dollars (\$1,000.00) per month.
25 The security for the claim is the Business Premises. Class 4 leases to Debtor.

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1 Pursuant to lease dated December 31, 2013, between Debtor, as Lessee, and
2 Class 4, as Lessor, captioned "Facilities Use Agreement" Debtor leases its premises at
3 1100 8th Avenue East-B, Omak, Washington. It is a five (5) year lease requiring
4 payments of One Thousand Dollars (\$1,000.00) per month. Debtor was current on
5 Petition Date.

6 Class 5: The single member of Class 5 is Diamond Forest Products, holding a
7 secured claim for One Thousand One and 16/100 Dollars (\$1,001.16) per month. The
8 security for the claim is a loader.

9 Pursuant to a month-to-month lease, Debtor leases a loader at a cost of One
10 Thousand One and 16/100 Dollars (\$1,001.16) per month. Debtor was current on
11 Petition Date.

12 Class 6: The single member of Class 6 is Mid-Willamette Lumber Products, Inc.
13 Class 6 signed a guarantee as relates to Debtor's purchases from Class 3 (Omak
14 Wood).

15 Pursuant to Section 6 of the Agreement, it appears Class 6 guaranteed prompt
16 payment by Debtor of all monetary obligations due to Class 3, when and as due,
17 including any fees, costs, and expenses of counsel incurred by Class 3 in enforcing any
18 rights under the Agreement. Debtor defaulted under the Agreement by, among other
19 things, failing to pay the amounts that became due to Class 3. Class 6 is apparently
20 obligated to Class 3 for the full amount owed to Class 3 by Debtor by virtue of
21 Guarantor's guaranty contained in Section 6 of the Agreement.

22 Class 7: The single member of Class 7 is John Boyer. Pursuant to oral
23 agreement between Class 7 and Debtor, Debtor is allowed to use mill equipment valued
24 at Four Hundred Thousand Dollars (\$400,000.00) and owned by Class 7. This use is
25 without any obligation by Debtor to pay rent or any amounts to Class 7.

Class 8: The single member of Class 8 is Terry Johnson. Pursuant to oral
agreement with Debtor, Class 8 has agreed to work for and manage Debtor's business
affairs without compensation or consideration.

Class 9: The single member of Class 9 is Les Schwab Tire Centers of
Washington, Inc., holding a secured claim in the amount of Two Hundred Forty Dollars
and Fifty-Four Cents (\$240.54). The security for the claim is a purchase money security
interest in goods it sold to Debtor, namely, tires for Debtor's forklift.

The claim was incurred on November 4, 2015 and is all due and owing.

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Class 10: The members of Class 10 are all Debtor's unsecured creditors who hold claims related to Debtor's business affairs and guarantees or alleged guarantees of debt of Debtor's Business (Art. II, def. #15). The Claims hold no security interest in or lien upon Property of the Estate, whether voidable or otherwise, nor any priority to receive payments. The majority of the Claims of this class were incurred in the ordinary course of Debtor's operation of Debtor's Business. All members of Class 12 with amounts due each member as listed in Debtor's Schedules or amended herein are as follows:

<u>Creditor</u>	<u>Amount Due</u>
Armstrong Industrial	\$2,387.20
Central Oregon Truck Logistics	\$2,925.00
Central Saw Works	\$11,821.14
Diebels Welding & Machine, Inc.	\$1,703.31
Don Kruse Electric	\$30,496.45
Doug Johnson Trucking	\$4,000.00
Fastenal	\$762.10
Ferrellgas	\$0.00
Hubbard Transport, LLC	\$2,560.00
Ideal Diesel Sales	\$409.68
Jason Peters	\$0.00
John Boyer	\$93,000.00
John Kaplan	\$0.00
K&N Electric Motors	\$2,388.76
Mid-Willamette Lumber Products	\$1.00+
Missoula Saws	\$1,928.64
Motion Auto Supply	\$720.03
Multifab	\$1,736.77
Oasis Trucking	\$1,950.00
Okanogan PUD	\$0.00
Okanogan Truck & Trailer	\$472.08
Ore-Pac	\$400.00
Oxarc	\$0.00
Peg R. Callaway	\$0.00
Roger's Machinery Co., Inc.	\$407.50
Schmitt Electric	\$47,354.61
Storm Transport	\$3,270.00
Swanson Hay	\$1,200.00
Swift Transportation	\$1,803.67
Ted and Nancy Skinner	\$1.00+
Terry and Donna Johnson	\$93,000.00
WCLIB	\$0.00

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1 Class 11: The members of Class 11 are shareholders of Debtor, who hold no
2 right to payment from property liquidation, except subject to the provisions of the Plan,
until all payment to Creditors proposed by the plan to be paid are in fact paid.

3 VII.
4 LIQUIDATION ANALYSIS AS COMPARED TO PLAN PAYMENTS

5 Debtor is proposing in the Plan to pay Allowed Claims those amounts set forth in
6 Article V, which is full payment to all classes except Class 10 (Unsecured). Debtor
7 believes, however, that this is more than creditors would receive in a Chapter 7 case. The
8 belief is based upon the fact that Debtor's Business (Art. II, def. #15) would not be
operated in a Chapter 7 case and substantial value, otherwise available under Debtor's
Plan, would not be realized for creditors. Additionally, in this Chapter 11 case Debtor is
expending substantial uncompensated efforts to liquidate claims and property to maximize
creditor recovery.

9 The Schedules Debtor has filed with the Court list all Debtor's assets with liens
10 against the same existing at the time the case was filed, which is all property in which
11 Debtor has an interest. Following is a summary of those assets which Debtor shall retain
upon Confirmation, but which will be used or sold in part to fund Debtor's Plan.

12 Property to be Retained

13 The property to be retained until Debtor or its business is sold, its value as listed in
14 the Schedules or adjusted herein follows. The amounts set forth as liens are the amounts
15 approximating the Claims. By listing the amounts, Debtor is not proposing, except to the
16 extent specifically provided for in the Plan, to fix the amounts of the Claims. They are as
follows:

<u>Item</u>	<u>Value</u>
17 1. Chase Bank account. No liens.	\$8,000.00
18 2. Accounts Receivable. <u>Amount</u> : \$304,372.16. No 19 unavavoidable liens. Less doubtful or uncollectible 20 accounts of \$226,884.96 leaves	\$77,487.20
21 <u>Note</u> : See Article IV, page 7 for explanation of 22 accounts receivable and value.	
23 3. Inventory. <u>Value</u> : \$83,420.02 at cost. No unavavoidable 24 liens. Balance	\$83,420.02
25 4. Office equipment and furnishings. <u>Value</u> : \$1,000.00	\$1,000.00

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1 5. Supplies. Value: \$3,500.00. \$3,500.00

2 **Total Value to be Retained** \$173,407.22

3 **Property to be Liquidated**

4 Following is a list of property which will be sold or liquidated and net proceeds of
5 sale or liquidation paid into the Plan to create monies sufficient to pay a dividend to
6 creditors holding Allowed Claims. Additionally, Debtor's representatives believe once
7 Debtor becomes reorganized and operates at a profit, it may be sold, along with its
8 remaining assets. Debtor believes a sale of an ongoing profitable concern would produce
9 the sum set forth below. It is as follows:

<u>Item</u>	<u>Amount</u>
10 1. Avoidable Preference Claim Against Class 3 (Omak 11 Wood)	\$123,000.00
12 2. Sale of Debtor as an ongoing business (not less 13 than)	<u>\$350,000.00</u>
TOTAL FROM LIQUIDATION	<u>\$473,000.00</u>

14 Debtor believes the amounts produced from liquidation of property may be
15 insufficient to pay in full the administrative (Class 1), priority (Class 2) claim and allowed
16 claims of Classes 4, 5, and 9. Thus, to pay these creditors in full, Debtor has committed to
17 making periodic payments to the Plan until all creditors of Classes 1, 2, 4, 5, and 9 holding
18 Allowed Claims are paid in full.

19 There are a few assumptions upon which the foregoing projections are based as
20 follows:

- 21 1. that the property can be disposed of and/or liquidated for the amounts and/or for
22 the estimated prices;
- 23 2. that the costs of liquidation are as approximately estimated;
- 24 3. that the tax liability generated or created by sales, collections, and liquidations
25 do not exceed the estimated amount by any significant degree;
2. that Class 1 administrative expenses are accurately estimated; and
5. that the deficiency claims, if any, are reasonably estimated.

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VIII.
EXEMPTIONS

Debtor is a corporation registered in the State of Washington. Pursuant to 11 U.S.C. § 522(b), only an individual debtor may claim property as exempt property. Debtor is not entitled to and therefore does not claim any property as exempt property.

IX.
LITIGATION PENDING OR CONTEMPLATED.

On Petition Date, Debtor was involved in litigation with Class 3 (Omak Wood), which was the only formal litigation. Class 3 commenced suit on or about November 15, 2015 in the Superior Court, State of Washington, County of Grant under case number 15-2-00446-0 against Debtor and Class 6 (Mid-Willamette). Class 6 was named as a guarantor of the claim Omak Wood held against Debtor.

Class 3 alleges in litigation that Debtor owes it approximately Four Hundred Eight Thousand Five Hundred Fourteen and 04/100 Dollars (\$408,514.04). Debtor disputes the amount due.

However, although not formal litigation, certain claimants were making demands upon Debtor for payment that could not be met with Debtor's limited income. Debtor feared suits would be commenced concerning those accounts. Debtor did not have the income to either meet those demands or to defend the Claims.

On Petition Date, no property repossessions or formal forfeiture or foreclosure actions had been commenced by secured Creditors other than as set forth above. Debtor believed, based in part upon advice of non-bankruptcy counsel or professionals, that actions would be commenced because of Debtor's defaults. This would have severely impaired Debtor's ability to conduct Debtor's Business, to liquidate property as provided for in the Plan to be liquidated, and to retain nonexempt property by making payment therefore.

Post-petition date, Debtor has not become involved in any litigation. Debtor does not believe any litigation will occur against Debtor or Property of the Estate because of the stay in affect pursuant to 11 U.S.C. §362.

Litigation Post-Petition

Debtor does not anticipate any future litigation against it for any purpose. However, Debtor believes it will be necessary for it to commence suit against Class 3 (Omak Wood) to recover approximately One Hundred Twenty-Three Thousand Dollars (\$123,000.00). Debtor believes this amount is recoverable pursuant to applicable bankruptcy law, namely, 11 U.S.C. § 547.

Disclosure Statement-21

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1 When Debtor receives the monies from the liquidation of any Claims, Causes of
2 Action, or Property, the Net Proceeds of Liquidation (Art. II, def. #20) shall be disbursed
3 the same as monies collected by Debtor in Article X of the Plan. Debtor does not believe it
has any other claims or Causes of Action.

4 1. Notwithstanding any other provision of this Plan of Reorganization:

5 a) Disputed Claims shall be paid the same as other Claims of the Class in
6 which they are members upon their allowance by the Court;

7 b) any Claim may be disputed by Debtor after Confirmation should it be
8 determined that said Claim is invalid or unenforceable and Debtor does not, by
9 listing a Claim at all, reaffirm, acknowledge or agree to pay any Claim that proves
10 to be invalid or unenforceable; and

11 c) should a Claim or Creditor be listed in Debtor's Plan as a Secured Claim
12 or Creditor and it be determined by the Court that said Creditor's Claim be
13 unsecured in whole or in part, for any reason, then, in that event, said Claim, in
14 whole or in part, shall be treated as an Unsecured (Class 10) Claim and paid
15 accordingly.

16 2. Preservation of Rights: The Debtor and the Estate retain all rights of and
17 to commence and pursue any and all Causes of Action (under any theory of
18 law, including, without limitation, the Bankruptcy Code, and in any court or other
19 tribunal including, without limitation, in an adversary proceeding filed in the
20 Chapter 11 Case) to the extent the Debtor deems appropriate. Potential
21 Causes of Action may, but need not (if at all), be pursued by the Debtor prior to
22 the Effective Date, to the extent warranted. Potential Causes of Action that may
23 be pursued by the Debtor and/or the Estate prior to the Effective Date and by
24 the Debtor and/or the Estate after the Effective Date, also include, without
25 limitation, any other Causes of Action, whether legal, equitable, or statutory in
nature, arising out of, or in connection with, the affairs of the Debtor, including,
without limitation, the following: possible claims against borrowers or third
parties, counterclaims, defenses, and objections relating to any Claims or other
obligations; contract or tort claims which may exist or subsequently arise; any
and all Avoidance Actions pursuant to any applicable section of the Bankruptcy
Code arising from any transaction involving or concerning the Debtor.

The Debtor and the Estate expressly reserve any and all Causes of Action
for later enforcement by the Debtor and/or the Estate (including, without
limitation, Causes of Action that may be set forth in the Plan or not specifically
identified or which the Debtor may presently be unaware of or which may arise
or exist by reason of additional facts or circumstances unknown to the Debtor at

1 this time or facts or circumstances which may change or be different from those
2 which the Debtor believes to exist) and, therefore, no preclusion doctrine,
3 including, without limitation, the doctrines of *res judicata*, collateral estoppel,
4 issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or
5 otherwise) or laches shall apply to such claims or Causes of Action as a result
6 of the confirmation or consummation of this Plan, *or any aspect of the*
7 *Disclosure Statement, this Plan, or the Confirmation Order.* In addition, the
8 Debtor and the Estate expressly reserves the right to pursue or adopt any
9 claim, crossclaim, or counterclaims alleged in any lawsuit in which the Debtor is
10 a defendant or an interested party, against any Entity, including, without
11 limitation, the plaintiffs or co-defendants in such lawsuits, subject to the
12 provisions of this Plan or any Final Order.

13 The Debtor and the Estate do not intend, and it should not be assumed that
14 because any existing or potential Causes of Action have not yet been pursued by the
15 Debtor and the Estate or are not set forth herein, that any such Causes of Action have
16 been waived.

17 Without limiting the generality and breadth of the foregoing, the following
18 potential Causes of Action are hereby expressly preserved for pursuit by the Debtor or
19 the Estate:

- 20 1. Avoidance of any lien claim against Class 3 (Omak Wood);
- 21 2. Avoidable preference claim against Class 3; and
- 22 3. Any contribution claims against Class 6 (Mid-Willamette).

23 X.
24 TAX CONSEQUENCES OF DEBTOR'S PLAN

25 The Plan will impact various Creditors differently, depending on the nature of their
Claim, their taxpayer status, their accounting method, and other variables. Creditors
should consult their own independent tax advisors regarding the tax impact of the Plan
upon their individual circumstances.

Under ordinary circumstances, the cancellation or discharge of indebtedness gives
rise to recognition of income to the extent such debts are relieved. 11 U.S.C. 346(j)(1)
provides that, with certain exceptions, income is not realized by the Debtor by reason of
forgiveness or discharge of indebtedness in a bankruptcy case. Nevertheless, the
discharge of indebtedness, even under bankruptcy, would give rise to a reduction of tax
attributes, including the following: net operating losses for the current year or carry-
forwards to that year, general business tax credits carried over to the taxable year, excess
charitable contributions, the adjusted basis of non-exempt property currently held by
Debtor, and current and carryover capital losses. Debtor shall be entitled to use any pre-

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1 petition Net Operating Loss carry forward, or any similar tax attributes, to the extent
2 necessary to reduce Debtor's tax liability.

3 Should the total amount of debt being discharged and excluded from income
4 exceed the amount of tax attributes and basis of property to be reduced, the balance of
5 the discharged debt escapes tax and disappears. It is anticipated that there will be a
6 discharge of debt for the Debtor because all Allowed Claims will not be paid in full, even if
7 property liquidated does not produce the projected amounts. Debtor's accountant, Chris
8 Jenness and Leffel, Otis & Warwick, CPA, advises Debtor that no tax liability will result to
9 Debtor by its implementation and consummation of its Plan.

10 Debtor's attorneys, not being versed in tax matters, have given no advice to Debtor
11 concerning neither tax matters nor the tax consequences of an Order of Confirmation.

12 Any capital gain taxes created by the sale of any property or post-petition taxes
13 owed by the Estate due the United States of America, Internal Revenue Service shall be
14 paid as a Class 1 claim. Any taxes accruing post-petition by the Debtor or the Estate
15 due the United States of America, Internal Revenue Service shall be timely paid, and all
16 post-petition tax returns due by the Debtor or the Estate to the United States of
17 America, Internal Revenue Service shall be timely filed. The Debtor or the Estate will
18 provide updates of any sales that have occurred and the associated tax consequences
19 with its timely quarterly estimates, and all tax returns to the Insolvency Section, IRS,
20 920 W. Riverside, Room 440, MS 791-S, Spokane WA 99201.

21 XI.

22 CONFIRMATION OF PLAN

23 In the event the Plan is not accepted by Creditors, Debtor shall still request the
24 Court to enter an Order of Confirmation. To obtain such an Order, Debtor must establish
25 to the satisfaction of the Court that the Plan meets the requirements of the Code and that
it does not discriminate unfairly, and is fair and equitable, with respect to each class of
Claims and interests that is impaired under, and has not accepted, the Plan.

26 XII.

27 DISCHARGE

28 Except as otherwise provided by the Plan, all Claims against the Debtor or the
29 Estate which arose prior to Confirmation will be discharged as is set forth hereinafter,
30 whether the Claims accrued before or after the Petition Date, provided the claim holder
31 received proper notice. Creditors will, however, retain the power to enforce the rights
32 given to them, if any, by Plan. The discharge will be effective as to each Claim,
33 regardless of whether a proof of claim was filed, whether the Claim was allowed, or
34 whether the holder(s) of the Claim voted for or against the Plan.

35 Disclosure Statement-24

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1 Except to the extent provided for by the Plan, the estate will retain and may enforce
2 any and all Claims held against third parties, including Claims for recovery of preferences.

3 XIII.
4 CLOSURE OF CASE

5 Article XXII of Debtor's Plan contains a "substantial consummation" provision.
6 Generally once a Plan is deemed substantially consummated, it may be closed by the
7 Court. Upon Debtor's application, a final decree will be entered closing the case.
8 However, this does not prevent Creditors from enforcing the rights given to them by
9 Debtor's Plan in the appropriate Court. Further, pursuant to present Local Rule 3022-
10 1(a)(3), the case cannot be closed until those events specified in XII above occur. If a
11 final account has not been filed within sixty (60) days following the confirmation of the
12 Plan, a final decree may be entered and the case closed, unless a party in interest has
13 filed a written objection.

14 XIV.
15 MANAGEMENT COMPENSATION

16 Terry Johnson shall continue to manage Debtor's Business (Art. II, def. #14) post-
17 Confirmation Date. To the extent the business is operated to carry out the Plan
18 provisions, the income Debtor receives from the business operations, shall be Debtor's
19 and shall be used to pay or assist in the payment of the installments provided by Debtor's
20 Plan to be paid.

21 XV.
22 OBJECTIONS TO CLAIMS

23 Debtor has not specifically identified any claims, whether scheduled and/or filed, to
24 which objections are planned by the Debtor unless set forth and addressed in this Article.
25 Claims to which objections shall be filed or have been filed are as follows:

1. Class 3 (Omak Wood) has asserted a claim in the amount of
approximately Four Hundred Eight Thousand Five Hundred Fourteen and 04/100
Dollars (\$408,514.04). Debtor's representatives shall examine the basis of the
claim to determine the extent to which it shall be allowed.

Notwithstanding that Class 3's claim may be generally allowable in part,
unless it pays Debtor the amounts properly avoidable under 11 U.S.C. § 547, it will
not have an allowable claim pursuant to 11 U.S.C. § 502(d).

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Disclosure Statement-25

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XVI.
TRANSACTIONS WITH INSIDERS

Debtor has not had any specific transactions with "insiders" in the last four (4) years, except as set forth in Debtor's Bankruptcy Schedules or identified hereinafter. Debtor does not know if any events with or including "insiders" are deemed relevant.

XVII.
ADDITIONAL PROVISIONS

In addition to the summary of the Plan set forth in this Disclosure Statement, the Plan contains provisions concerning duties and responsibilities of the Debtor and its Creditors concerning changes of address, modifications of the Plan and jurisdiction of the Bankruptcy Court. Furthermore, the Plan specifically addresses issues concerning the treatment of executory contracts, the prohibition against assessing penalties or penalty interest, the recoverability of attorneys' fees, the retention, creation, or removal of liens, encumbrances, or security interests, and other important areas which should be reviewed by you.

XVIII.
CONCLUSION

The foregoing is a brief summary of the highlights of the Plan of Reorganization, as well as containing information concerning the Debtor. This Disclosure Statement should not be the only document relied upon for voting purposes. Creditors are urged to read the Plan in full. Creditors are further urged to consult with counsel to fully understand the Plan. The Plan, although relatively simple in form, is based on complex law and an intelligent judgment concerning such Plan probably cannot be made without understanding the bankruptcy law.

DATED this 2 day of June, 2016.

STAMPEDE FOREST PRODUCTS, INC.

By: 
TERRY JOHNSON, President

VERIFICATION

TERRY JOHNSON, President of Debtor, states under penalty of perjury of the laws of the State of Washington, that he has read the foregoing, understands the contents and believes it to be true to the best of his knowledge and information.


TERRY JOHNSON

PRESENTED BY:

SOUTHWELL & O'ROURKE, P.S.

BY: /s/ Kevin O'Rourke
KEVIN O'ROURKE, WSBA #28912
Attorney for Debtor

SOUTHWELL & O'ROURKE, P.S.

BY: /s/ Dan O'Rourke
DAN O'ROURKE, WSBA #4911
Attorney for Debtor

Disclosure Statement-27

SOUTHWELL & O'ROURKE, P.S.
A PROFESSIONAL SERVICE CORPORATION
ATTORNEYS AT LAW
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WEST 421 RIVERSIDE AVENUE
SPOKANE, WASHINGTON 99201
TELEPHONE (509) 624-0159

MISSION STATEMENT

To provide our customers with a great product in a timely manner and reduce our debt as quickly as possible, and to turn Stampede Forest Products into a sellable asset.

Strengths: Adaptability, minimal transportation costs on raw material, machinery matching with production needs, strong marketing abilities, great relationship with Tribal entities (72% Tribal employees.)

Weaknesses: Our chipper needs to be replaced, dated rolling stock, we need more customers for our runners.

Opportunities: Increased production, planter boxes, and heat-treating booths.

Threats: Plywood plant shut down, do not have a strong relationship with current management at Plywood Plant.

EXHIBIT #1

Business Plan for Last Half of 2016

2,800 core per day at .90 per core.

- This is our current production, and we expect that to continue through 2016.
- See attached document: "Core Usage Statement"

Manufacturing cost: .60 per core.

- Our current cost, as we increase production this will decrease.
- See attached document: "Production Cost Per Day"

Sales realization: \$1.75 per core.

- We need more runner business, to increase our sales average.
- As more volume is diverted to planter boxes, our return will increase.

Net profit: .25 per core.

.25 x 2,800 = \$700 per day profit x 151 days (last half of the year) = \$105,700.

\$6,000 per month x 6 months = \$36,000 to creditors scheduled for last half of year.

105,700 – 36,000 = \$69,700 capital investment that we would like to make (approximately \$45,000 for heat treating booth.)

Inventory levels to be held at current volume of approximately \$30,000. (see attached document)

EXHIBIT #2

Business Plan for 2017

3,500 core per day (increase of 25% from 2016) at \$1.00 per core.

- This is dependent on Omak Forest Products overcoming their production difficulties

Manufacturing cost: .50 per core.

- As our production increases, our costs decrease.
- After the heat treating booth, we do not see any necessary capital investments.

Sales realization: \$2.00 per core.

- We anticipate an increase of the runner business of 20%.
- We project next year an increase in the planter boxes up by 40%.
- We're confident that the heat treating capability will add a significant increase into our sales realization for all products.
- **Pallets:** If we put in a heat treating booth, we can begin manufacturing pallets. However, we do not want to project an increase in sales realization until we are confident that it's profitable at that time. If we begin building pallets and cut off our current customers for pallet boards again, we will never get them back as customers.

3,500 core per day x 252 days = 882,000 core per year usage

.50 per core profit x 882,000 core = \$441,000 profit.

Scheduled to pay \$7,000 per month to creditors.

\$7,000 x 12 months = \$84,000 (payment towards creditors.)

\$441,000 - \$84,000 = \$357,000.

Inventory levels to be held at current volume of approximately \$30,000. (see attached document)

EXHIBIT #3

Stampede Forest Products Production Cost Per Day

Stampede Forest Products, Inc.					
MANUFACTURING COSTS					
		Updated:	4.12.16		
Description	Monthly			daily/21	
OUTGOING					
electric	\$ 3,291.82			\$ 156.75	
rent bldg	\$ 1,000.00			\$ 47.62	
Rent- Employee	\$ 682.00			\$ 41.05	
propane/fuel	\$ 782.50			\$ 38.31	
use tax	\$ 800.00			\$ 38.10	
gen lab	\$ 288.00			\$ 13.71	
saws sharpen	\$ 2,587.17			\$ 123.20	
banding	\$ 1,316.34			\$ 62.68	
office supplies	\$ 100.00			\$ 4.76	
supplies safety, paint, oil,	\$ 500.00			\$ 23.81	
repair/maint	\$ 2,500.00			\$ 119.05	
phone/internet/water	\$ 227.93			\$ 10.85	
professional services	\$ 750.00			\$ 35.71	
Care	\$ 52,142.35			\$ 2,482.87	
loader lease	\$ 1,001.00			\$ 47.87	
Terry Expenses	\$ 2,500.00			\$ 119.05	
			Per Day	\$ 3,363.29	
INCOMING					
Hog Fuel	\$ (8,080.00)			\$ (280.00)	
Runners	\$ (27,872.00)			\$ (1,317.71)	
Boards (4850 PM @ \$.80)	\$ (97,002.36)			\$ (4,619.18)	
				\$ -	
			Per Day	\$ (6,226.87)	
Employee	Rate		LNI	SSI/MC	UI
			0.016049	1.53	0.0267
Lucas Adolph	\$10.00		\$0.16	\$1.53	\$0.27
Cassie Andrew	\$10.00		\$0.16	\$1.53	\$0.27
Braxton Boozo	\$17.31		\$0.28	\$2.65	\$0.46
Louis Clark	\$10.00		\$0.16	\$1.53	\$0.27
Matt Dodge	\$15.00		\$0.24	\$2.30	\$0.40
James Erikson	\$11.00		\$0.18	\$1.68	\$0.29
Joseph Freidlander Buck	\$10.00		\$0.16	\$1.53	\$0.27
Justin Freidlander	\$10.00		\$0.16	\$1.53	\$0.27
Isalah George	\$13.00		\$0.21	\$1.99	\$0.35
Ashley George	\$10.00		\$0.16	\$1.53	\$0.27
Shawn McCraiggle	\$12.00		\$0.19	\$1.84	\$0.32
Cody Miller	\$13.00		\$0.21	\$1.99	\$0.35
Franco Sellers	\$10.00		\$0.16	\$1.53	\$0.27
Rosa Zavala	\$13.00		\$0.21	\$1.99	\$0.35
	\$164.31	HOUR	\$2.64	\$25.14	\$4.39
	\$1,314.48	DAY	\$21.52	\$219.44	\$38.37
				total per day	\$1,593.76
MANUFACTURING COSTS					
			Labor Per Day	1,593.76	
			Cost Per Day	3,363.29	
				4,957.05	
			Less Incoming	(6,226.87)	
				(1,269.82)	
			Per Day Profit I	1,269.82	

EXHIBIT #4