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UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON

In re	
DANCING WATERS, LLC,	
	Debtor.
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In re	
GOVERNOR'S POINT DEVELOPMENT CO.,	
	Debtor.
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In re	
PLEASANT BAY PROPERTIES & ASSOCIATES, LP,	
	Debtor.
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In re	
PLEASANT ROAD PARTNERS, LP,	
	Debtor.
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In re	
CARL ROGER SAHLIN,	
	Debtor.
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Lead Case No. 15-13216  
  
(Jointly Administered with  
Case Nos. 15-13217;15-13218; 15-13219;  
and 15-13220)

**JOINT DEBTORS' FIRST AMENDED  
DISCLOSURE STATEMENT**

**I. INTRODUCTION**

**IMPORTANT: THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT  
MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE FIRST AMENDED**

1 **PLAN OF LIQUIDATION PROPOSED BY THE JOINT DEBTORS (AS DEFINED BELOW).**  
2 **PLEASE READ THIS DOCUMENT WITH CARE. THIS DOCUMENT PROVIDES**  
3 **INFORMATION IN SUPPORT OF THE PLAN.**

4 **CAPITALIZED TERMS NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS**  
5 **SET FORTH IN SECTION VII BELOW.**

6 TO ALL PARTIES IN INTEREST:

7 On the Petition Date, the Joint Debtors each filed a voluntary petition under chapter 11 of the  
8 Bankruptcy Code.

9 This Disclosure Statement contains information with respect to the Joint Debtors' proposed  
10 Plan. Pursuant to § 1125 of the Bankruptcy Code, the Disclosure Statement is being distributed to you  
11 as combined with the Plan to allow you to make an informed decision in exercising your right to  
12 accept or reject the Plan. This Disclosure Statement has been approved by order of the Court pursuant  
13 to § 1125 of the Bankruptcy Code as containing information of a kind, and in sufficient detail, as far  
14 as is reasonably practicable under the circumstances, that would enable a hypothetical reasonable  
15 investor to make an informed judgment about the Plan. In the event of inconsistencies between the  
16 Plan and the Disclosure Statement, however, the terms of the Plan shall control. The Court's approval  
17 of this Disclosure Statement does not constitute an endorsement of the Plan by the Court.

18 The Plan provides for the full payment of all creditors. Initially, the Plan provides for the Sale  
19 of the Property for an amount payable at closing more than sufficient to pay all Claims in Classes 1, 4,  
20 5 and 6 and Administrative Expense Claims in full. The deferred portion of the purchase price for the  
21 Property, an additional \$2,100,000, will be paid from the proceeds of future lot sales by the buyer and  
22 the entire amount is due to be paid not later than three years after Closing. If that amount is  
23 insufficient to pay all remaining Allowed Claims in full, the Plan provides for the liquidation of  
additional assets so full payment to all creditors can be achieved.

The Joint Debtors therefore urge you to accept the proposed Plan and to promptly return your  
completed ballot to enable your vote to be counted.

## II. BACKGROUND INFORMATION

### A. Historical Background and Events Leading to Bankruptcy

1. The Governor's Point Property. The Joint Debtors collectively own the Property. It  
has been in the Sahlin family for over 50 years. The Property is located along Pleasant Bay Road in  
Whatcom County and consists of eight tax parcels with a potential for 24 lots of vacant land totaling  
approximately 125 acres. The Property is six miles south of the City of Bellingham and has 9,500  
linear feet of coastline to the west, north and east. The site is heavily forested and is geographically a  
point (peninsula), surrounded by Samish Bay to the west and south with Chuckanut Bay and Pleasant  
Bay to the north and east. With sweeping views across the Puget Sound, the waterfront consists of

1 some low bank on the protected east inlet, medium bank along the north tip, and medium to high bank  
2 along the west side that looks across to the San Juan Islands.

3 The Property is zoned Rural Residential 5-acre minimum, resulting in a maximum density of  
4 25 lots. Whatcom County has previously identified 8 lots of record on the Property, and issued a  
5 preliminary approval for the 8 lots on January 30, 2014. Using a Boundary Line Adjustment process  
6 to realign the 8 lots of record and a series of short plats on three of the 20-acre+ parcels so realigned,  
7 it is possible to create 24 residential lots.

8 In early 2014, the Debtors moved toward marketing the property as a 24 or 25 lot  
9 development. To that end, The Doré Group was engaged to provide an appraisal of the property to  
10 help establish an ask price which was issued in March 2014. Cushman Wakefield was thereafter  
11 engaged to list and market the property.

12 2. Secured Financing. In 1999, Whidbey Island Bank made a loan to Sahlin in the  
13 principal amount of \$150,000, which was evidenced by the 1999 Note. Sahlin was and is the sole  
14 obligor on the 1999 Note. At the time, the 1999 Note was unsecured. In 2004, Whidbey Island Bank  
15 made a second loan to Sahlin in the principal amount of \$2,522,000, which was evidenced by the  
16 2004 Note. Again, Sahlin was and is the sole obligor on the 2004 Note. The 2004 Note is secured by  
17 the 2004 Deed of Trust. Several years later, in 2011, each of the Joint Debtors executed, and Whidbey  
18 Island Bank recorded, the 2011 Deed of Trust to secure repayment of the 1999 Note. In 2013,  
19 Heritage Bank and Whidbey Island Bank merged, and Heritage Bank succeeded to the lender's  
20 interest in the Heritage Loan Documents .

21 3. Additional Liens. As of the Petition Date there were other liens against the Property in  
22 addition to the 2004 Deed of Trust and the 2011 Deed of Trust:

23 a. Whatcom County: As of the Petition Date, there were accrued and unpaid real  
property taxes owing to Whatcom County in the amount of \$345,643.04. As described below, this  
amount has been paid in full.

b. Miller Nash Graham & Dunn LLP ("MNGD"). As of the Petition Date,  
MNGD holds a secured claim against debtor Sahlin for legal services rendered prior to the Petition  
Date. MNGD timely filed a proof of claim in the amount of \$256,653.52, which is based upon a Fee  
Agreement, dated February 16, 2012. The claim is secured by a Deed of Trust (the "MNGD Deed of  
Trust"), dated March 12, 2012, and recorded on December 26, 2013, encumbering one 20-acre parcel  
of the Property that is junior to the statutory lien in favor of Whatcom County, the 2004 Deed of Trust  
and the 2011 Deed of Trust.

c. TENMTR, LLC. TENMTR holds a secured claim against the Debtors for  
services provided by its members, Rimland Pacific, Inc., a Washington corporation, and Robert M.  
Tull, an individual, prior to the Petition Date. TENMTR timely filed a proof of claim in the amount  
of \$840,602.41, based upon two promissory notes the Debtors executed prior to the Petition Date. On  
March 12, 2014, the Debtors jointly executed a promissory note in favor of Tull in the principal  
amount of \$253,671.80. That same day, the Debtors jointly executed a promissory note in favor of

1 Rimland Pacific in the principal amount of \$500,000. Both notes were contemporaneously assigned  
2 to TENMTR. Also on March 12, 2014, the Debtors executed a Deed of Trust in favor of TENMTR to  
3 secure payment of the two promissory notes, which was recorded March 13, 2014 and encumbers  
4 each of the parcels comprising the Property, junior to the statutory lien in favor of Whatcom County,  
5 the 2004 Deed of Trust, the 2011 Deed of Trust and (as to one parcel of the Property) the MNGD  
6 Deed of Trust.

7 4. Prepetition Litigation. The original maturity dates for the 1999 Loan and the 2004  
8 Loan were August 19, 1999 and November 1, 2007, respectively. Through the execution of one or  
9 more Change in Terms Agreements, the maturity date for both Loans was extended to June 30, 2012.  
10 The Debtors were unable to satisfy the Loans. On or about August 18, 2014, Heritage Bank  
11 commenced litigation in Whatcom County Superior Court, *Heritage Bank v. Sahlin, et al.*, No. 14-2-  
12 01792-2 (the "Foreclosure Lawsuit"), seeking to judicially foreclose its deeds of trust against the  
13 Property. On or about October 10, 2014, Heritage Bank filed a motion for summary judgment, setting  
14 it for hearing on November 14, 2014. Thereafter, Heritage Bank continued the hearing on its motion  
15 on several occasions as the Debtors continued with sale and marketing efforts as to the Property.  
16 Eventually, Heritage Bank determined that it would proceed with its motion and re-scheduled it for  
17 hearing on May 22, 2015. That same day, the Debtors filed their respective Bankruptcy Cases.

18 Heritage Bank filed Proofs of Claim asserting that the outstanding balances of the 1999 Loan  
19 and the 2004 Loan are \$248,952.83 and \$2,975,390.23, respectively, as of the Petition Date.

## 20 **B. Events During Bankruptcy**

21 1. Assignment and Joint Administration of Cases. By order entered May 29, 2015, the  
22 Governor's Point, Pleasant Bay and Sahlin Bankruptcy Cases were transferred to the Honorable  
23 Timothy W. Dore. By orders entered June 11, 2015, the Court directed that the Bankruptcy Cases of  
the Joint Debtors would be jointly administered.

2. Employment of Professional Persons. The Court approved the employment of the  
following Professionals Persons on behalf of and by order entered on the date indicated:

Ogden Murphy Wallace P.L.L.C.	Attorneys for Sahlin	June 16, 2015
Windermere Real Estate Whatcom, Inc.	Listing agent for Sahlin	June 22, 2015
Bush Strout & Kornfeld LLP	Attorneys for Entity Debtors	June 25, 2015
Commerce Real Estate Solutions LLC	Listing agent for Joint Debtors	June 26, 2015
CBRE, Inc.	Auction services	August 20, 2015

3. Claims Bar Date. By order entered June 23, 2015, the Court established the Claims  
Bar Date.

4. Monthly Reports: By order entered June 26, 2015, the Court authorized the Joint  
Debtors to file Monthly Report of Non-Operating Corporation or Partnership (Form UST-19), rather  
than the longer form required of an operating entity. The Debtors have filed each report from the  
partial month of May 2015 forward.

1  
2 5. Motion for Approval of Amended Easement Agreement. On September 1, 2015, the  
3 Debtors filed a Motion for Approval of Amended Easement Agreement (Doc. No. 75), seeking  
4 approval of an Amended Non-Exclusive Ingress, Egress and Reserve Tract Easements that will govern  
the access rights of the owner of property owned by a third party that is completely surrounded and  
landlocked by the Property. The Court granted the motion by order entered September 22, 2015  
without objection.

5 6. Marketing and Auction Process. The Debtors continued to market the Property for sale  
6 following the Petition Date utilizing the services of Cushman & Wakefield of San Diego, Inc. ("C&W  
7 San Diego") and Commerce Real Estate Solutions LLC ("CRES"). Although a number of leads were  
developed and discussions were had with at least three interested buyers, the Debtors were unable to  
achieve a sale of the Property.

8 The Debtors' intention for the Property had been to obtain a sale by the close of 2015. To that  
9 end, beginning in mid-July 2015 the Debtors conducted a thorough search of potential service  
10 providers and interviewed fourteen auction companies in that process. The Debtors ultimately  
determined to engage CBRE, Inc., to provide those services.

11 On September 3, 2015, the Debtors filed a motion for authority to sell the Property by auction  
12 and for approval of certain proposed bidding procedures (Doc 79). The Court granted the motion by  
order entered September 22, 2015 (Doc 89) without objection.

13 CBRE marketed the Property for an auction sale and scheduled the auction for October 8,  
14 2015, with the deadline for bids being the day prior. As of the deadline, CBRE received only one bid  
and deposit from a bidder. The auction itself was scheduled to begin at noon the following day,  
October 8. The only registered bidder appeared but declined to make a bid.

15 At about that same time, another interested party appeared at the auction location. The  
16 Debtors negotiated an acceptable purchase and sale agreement with Land Baron and Company ("Land  
17 Baron") for a purchase price of \$9 million, plus a buyer's premium of \$720,000. The Court approved  
the sale to Land Baron by order entered October 20, 2015 (Doc 104).

18 7. Payment from Non-Refundable Deposit. In connection with its purchase offer, Land  
19 Baron made non-refundable earnest money deposits to the Debtors in a total amount of \$400,000.  
From this amount, the Debtors made a payment to Whatcom County in the amount of \$175,000 in  
20 April 2016 pursuant to an order entered April 7, 2016 (Doc 174). Following that payment the amount  
owed Whatcom County was approximately \$310,000.

21 8. Failure of Sale; Relief From Stay Motion. Unfortunately, Land Baron was unable to  
22 close the acquisition. By various addenda and court orders, the parties extended the closing date on a  
number of occasions, and the Property was under contract for almost eight months, with a final  
extended closing date of June 7, 2016. The contract terminated after the final closing date passed.

1 During the weeks prior to the expiration of the contract with Land Baron, the Debtors began  
2 exploring other alternative ways to move forward in the event the sale to the Buyer failed. The  
3 Debtors considered various alternatives, which culminated in a proposal that the Debtors made to  
4 Heritage Bank the day after the Buyer went out of contract. The bank declined the Debtors' proposals  
5 and, on June 9, 2016, filed a motion for relief from stay (Doc 193) (the "Stay Motion") so it could  
6 proceed with the Foreclosure Lawsuit or other collection measures. The bank set the Stay Motion for  
7 hearing on July 8, 2016, and continued the hearing on a number of occasions in conjunction with  
8 activities related to the Financing Transaction (as defined below).

9 9. Financing Transaction. Among the alternatives that the Debtors considered was  
10 financing to take out Heritage Bank and extend the Debtors' opportunity to market the Property for  
11 the benefit of other creditors. To that end, the Debtors negotiated a transaction with Copper Leaf LLC  
12 (the "Financing Transaction") by which Copper Leaf would acquire from Heritage Bank all the  
13 Heritage Loan Documents and extend the maturity date on both the 1999 Note and the 2004 Note for  
14 fifteen months, in exchange for an increase in the non-default interest rate to 12% and a 2%  
15 origination fee, a 2% exit fee and other terms. The Financing Transaction also included new advances  
16 sufficient to satisfy the amount of accrued real property taxes against the Property (approximately  
17 \$310,000), \$200,000 to apply against accrued and prospective administrative expense claims in this  
18 case, and a \$50,000 adequate protection payment to MNGD. In connection with the Financing  
19 Transaction, an Advisory Board was created to participate in marketing decisions for the Property, and  
20 is comprised of representatives of the Debtors, MNGD, TENMTR and the two brokers.

21 The Debtors filed a motion seeking approval of the Financing Transaction and initially set it  
22 for hearing on August 5, 2016. The hearing was continued to August 19, 2016 to allow the parties to  
23 work through various issues, among them providing adequate protection to a junior lien holder. The  
Court approved the Financing Transaction at the August 19 hearing without objection and, on August  
22, 2016, entered its Order Approving Financing Transaction and Approving Payment to Lien Holder  
(Doc 233). The Financing Transaction closed and funded on October 4, 2016.

10 10. Sale to Madrona Bay. The Debtors and their professionals immediately resumed  
11 marketing the Property after the failure of the Land Baron transaction, and later negotiated a sale of  
12 the Property (the "Sale") to Madrona Bay Real Estate Investments, LLC ("Buyer" or "Madrona")  
13 pursuant to the terms of a Real Estate Purchase and Sale Agreement (the "Madrona PSA"). The  
14 material terms of the Sale are as follows:

- 15 • Purchase price: \$8,300,000
  - 16 ○ Earnest money: \$200,000 note, converted to cash upon satisfaction of contingencies.
  - 17 ○ Cash at closing: \$6,000,000
  - 18 ○ Seller financing: \$2,100,000 note, interest at 3.5%, due in three years
- 19 • Security; Pre-Closing BLA: Property to be re-configured prior to closing (at Buyer's sole  
20 expense) pursuant to boundary line adjustment to comprise seven 5-acre parcels (Lots 1-7) and  
21 a single ± 90-acre parcel (Lot 8). Seller financing note to be secured by first-position lien on  
22 Lot 8 and a second-position lien on each of Lots 1-6.

- 1 • Note payments: Debtor to receive \$350,000 from the closing of the sales of each of Lots 1-6. All amounts due and owing three years after closing.
- 2
- 3 • Contingent Payments: If some or all of Lot 8 is sold, whether by way of a subdivision or a
- 4 bulk sale, the Debtors will receive ten percent (10%) of the Gross Sales Proceeds (as defined
- 5 in the PSA).
- 6 • Due diligence; Closing: 90-day due diligence and 150-day closing period, both commencing
- 7 upon mutual execution of Madrona PSA

8 The Court approved the sale to the Buyer by order entered December 23, 2016 (Doc 264).

### 9 III. ASSETS AND LIABILITIES

#### 10 A. Assets

11 As reflected in the their Schedules, as of the Petition Date the Debtors held the following

12 assets:

13 1. Dancing Waters: Sole assets are (i) a bank account having on deposit \$27.51 as of the

14 Petition Date; and (ii) an undivided 20% ownership interest in the following tax parcels within the

15 Property: Tax parcels: 370225 085132; 370236 145506; 370225, 058223; 370225 115201; and

16 370225 122040. The latter interests have a scheduled value of \$1,902,264.

17 2. Governor's Point: Sole assets are (i) a bank account having on deposit \$27.51 as of the

18 Petition Date; (ii) 100% ownership interest in the following tax parcels within the Property: Tax

19 Parcels: 370226 486305; 370225 017225; and 370225 018180, having a scheduled value of

20 \$4,999,540; and (iii) an undivided 50% ownership interest in the following tax parcels within the

21 Property: Tax Parcels: 370225 093208; 370225 095189; 370226 531156; and 370225 002162, which

22 interests having a scheduled value of \$121,940.

23 3. Pleasant Bay: Sole assets are (i) a bank account having on deposit \$69.09 as of the

Petition Date, (ii) an undivided 25% ownership interest in the following tax parcels within the

Property: Tax Parcels: 370225 093208; 370225 095189; 370226 531156, and 370225 002162, which

interests having a scheduled value of \$60,970; and (iii) an undivided 30% ownership interest in the

following tax parcels within the Property: Tax Parcels: 370225 085132; 370236 145506; 370225

058223; and 370225 115201, which interests having a scheduled value of \$2,121,756.

4. Pleasant Road: Sole asset is an undivided 30% interest in the following tax parcel

within the Property: Tax parcel: 370225 122040, which interest has a scheduled value of \$731,640.

5. Sahlin: The assets of Sahlin as of the Petition Date are set forth in Schedules A and B

as previously filed in his Bankruptcy Case, copies of which are attached hereto as Exhibit A.

1 **B. Liabilities.**

2 The liabilities of the Joint Debtors of the Petition Date are set forth in their respective  
3 Schedules D, E and F as previously filed in their Bankruptcy Cases, copies of which are attached as  
4 Exhibit B hereto.

4 **IV. SUMMARY OF PLAN**

5 The Plan provides that the Debtors shall close the Sale of the Property to the Buyer. At  
6 Closing, Madrona will pay the Debtors \$6,200,000, from which the Debtors shall (i) pay all Closing  
7 Costs; (ii) pay Claims in Classes 1, 4, 5 and 6 in full; (iii) pay holders of Administrative Expense  
8 Claims in full; and (iv) fund the Professional Fee Account. All remaining proceeds from the Closing  
9 shall be distributed on a Pro Rata basis to holders of Allowed Claims in Class 10, or whose Allowed  
10 Claims are designated for treatment under Class 10. Thereafter, as funds are received as payments  
11 under the Madrona Note, including Contingent Payments, such funds shall be distributed on a Pro  
12 Rata basis to holders of Allowed Claims in Class 10, or whose Allowed Claims are designated for  
13 treatment under Class 10.

14 In the event the Sale shall fail, the Debtors shall promptly list the Property for sale with a  
15 national auction company acceptable to the Debtors and the Advisory Committee, without reserve,  
16 with the intention of achieving the closing of a sale of the Property within approximately 120 days.  
17 From the proceeds of such sale, the Debtors shall pay, first, all Closing Costs; second, the Class 1  
18 Claim in full; third, to the extent of remaining proceeds, the Class 4 Claim in full; fourth, to the extent  
19 of remaining proceeds, the Class 5 and Class 6 Claim in full; fifth, to the extent of remaining  
20 proceeds, to holders of Allowed Claims in Class 10, or whose Allowed Claims are designated for  
21 treatment under Class 10. Any remaining funds shall be distributed to the holders of the Equity  
22 Interests.

23 The Plan also provides for the liquidation of additional assets if the proceeds from the Sale of  
the Property are insufficient to pay all Allowed Claims in full, as detailed in Section VII.B.1-6 of the  
Plan.

17 **V. LIQUIDATION ANALYSIS**

18 Bankruptcy Code § 1129(a)(7), requires that, in order for the Plan to be confirmed, each  
19 creditor with a right to vote either accept the Plan or, alternatively, that the creditor receive under the  
20 Plan at least as much as it would receive if the Debtor's assets were liquidated and the proceeds  
distributed under Chapter 7 liquidation. This is generally known as the “best interests of creditors”  
test. As set forth below, the Joint Debtors believe that the Plan satisfies this requirement.

21 To apply the test, the Joint Debtors’ assets are valued in the context of the value that would be  
22 generated from their distressed liquidation in the context of a Chapter 7 case by a Chapter 7 trustee  
appointed by the Bankruptcy Court. This analysis would take into account the costs and expenses of  
23 the liquidation, and such additional administrative and priority claims that may result from the use of  
Chapter 7 for the purpose of liquidation. Net liquidation proceeds would be paid to general unsecured



1 creditors only to the extent funds are available after secured creditors have been paid the full value of  
2 their collateral and priority creditors receive full payment on their claims.

3 This is a liquidating plan. The Joint Debtors are selling their primary asset, the Property, and  
4 the Sale will generate a great enough sale price to allow the Joint Debtors to satisfy all Allowed  
5 Claims in full, whether from the proceeds at closing or payments due under the Madrona Note.  
6 However, in the event that the proceeds from the Sale of the Property are insufficient to pay all  
7 Allowed Claims in full, the Plan provides for the liquidation of additional assets, some of which  
8 Sahlin is already marketing for sale. In addition, a sale of the Property pursuant to a confirmed Plan  
9 will exempt such sale from excise tax, yielding a savings in excess of \$145,000 that would be payable  
10 in a Chapter 7 case. A Chapter 7 trustee would be also entitled to a commission on all funds  
11 distributed on a blended rate in excess of 5%, an amount that would not be payable under the Plan. A  
12 Chapter 7 trustee would also engage his/her own professionals (attorneys, accountants) to represent  
13 him/her during the liquidation, who would incur an additional level of cost simply getting up to speed  
14 in the case. Under the circumstances, the Joint Debtors believes that the Plan provides a much better  
15 alternative for creditors.

## 16 **VI. RISK FACTORS**

17 Distributions to creditors contemplated under the Plan are contingent upon many assumptions,  
18 some or all of which could fail to materialize and preclude the Plan from becoming effective or reduce  
19 anticipated distributions. Most important, however, is that the Plan is subject to approval by the  
20 various classes of creditors entitled to vote under the Bankruptcy Code and to confirmation of the Plan  
21 by the Bankruptcy Court. No assurance can be given that the Plan will be accepted by the requisite  
22 number and amount of creditors or confirmed by the Court. In that event, due to the costs and  
23 uncertainties inherent in a modified Plan of Reorganization or a conversion and liquidation under  
Chapter 7, all creditors of the estate face substantial risk that their recovery under such alternative  
circumstances may be substantially less favorable than their recovery provided for by the Plan.

## 24 **VII. CONFIRMATION OF THE PLAN**

### 25 **A. Voting Procedures.**

26 A ballot for voting your acceptance or rejection of the Plan accompanies this Disclosure  
27 Statement and Plan. Holders of Claims should read the instructions carefully, complete, date and sign  
28 the ballot, and transmit it in the envelope enclosed. **IN ORDER TO BE COUNTED, YOUR  
29 BALLOT MUST BE RECEIVED AT THE INDICATED ADDRESS NOT LATER THAN 4:30 P.M.  
30 ON \_\_\_\_\_, 2017. FAILURE TO VOTE OR A VOTE TO REJECT THE PLAN  
31 WILL NOT AFFECT THE TREATMENT TO BE ACCORDED A CLAIM OR INTEREST IF THE  
32 COUERT NEVERTHELESS CONFIRMES THE PLAN.**

33 If more than one-half in number of claimants voting and at least two-thirds in amount of the  
allowed claims of such claimants in each class of claims vote to accept the Plan, such classes will be  
deemed to have accepted the Plan. If at least two-thirds in amount of the shares voted in a class of  
equity interests are voted to accept the Plan, such Class will be deemed to have accepted the Plan. For

1 purposes of determining whether a class of claims or interests has accepted or rejected the Plan, the  
2 Debtors shall consider only the votes of those who have timely returned their ballots.

### 3 **B. Hearing on Confirmation.**

4 The hearing on confirmation of the Plan has been set for \_\_\_\_\_, 2017, at \_\_\_\_\_  
5 before the Honorable Timothy W. Dore, United States Bankruptcy Judge, in Courtroom 8106, United  
6 States Bankruptcy Court, 700 Stewart St., Seattle, Washington, 98101. The Bankruptcy Court shall  
7 confirm the Plan at that hearing only if certain requirements, as set forth in § 1129 of the Bankruptcy  
8 Code, are satisfied.

### 9 **C. Feasibility.**

10 The Joint Debtors must also establish that confirmation of the Plan is not likely to be followed  
11 by the Reorganized Debtor's liquidation, or the need for further financial reorganization. The Joint  
12 Debtors intend to present testimony with respect to feasibility, if required, at the hearing on  
13 confirmation of the Plan. The Joint Debtors believe that the Plan is feasible and that the Bankruptcy  
14 Court will so find, but a Bankruptcy Court finding of feasibility does not guarantee that the Joint  
15 Debtors will successfully complete or pay all its obligations under the Plan.

### 16 **D. Treatment of Dissenting Classes of Creditors.**

17 The Bankruptcy Code requires the Bankruptcy Court to find that the Plan does not  
18 discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that is  
19 impaired under, and has not accepted, the Plan. Upon such a finding, the Bankruptcy Court may  
20 confirm the Plan despite the objections of a dissenting class. The Joint Debtors have requested that  
21 the Court confirm the Plan even if creditors holding claims in impaired classes do not accept the Plan.

### 22 **E. Effect of Confirmation.**

23 Confirmation of the Plan shall operate on the Effective Date as a discharge of the Joint Debtors  
from all claims and indebtedness that arose before the Effective Date, except for those unclassified  
claims that the Liquidated Debtors agree to pay as a continuing obligation. All such discharged  
claims and indebtedness shall be satisfied by the cash payment or other consideration provided under  
the Plan. Upon Confirmation, all property of the Debtor's estate shall be free and clear of all claims  
and interests of creditors, except as otherwise provided in the Plan or the order of the Bankruptcy  
Court confirming the Plan. The Reorganized Debtor shall be vested with all assets of the Debtor's  
estate. The provisions of the Plan shall bind the Debtor, the Reorganized Debtor, and all other parties  
in interest, including any creditor of the Debtor, whether or not such creditor is impaired under the  
Plan and whether or not such creditor has accepted the Plan.

### **F. Consequences of the Failure to Confirm the Plan.**

In the event the Court declines to confirm the Plan, whether due to a failure of creditor support  
or otherwise, a conversion of this Chapter 11 case to a case under Chapter 7 of the Bankruptcy Code

1 may result. In that event, the Debtors believe that the less-favorable outcome as detailed in Section V  
2 above would likely occur.

3 RESPECTFULLY SUBMITTED this 3<sup>rd</sup> day of February, 2017.

4 DANCING WATERS, LLC

5 By       /s/ C. Roger Sahlin        
6 C. Roger Sahlin  
7 Its Manager

8 GOVERNOR'S POINT DEVELOPMENT CO.

9 By       /s/ C. Roger Sahlin        
10 C. Roger Sahlin  
11 Its President

12 PLEASANT BAY PROPERTIES & ASSOCIATES, LP

13 By       /s/ C. Roger Sahlin        
14 C. Roger Sahlin  
15 Its General Partner

16 PLEASANT ROAD PARTNERS, LP

17 By       /s/ C. Roger Sahlin        
18 C. Roger Sahlin  
19 Its General Partner

20 CARL ROGER SAHLIN

21 By       /s/ C. Roger Sahlin        
22 Carl Roger Sahlin  
23