

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

In re:

4356 92ND AVE, LLC,

Debtor.

No. **17-14511-TWD**

Chapter **11**

DISCLOSURE STATEMENT

INTRODUCTION

4356 92nd Ave, LLC (the “Debtor”) filed a Petition for Relief under Chapter 11 of the Bankruptcy Code (the “Code”) on October 13, 2017 (the “Petition Date”), and has been a Debtor in Possession since the time of filing.¹ This Disclosure Statement (the “Disclosure Statement”) is presented with respect to the Chapter 11 case of the Debtor. This Disclosure Statement is prepared by the Debtor, and is submitted on its behalf. The Debtor has also filed a Plan of Reorganization (the “Plan”) with the Court. The Proponents of the Plan are (1) the

¹ This case was erroneously designated as a single asset real estate case, although the primary asset is residential real property with fewer than 4 residential units. An Amended Petition For Relief is being filed to correct the designation.

DAVIDSON BACKMAN MEDEIROS

ATTORNEYS AT LAW

A PROFESSIONAL LIMITED LIABILITY COMPANY

1550 BANK OF AMERICA FINANCIAL CENTER

601 WEST RIVERSIDE AVENUE

SPOKANE, WASHINGTON 99201

FACSIMILE: (509) 623-1660

(509) 624-4690

1 Debtor, (2) Patrick A. Price and Suzanne L. Price, husband and wife ("Mr. and
2 Mrs. Price"), and (3) Custom Cold, LLC, a Washington limited liability company.
3

4 SECTION 1. **INFORMATION REGARDING DISCLOSURE STATEMENT**
5 **AND PLAN CONFIRMATION PROCESS.**

6 1.1 DEFINITIONS AND PLAN SUMMARY.

7 All terms defined in the Plan will have the same meanings when used in
8 this Disclosure Statement. In addition, unless otherwise stated, terms used in
9 this Disclosure Statement will have the same meanings set forth in the Code, the
10 Federal Rules of Bankruptcy Procedure, or the Local Rules of the Bankruptcy
11 Court. The exhibits attached to this Disclosure Statement are incorporated into
12 this Disclosure Statement.
13

14 For the purposes of this Disclosure Statement and the Plan, the following
15 capitalized terms shall be defined as set forth below:
16

17 ADMINISTRATIVE EXPENSE: Any cost or expense of administration
18 incurred in connection with the Bankruptcy Case of a kind specified in section
19 503(b) of the Code including, but not limited to, those type of expenses referred to
20 in section 507(a)(2) of the Code and including, without limitation, any actual and
21 necessary costs and expenses of preserving the Bankruptcy Estate of the Debtor
22 incurred after the Petition Date and prior to the Effective Date, any indebtedness
23 or obligation incurred or assumed by the Debtor as a debtor-in-possession in
24 connection with the conduct of its business, all compensation for legal or other
25 services and reimbursement of costs and expenses allowed under sections 330(a)
or 331 of the Code or otherwise pursuant to Court order, all costs of making
distributions and all fees and charges assessed against the Bankruptcy Estate of
the Debtor under Chapter 123, Title 28, United States Code.

1 ALLOWED ADMINISTRATIVE EXPENSE: All or that portion of any
2 Administrative Expense that either has been allowed by a Final Order or has not
3 been objected to on, or before, the Effective Date or such other date set by order
4 of the Court and all periods in which to file objections to the Administrative
Expense have expired.

5 ALLOWED CLAIM: A claim (a) for which a Proof of Claim has been filed with
6 the Court within the time fixed by the Court, or (b) which is scheduled in the list
7 of creditors prepared and filed with the Court by the Debtor and is not listed as
8 disputed, contingent, or unliquidated as to amount: in either case as to which no
objections to the allowance thereof had been filed, or as to which a final order or
judgment has been entered allowing said claim.

9 ALLOWED SECURED CLAIM: An Allowed Claim secured by a lien, security
10 interest, or other charge against or interest in property in which the Debtor has
an interest.

11 BANKRUPTCY CASE: The Chapter 11 proceedings of the Debtor.

12 BANKRUPTCY ESTATE: The bankruptcy estate of the Debtor pursuant to
13 section 541 of the Code.

14 CLAIM: Any right to payment, or right to an equitable remedy for breach of
15 performance if such breach gives rise to a right to payment, whether or not such
16 right to payment or right to an equitable remedy is reduced to judgment, whether
17 liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed,
undisputed, legal, equitable, secured, or unsecured.

18 CLASS: Any class into which Allowed Claims or Allowed Interests are
19 classified pursuant to Section 5.2 of this Disclosure Statement.

20 CODE: The Bankruptcy Code, 11 U.S.C. § 101 et seq. and any
21 amendments thereof.

22 CONFIRMATION DATE: The date upon which the Order of Confirmation
23 becomes a Final Order.

24 CONFIRMATION ORDER: The order entered by the Court confirming the
25 Plan in accordance with the provisions of Chapter 11 of the Code, which order is
no longer subject to appeal and as to which no appeal is pending.

DAVIDSON BACKMAN MEDEIROS
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FACSIMILE: (509) 623-1660

1 COURT: The United States Bankruptcy Court for the Western District of
2 Washington, in which this Chapter 11 case is pending.

3 DEBTOR: 4356 92nd Ave, LLC is the Debtor in this Chapter 11 proceeding.

4 DISALLOWED CLAIM: Any Claim or portion thereof that has been
5 disallowed by a Final Order.

6 DISCLOSURE STATEMENT: This Disclosure Statement submitted by the
7 Debtor, as modified or amended, that (a) relates to the Plan and contains that
8 information which is required under section 1125(a)(1) of the Code, and (b) is
approved by the Court under section 1125(b) of the Code.

9 DISPUTED CLAIM: (a) Any Claim or portion of a Claim or Existing Equity
10 Interest (other than an Allowed Claim) which is scheduled by the Debtor as
11 disputed, contingent, or unliquidated, or (b) a Claim or Equity Interest which has
12 been filed pursuant to section 501(a) of the Code as unliquidated or contingent,
13 or (c) a Claim or Existing Equity Interest which has been filed pursuant to section
14 501(a) of the Code and as to which an objection to the allowance thereof has been
interposed within the time limitation fixed by the Code, by an order of the Court
or by the Plan which objection has not been settled or determined, in whole or in
part, by a Final Order.

15 EFFECTIVE DATE: If the Order Confirming the Plan of Reorganization is
16 not subject to stay, and no motion for reconsideration or similar relief is pending,
17 the Effective Date shall be the fifteenth day after the Confirmation Date. If the
18 Order Confirming the Plan of Reorganization is subject to a stay, or a motion for
reconsideration or similar relief is pending, the Effective Date shall be fifteen (15)
days after the Order Confirming the Plan of Reorganization becomes a final order.

19 FINAL ORDER: An order or judgment of a court, the implementation,
20 operation or effect of which has not been reversed, stayed, modified, or amended
21 and as to which order or judgment (or any revision, modification, or amendment
22 thereof) the time to appeal or seek review or rehearing or writ of certiorari has
23 expired and as to which no appeal or petition for review or rehearing or certiorari
has been taken or is pending.

24 INTERESTS: The equity interests of the members of the Debtor in the
25 Debtor.

1 PETITION DATE: October 13, 2017, which was the date on which the
2 Debtor filed its Petition for Relief under Chapter 11 of the Code.

3 PLAN: The Plan of Reorganization as may be amended or modified from
4 time to time and the exhibits and schedules annexed thereto or referred to
5 therein, as such may be modified from time to time.

6 PROPERTY: The residential real property and improvements owned by the
7 Debtor at 4356 92nd Avenue SE, Mercer Island, Washington, as legally described
8 on the attached Exhibit A. The tax identification number for the Property is
9 004610-0209-03.

10 PRO RATA: With respect to a distribution to any holder of an Allowed Claim
11 or interest in a given class, the amount of such distribution shall be calculated by
12 multiplying the total amount available for distribution by a factor, the numerator
13 of which is said holder's Allowed Claim or interest, and the denominator of which
14 is the aggregate of the Allowed Claims or interest of that class.

15 REORGANIZED DEBTOR: The Debtor following the Effective Date.

16 SECURED CLAIM: All or that portion of any Claim that is secured by a valid
17 perfected lien on property of the Debtor, to the extent of the value of the interest
18 of the holder of such Claim in such property, as determined by agreement
19 between the Debtor and the holder of such Secured Claim or by the Court by a
20 Final Order pursuant to section 506(a) of the Code, together with such interest
21 (including, where applicable, interest accrued on and after the Petition Date),
22 fees, costs and charges as may be allowed by such agreement or by the Court
23 under section 506(b) of the Code.

24 UNSECURED CLAIM: Any Claim to the extent the same is not secured by
25 property of the Estate or entitled to a priority under section 507(a)(1) - (8) of the
Code, such as a Priority Claim, a Priority Tax Claim, and an Administrative
Expense.

26 1.2 LIMITED REPRESENTATIONS.

 This Disclosure Statement has not yet been approved under 11 U.S.C.
§ 1125 for use in the solicitation of acceptances or rejections of the Plan

1 described herein, and the filing and distribution of this Disclosure Statement is
2 not intended, and should not be construed, as a solicitation of acceptances or
3 rejections of the Plan. Information contained herein should not be relied upon for
4 any purpose unless and until a Bankruptcy Court determination is made that
5 this Disclosure Statement contains “adequate information” within the meaning of
6 U.S.C. § 1125(a).
7

8 In determining whether the Plan should be confirmed, the Bankruptcy
9 Court will consider whether the Plan satisfies the requirements of the Code. The
10 Bankruptcy Court will also receive and consider a ballot report prepared by the
11 Debtor concerning the votes cast for or against acceptance of the Plan by parties
12 entitled to vote. Only holders of Allowed Claims and Classes that are impaired by
13 the Plan will be allowed to vote to accept or reject the Plan.
14
15

16 This Disclosure Statement is not the Plan. This Disclosure Statement,
17 together with the Plan, should be read completely. For the convenience of parties,
18 the Plan is summarized in this Disclosure Statement, but all summaries or other
19 statements regarding the Plan are qualified in their entirety by the Plan itself,
20 which is controlling in the event of any inconsistency.
21

22 Information contained in this Disclosure Statement was provided by the
23 Debtor or from public records. No representations or assurances concerning the
24 Debtor’s financial condition, the value of its assets, or future operations of the
25

1 Debtor should be considered except as set forth in this Disclosure Statement.
2 Every effort has been made to be as accurate as possible in the preparation of
3 this Disclosure Statement, and in the preparation of all unaudited financial
4 statements and projections that may be contained or submitted in conjunction
5 and connection with this Disclosure Statement. Nevertheless, the Debtor is
6 unable to warrant or represent that the information contained therein or herein is
7 without error. Any approval by the Bankruptcy Court of this Disclosure
8 Statement does not constitute certification by the Court that this Disclosure
9 Statement is without inaccuracy.
10
11

12 1.3 VOTING AND CONFIRMATION PROCEDURES.

13 Upon approval of this Disclosure Statement, the Debtor will solicit
14 acceptances of the Plan from holders of Claims and Classes entitled to vote on the
15 Plan. After carefully reviewing this Disclosure Statement and the Plan, each
16 holder of a Claim in a Class entitled to vote should do so by completing the Ballot
17 that will be provided. Ballots accepting or rejecting the Plan must be submitted
18 by the voting deadline set by the Court. The Bankruptcy Court will then conduct
19 a hearing to determine whether or not to approve the Plan.
20
21

22 The Plan's treatment of a Class will either "impair" the Claims or Interests
23 in that Class or leave them "unimpaired." A Claim or Interest is impaired if the
24 Plan in any way alters the legal, equitable, or contractual rights associated with
25

1 that Claim or Interest. Holders of Claims or Interests in Classes that are
2 impaired under the Plan may vote to either accept or reject the Plan. If you are
3 the holder of an impaired Claim or Interest, it is important that you vote. The
4 specific treatment of each Class under the Plan is set forth in the Plan and is
5 summarized in this Disclosure Statement.
6

7 In order to confirm the Plan, at least one Class of Claims impaired by the
8 Plan must vote to accept the Plan. In order for a Class of Claims to vote to accept
9 the Plan, votes representing at least two-thirds (2/3) in amount of the Claims in
10 that Class that vote must be cast in favor of the Plan, and more than one-
11 half (1/2) in number of the Claims in that Class that vote must be cast in favor of
12 the Plan.
13

14 Code § 1129(b) allows the Bankruptcy Court to confirm the Plan even if the
15 Plan is rejected by one or more impaired Classes of Claims if: (i) the Bankruptcy
16 Court determines that the Plan does not discriminate unfairly and is fair and
17 equitable with respect to each Class of Claims; and (ii) at least one Class of
18 impaired Claims has voted to accept the Plan.
19

20 A vote for acceptance of the Plan by those holders of Claims who are
21 entitled to vote is important. The Debtor recommends acceptance of the Plan by
22 all holders of Allowed Claims, and asks each holder of an Allowed Claim to cast
23 their vote in favor of the Plan.
24
25

1 SECTION 2. **GENERAL BACKGROUND.**

2 This Chapter 11 case was filed to provide for the cure of defaults relating to
3 the Debtor's purchase of the real property and improvements located at 4356 92nd
4 Avenue in Mercer Island, Washington (the "Property"). The acquisition and the
5 financing of the Property, as well as the funding of the cure payments, are
6 intertwined with the operations of Custom Cold, LLC ("Custom Cold"), a
7 Washington limited liability company owned and operated by Mr. and Mrs. Price.
8

9 2.1 **CUSTOM COLD.**

10 Custom Cold operates a 35,000 square foot cold storage and processing
11 plant at 1196 Industry Drive North, Algona, Washington. Custom Cold, in
12 addition to contracting for cold storage, is a seafood processor that specializes in
13 the sale and distribution of King crab and Dungeness crab. Custom Cold
14 distributes product regionally, and distributes internationally to certain Asian
15 markets.
16

17 In 2016, Custom Cold began constructing a live crab holding and
18 processing room at the plant to receive and hold live Alaskan King crab until the
19 crab could be prepared for live shipment to Asia. This live crab program required
20 specialized permitting from the State of Washington Department of Agriculture,
21 as well as from the National Oceanic and Atmospheric Administration.
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1 The margins for sale of live King crab overseas are very substantial.
2 Mr. and Mrs. Price expected Custom Cold to operate profitably during the 2016
3 season for the sale of live King crab, which typically begins in early October and
4 runs through early March of the next year.
5

6 Shortly prior to the start of the season, Mr. and Mrs. Price became aware of
7 the Property,² which is a unique residence and land that was the Seattle Homes
8 & Lifestyle Magazine “Home of the Year 2003.” Mr. and Mrs. Price engaged in
9 purchase discussions with the owners of the Property, Karen Jensen and Charles
10 Neff, wife and husband, who were also the former occupants. Those discussions,
11 at various times, included the financial advisors and attorneys to Karen Jensen
12 and Charles Neff, and included a review of the operations of Custom Cold.
13

14 2.2 PURCHASE AND FINANCING OF THE PROPERTY.

15 The Debtor was formed as a Washington limited liability company on
16 June 28, 2016 for the purpose of acquiring and developing the Property. The
17 formation of the Debtor and the purchase of the Property in November of 2016 for
18 \$3,800,000.00 were finalized with the expectation that Custom Cold would enjoy
19 a successful harvest season for King crab, and continue successful operations
20
21
22
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24 ² The Property was built in 2002, and has 4,620 square feet of interior space
25 with four bedrooms, three fireplaces, and numerous custom amenities on a
two-acre lot overlooking Lake Washington, with a shared beach.

DAVIDSON BACKMAN MEDEIROS
ATTORNEYS AT LAW
A PROFESSIONAL LIMITED LIABILITY COMPANY

1550 BANK OF AMERICA FINANCIAL CENTER
601 WEST RIVERSIDE AVENUE
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FACSIMILE: (509) 623-1660
(509) 624-4600

1 thereafter as needed to provide funds to Mr. and Mrs. Price for the purchase and
2 maintenance of the Property.

3 Financing for the purchase of the Property was provided by Karen Jensen
4 and Charles Neff (the "Lenders") pursuant to certain loan documents (the "Loan
5 Documents") that included an Amended and Restated Promissory Note effective
6 as of August 12, 2016 in the principal sum of \$3,650,000.00 (the "Note").³

7
8 The Note was repayable with interest on the unpaid principal at the rate of
9 three and one-half percent (3.50%) per annum in monthly installment payments
10 of \$10,645.83 commencing on September 1, 2016, and payable on the 1st day of
11 each succeeding calendar month.

12
13 In addition, the Note required quarterly payments of principal in the
14 amount of \$100,000.00, with the first payment due on or before September 30,
15 2016, and subsequent payments due on December 31, 2016, March 31, 2017,
16 June 30, 2017, September 30, 2017, December 31, 2017, March 31, 2018,
17 June 30, 2018, September 30, 2018, and December 31, 2018.

18
19 The entire balance of the Note, together with any and all interest accrued
20 thereon was due and payable in full on March 31, 2019, in a balloon payment of
21

22
23
24 ³ The initial Promissory Note, dated August 12, 2016, was in the principal
25 amount of \$3,674,000.00.

1 approximately \$2,674,000.00, plus interest at the rate set forth in the note (the
2 “Balloon Payment”).

3 The entire balance of the Note was guaranteed, jointly and severally, by
4 Mr. and Mrs. Price pursuant to a Guaranty Agreement dated August 8, 2016.
5 The Balloon Payment was guaranteed by Copper Leaf, LLC, a Washington limited
6 liability company (“Copper Leaf”), pursuant to a Guaranty Agreement (the “Copper
7 Leaf Guaranty”) dated August 11, 2016. Copper Leaf was not obligated to pay
8 any amounts other than the Balloon Payment. However, Copper Leaf
9 acknowledged that it may be liable after March 31, 2019 for a deficiency
10 judgment to the extent that the sale price obtained at a trustee’s sale pursuant to
11 a non-judicial foreclosure were less than the debt secured by the Deed of Trust.
12

13
14 **2.3 THE 2016 CRAB SEASON AND NOTE DEFAULT.**

15 Unfortunately, Custom Cold encountered unexpected delays in the
16 permitting process that resulted in the loss of the entire King crab harvest season
17 for 2016, while expending approximately \$900,000.00 for the construction of a
18 live crab holding and processing room, and for permitting and licensing expenses.
19

20 As a result of these circumstances, Custom Cold was unable to distribute
21 funds to Mr. and Mrs. Price as needed for the Debtor to make the quarterly
22 payment that became due on March 31, 2017, or the monthly payment that
23 became due on April 1, 2017. On April 4, 2017, the Lenders caused a Notice of
24
25

1 Default to be issued, accelerating the indebtedness secured by the Note, imposing
2 interest at the default rate of eight percent (8.00%) per annum, and declaring all
3 outstanding sums owed on the Note to be immediately due and payable.
4

5 The Note has remained in default. In due course, pursuant to the terms of
6 the Deed of Trust, the Lenders issued and recorded an Amended Notice of
7 Trustee's Sale that was scheduled for October 13, 2017. This Chapter 11 case
8 was filed immediately prior to the Trustee's Sale, which was stayed as a result of
9 the filing.
10

11 2.4 THE 2017 CRAB SEASON AND PROPOSED NOTE CURE.

12 Custom Cold is now fully permitted for King crab exporting, and has
13 commenced the processing of Dungeness crab after a delayed start to the 2017-
14 2018 season. With access to distributions from Custom Cold, Mr. and Mrs. Price
15 intend to provide capital contributions and lease payments to the Debtor as
16 needed to cure the defaults under the Note in accordance with the Plan, and
17 reinstate payments under the Note with interest at the non-default rate not later
18 than July 1, 2018.
19
20

21 SECTION 3. EVENTS FOLLOWING CHAPTER 11 FILING.

22 3.1 EVENTS FOLLOWING CHAPTER 11 FILING.

23 Through the Chapter 11 filing, the Debtor has preserved the Property
24 pending the cure of defaults pursuant to the Plan. The Debtor is operating as a
25

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1 Debtor in Possession.

2
3 SECTION 4. **PLAN SUMMARY, POST EFFECTIVE DATE TRANSACTIONS,**
4 **CONTRACTS AND LEASES, AND EQUITY OWNERSHIP,**
5 **GOVERNANCE, AND COMPENSATION**

6
7 4.1 **SUMMARY OF PLAN OF REORGANIZATION.**

8 In summary, the Plan provides for the cure of all defaults under the Note,
9 and for the full payment of all unsecured creditors.

10 The Note default will be cured through the following payments (the "Cure
11 Payments"): a single payment of \$6,120.03 that was paid from October 2017 rent;
12 a single payment of \$10,062.50 that was paid from November 2017 rent; monthly
13 installments of \$10,062.50 each commencing on January 15, 2018, and payable
14 on or before the first of each month thereafter through June 1, 2018; with the
15 entire Note default to be paid on or before July 1, 2018 (collectively, the "Cure
16 Obligation"). In addition to the existing guarantees of the Note, Custom Cold will
17 guarantee the payment of the Cure Obligation, through the execution of a
18 guaranty (the "Custom Cold Guarantee") to be effective upon the Effective Date of
19 the Plan.

20
21 The Cure Obligation would be funded (1) through monies to be distributed
22 from Custom Cold to Mr. and Mrs. Price, and then contributed by Mr. and Mrs.
23 Price as capital contributions to the Debtor, and (2) through rent payments to be
24 made under the Price Lease Agreement described herein.
25

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ATTORNEYS AT LAW
A PROFESSIONAL LIMITED LIABILITY COMPANY

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1 Under the Plan, the following events would occur on the Effective Date, or
2 as soon as practicable thereafter:

3 a. The Custom Cold Guarantee would become effective.

4
5 b. The Reorganized Debtor would assume the management of the
6 assets of the Bankruptcy Estate, subject to the liabilities set forth in the Plan.

7 c. The Reorganized Debtor would pay all allowed administrative
8 expenses, and would establish a reserve for payment of administrative expenses
9 that have accrued through the Effective Date, but remain subject to allowance.

10
11 d. The Reorganized Debtor would disburse all Effective Date
12 payments that are due pursuant to the Plan.

13 e. The Reorganized Debtor shall execute an extension of the Price
14 Lease Agreement (referenced hereafter), increasing the rent to the sum of
15 \$10,062.50 per month, and extending the term of the Price Lease Agreement to
16 March 31, 2019, or until the Property is sold, whichever is sooner.

17
18 f. The Reorganized Debtor, if it elects to do so, would be
19 authorized to sell or refinance the Property to pay the Lenders in full. The timing
20 and terms of such sale or refinance would be within the sole discretion of the
21 Reorganized Debtor, subject to Bankruptcy Court approval, but would occur prior
22 to March 31, 2019. Any sale of the Property would be exempt from local, state, or
23 federal taxation on transfer, pursuant to 11 U.S.C. § 1146. All proceeds of sale
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25

DAVIDSON BACKMAN MEDEIROS
ATTORNEYS AT LAW
A PROFESSIONAL LIMITED LIABILITY COMPANY

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1 would be distributed under the Plan, after payment of normal and usual costs
2 and expenses of sale.

3 g. The claims of General Unsecured Creditors would be paid in
4 full within thirty (30) days of the Effective Date, without interest. All Equity
5 Interests would be retained by the Members.
6

7 4.2 EQUITY OWNERSHIP, GOVERNANCE, AND COMPENSATION.

8 4.2.1 Equity Ownership. The Members of the Debtor are Patrick A.
9 Price and Suzanne L. Price, and their daughters, Lauren P. Neri and Megan L.
10 Martinez. All economic Interests are held by Patrick A. Price.
11

12 4.2.2 Governance and Compensation. The Debtor is member-
13 managed. None of the Members are compensated for services rendered to the
14 Debtor, and no compensation is anticipated post-confirmation.
15

16 SECTION 5. **TREATMENT OF CLAIMS & INTERESTS UNDER THE PLAN**

17 5.1 UNCLASSIFIED OBLIGATIONS.

18 5.1.1 Administrative Expenses. The estate is subject to
19 administrative claims for legal and accounting services, together with other
20 claims that have been allowed by the Court as an expense of administration.
21 These administrative claims include the costs and expenses incurred in
22 connection with this reorganization, primarily relating to the fees of attorneys,
23 accountants, and any other professionals employed by the estate. Payment of
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1 these costs and expenses is subject to approval by the Court. All requests for
2 compensation and reimbursement of expenses are subject to approval by the
3 Court following notice to creditors and other parties in interest.
4

5 The Plan provides for payment in full of Allowed Administrative
6 Expenses. The anticipated Allowed Administrative Expenses will include any
7 unpaid compensation or reimbursement of expenses owed to Davidson Backman
8 Medeiros PLLC as the attorneys for the Debtor, and any unpaid compensation or
9 reimbursement of expenses owed to accountants, if any, that have been employed
10 by the Debtor.
11

12 5.2 CLASSIFICATION OF CLAIMS & INTERESTS AND SUMMARY OF
13 TREATMENT UNDER THE PLAN.
14

15 Claims and Interests are classified for purposes of voting on the Plan.
16 Creditors or Interests within a class will be treated similarly under the Plan.

17 Class 1: Priority Non-Tax Claims. Class 1 includes all priority creditors
18 of the Debtor that hold Allowed Claims under 11 U.S.C. § 507, except unsecured
19 claims of governmental units as set forth in 11 U.S.C. § 507(a)(7). Priority Non-
20 Tax Claims include claims for wages, salaries, and commissions to the extent
21 earned within sixty (60) days of filing, and claims for unpaid contributions to
22 employee benefit plans, and claims of consumers for deposits that were paid for
23 goods or services that have not been delivered. The Debtor believes that no
24
25

1 creditors are entitled to treatment as a Priority Non-Tax Claim. Any such claims
2 that are allowed shall be paid in full at the Effective Date, or upon allowance,
3 whichever is later.

4
5 Class 2: King County Treasurer. Class 2 consists only of the allowed
6 secured claim of the King County Treasurer in the approximate amount of
7 \$10,909.63 as of the Petition Date, secured by the Property. The Class 2 claim
8 constitutes a senior lien against the Property. All real property taxes and
9 assessments that are payable on the Effective Date shall be paid in full at that
10 time. The King County Treasurer shall retain its lien against the Property until
11 fully paid, but is impaired by the Plan.

12
13 Class 3: Karen Jensen and Charles Neff. Class 3 consists of the allowed
14 claim of the Lenders with a balance of \$3,607,521.80,⁴ secured by a first Deed of
15 Trust against the Property. The Lenders shall receive the Cure Payments, and
16 shall receive payments following the cure as required by the Loan Documents.
17 The Lenders shall retain their lien against the Property until fully paid with
18 respect to their Class 3 claim. Unless all defaults under the Note are cured prior
19 to the Confirmation Date, the Lenders will be impaired by the Plan.

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25 ⁴ Balance is set forth as stated in the motion for relief from stay filed by the
Lenders dated January 10, 2018 [Dkt. No. 17]. The Debtor reserves all rights
to dispute the Lenders' claim.

1 Class 4: Copper Leaf, LLC. Class 4 consists only of the contingent and
2 unliquidated unsecured allowed claim of Copper Leaf as a guarantor of the
3 Balloon Payment. The Class 4 claim is not impaired by the Plan. The Class 4
4 claim shall be deemed to have accepted the Plan.

5
6 Class 5: General Unsecured Creditors. Class 5 consists only of the
7 allowed claims of General Unsecured Creditors of the Debtor. The claims of
8 General Unsecured Creditors shall be paid in full within thirty (30) days of the
9 Effective Date, without interest. General Unsecured Creditors are impaired under
10 the Plan.

11
12 Class 6: Interests. Class 6 consists only of the allowed interests of the
13 Members as the holders of equity security Interests (membership interests) in the
14 Debtor. The holders of Interests shall retain their Interests under the Plan, and
15 are not impaired under the Plan; provided, no distribution shall be made on
16 account of any Interest unless and until all other classes of Claims have been
17 paid in full.

18
19
20 SECTION 6. **EXECUTORY CONTRACTS AND UNEXPIRED LEASES.**

21 The Debtor, subject to Bankruptcy Court approval, has the right to assume
22 or reject any executory contracts or unexpired leases entered into prior to the
23 Petition Date. Unless otherwise agreed, all monetary and non-monetary defaults
24 must be cured as a condition of assumption, and the Debtor must provide
25

1 adequate assurances of future performance. If rejected, damages resulting to the
2 other party to such executory contract or unexpired lease are generally allowable
3 as unsecured pre-petition Claims.
4

5 6.1 EXECUTORY CONTRACTS AND UNEXPIRED LEASES TO BE
6 ASSUMED.

7 The following executory contracts and unexpired leases will be assumed on
8 the Effective Date, or prior to the Effective Date if authorized to do so by order of
9 the Court.
10

11 a. Residential Lease Agreement. The Residential Lease Agreement
12 (the "Price Lease Agreement") entered into by and between the Debtor and
13 Mr. and Mrs. Price on October 12, 2017 provides for the rental of the Property
14 commencing on October 12, 2017, and terminating on February 15, 2018, unless
15 extended upon the mutual agreement of the parties. The rent for the Property
16 extended upon the mutual agreement of the parties. The rent for the Property
17 under the Price Lease Agreement is \$10,000.00 per month (the "Rent").⁵

18 The Reorganized Debtor and Mr. and Mrs. Price shall execute an
19 extension of the Price Lease Agreement on the Effective Date, increasing the rent
20 to the sum of \$10,062.50 per month, and extending the term of the Lease to
21 March 31, 2019, or until the Property is sold, whichever is sooner.
22
23
24

25 ⁵ Rent from October 12, 2017 through October 31, 2017 was paid in the sum of
\$6,120.03, representing a pro-rate of the monthly Rent.

1 The Debtor believes that there are no other executory contracts other than
2 the Price Lease Agreement.
3

4 **SECTION 7. CLAIMS RESOLUTION**

5 7.1 DISTRIBUTIONS TO CREDITORS.

6 The Reorganized Debtor shall act as the disbursing agent for the purpose of
7 making distributions under the Plan.
8

9 7.2 UNCLAIMED DISTRIBUTIONS.

10 Unclaimed distributions, or distributions which are not deliverable to the
11 Claimant by first class mail, shall be held in reserve in the same manner as
12 distributions reserved for holders of Disputed Claims. These unclaimed
13 distributions shall be held for a period of one (1) year following the
14 commencement of distributions to creditors of the same Class, after which time
15 all unclaimed distributions shall be distributed to the Reorganized Debtor for
16 redistribution to other holders of Allowed Claims.
17
18

19 **SECTION 8. CONDITIONS TO EFFECTIVENESS OF PLAN**

20 8.1 CONDITIONS PRECEDENT TO EFFECTIVENESS OF PLAN.

21 The Plan shall not become effective and the Effective Date shall not occur
22 until each of the following conditions shall have been satisfied or waived pursuant
23 to this Section:
24
25

1 a. The Confirmation Order, in form and substance acceptable to
2 the Debtor, has been entered and has become a Final Order;

3 b. All actions, documents, and agreements necessary to
4 implement the Plan shall be affected or executed as soon as practicable within
5 fifteen (15) days after entry of the Confirmation Order.
6

7 8.2 WAIVER OF CONDITIONS PRECEDENT TO EFFECTIVE DATE.

8 The Debtor, in its sole discretion and to the extent not prohibited by
9 applicable law, may waive one or more conditions precedent to the effectiveness of
10 the Plan and the Effective Date in whole or in part, without notice to any parties
11 in interest or the Bankruptcy Court, and without hearing; provided, that such
12 waiver must occur within fifteen (15) days of entry of the Confirmation Order.
13 The failure to satisfy or waive any condition to the effectiveness of the Plan or the
14 Effective Date may be asserted by the Debtor in its sole discretion regardless of
15 the circumstances giving rise to the failure of such conditions to be satisfied
16 (including any action or inaction by the Debtor). The failure of the Debtor to
17 exercise any of the foregoing rights will not be deemed a waiver of any other
18 rights, and each such right will be deemed an ongoing right that may be asserted
19 anytime.
20
21
22

23 8.3 FAILURE OF CONDITIONS PRECEDENT TO EFFECTIVE DATE.

24 If the conditions for the effectiveness of the Plan and the Effective Date are
25

1 not satisfied or waived and consummation of the Plan does not occur, the Plan
2 shall be null and void in all respects, and nothing contained in the Plan or
3 Disclosure Statement shall: (a) constitute a waiver or release of any Claims by or
4 against the Debtor, (b) prejudice in any manner the rights of the Debtor, or
5 (c) constitute an admission, acknowledgment, offer, or undertaking by the Debtor
6 in any respect.
7

8
9 SECTION 9. **EFFECT OF CONFIRMATION.**

10 9.1 VESTING.

11 As of the Effective Date, all assets of the Debtor shall vest in the
12 Reorganized Debtor, free and clear of all Claims and Existing Interests except to
13 the extent set forth in the Plan or by Court Order.
14

15 9.2 DISCHARGE.

16 The rights afforded in the Plan and the treatment of all Claims and
17 Interests shall be in exchange for and in complete satisfaction, discharge, and
18 release of all Claims and Interests of any nature whatsoever arising prior to the
19 Effective Date, including, without limitation, any interest accrued on such Claims
20 from and after the Petition Date (except as otherwise ordered by the Bankruptcy
21 Court), against the Debtor, the estate, and/or the Property.
22
23

24 Except as otherwise provided in the Plan or the Confirmation Order, the
25 Confirmation Order shall: (a) on the Effective Date, discharge and release the

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1 Debtor, the estate, the Reorganized Debtor, and their property to the full extent
2 permitted by Code §§ 524 and 1141 from all Claims or Interests, including
3 without limitation, all debts, obligations, demands, liabilities, Claims, and
4 Interests that arose before the Effective Date, and all debts of the kinds specified
5 in Code §§§ 502(g), 502(h), or 502(i), regardless of whether (i) a proof of Claim or
6 proof of Interest based on such debt or Interest is filed or deemed filed, (ii) a
7 Claim or Interest based on such debt or Interest is allowed pursuant to Code
8 § 502, or (iii) the holder of a Claim or Interest based on such debt or Interest has
9 or has not accepted the Plan; (b) void any judgment underlying a Claim or
10 Interest discharged hereunder; and (c) preclude all entities from asserting against
11 the Debtor, the estate, the Reorganized Debtor or their property, any Claims or
12 Interest based on any act or omission, transaction, or other activity of any kind or
13 nature that occurred prior to the Effective Date.
14
15
16

17
18 **SECTION 10. MISCELLANEOUS PROVISIONS.**

19 10.1 EFFECTUATING DOCUMENTS AND FURTHER TRANSACTIONS.

20 The Debtor and the Reorganized Debtor are authorized to execute, deliver,
21 file, or record such contracts, instruments, releases, indentures, and other
22 agreements or documents and take such actions as may be necessary or
23 appropriate to effectuate and further evidence the terms and conditions of the
24 Plan.
25

1 10.2 AMENDMENT, REVOCATION, OR WITHDRAWAL OF THE PLAN.

2 The Debtor reserves the right to amend, revoke, or withdraw the Plan prior
3 to the Effective Date. If the Debtor amends the Plan prior to the Effective Date,
4 then the amended Plan will become the new Plan. If the Debtor revokes or
5 withdraws the Plan prior to the Effective Date, then the Plan will be deemed null
6 and void. In such event, nothing contained herein will constitute or be deemed a
7 waiver or release of any Claim or prejudice in any manner the rights of the Debtor
8 or any person in any further proceedings involving the Debtor. Neither the filing
9 of the Plan or this Disclosure Statement, any statement or provision contained
10 herein or therein, or the taking of any action by the Debtor with respect to the
11 Plan will or will be deemed to be an admission or waiver of any rights of the
12 Debtor with respect to the holders of Claims or Interests or with respect to any
13 matter which is pending before or may come before the Bankruptcy Court for
14 determination in the Bankruptcy Case.
15
16
17

18 10.3 LITIGATION AND THIRD PARTY CLAIMS.

19 10.3.1 Preferential Transfers. The Debtor, as a Debtor in
20 Possession, is authorized to recover preferential payments to creditors that were
21 made prior to bankruptcy. Preferences are recoverable in accordance with 11
22 U.S.C. § 547(b) of the Code, which generally allows the recovery of a transfer of
23 property to or for the benefit of a creditor on account of an antecedent debt, made
24
25

1 while the Debtor was insolvent, made within ninety (90) days before the date of
2 filing, or within one (1) year before the date of filing if the creditor was an insider,
3 and resulting in the creditor receiving more than that creditor would have
4 received under a liquidation pursuant to Chapter 7 of the Code. Preferences may
5 not be recovered to the extent that the transfer was intended to be a
6 contemporaneous exchange for new value, or if the payment was made in the
7 ordinary course of business.
8

9 The Debtor has not identified any preferential transfers to creditors.
10 The Debtor reserves the right to recover any such transfers that are identified.
11 Any recoveries would vest in the Reorganized Debtor.
12

13 10.3.2 Fraudulent Conveyances. The Debtor, as a Debtor in
14 Possession, also enjoys the rights and powers of a bankruptcy trustee with
15 respect to the recovery of fraudulent transfers of property that would have been
16 made prior to the bankruptcy filing. Sections 548 and 544 of the Code authorize
17 a bankruptcy trustee to utilize either bankruptcy law or state law as a basis for
18 recovering fraudulent transfers. Generally, fraudulent transfers may be recovered
19 if they were made with actual intent to hinder, delay, or defraud creditors, or if
20 transfers of property are made for less than a reasonably equivalent value, and
21 the Debtor (1) was insolvent or became insolvent as a result of the transaction; or
22 (2) was engaged in business or was about to engage in a business transaction for
23
24
25

1 which its remaining capital was unreasonably insufficient; or (3) intended to
2 incur or believed it would incur debts beyond its ability to pay.

3 The Debtor has not identified any avoidable fraudulent transfers.
4
5 The Debtor reserves the right to recover any such transfers that are identified.
6 Any recoveries would vest in the Reorganized Debtor.

7 10.4 U.S. TRUSTEE FEES AND REPORTS.

8 The Reorganized Debtor shall be responsible for timely payment of fees
9 incurred pursuant to 28 U.S.C. § 1930(a)(6). After confirmation, the Reorganized
10 Debtor shall file and serve on the Trustee a Disbursement Report for Confirmed
11 Case (UST-30).
12

13 10.5 SUBSTANTIAL CONSUMMATION.

14 The Code, at 11 U.S.C. § 1101(2), defines “substantial consummation” as:

- 15 a. transfer of all or substantially all of the property proposed by
16 the Plan to be transferred;
17
18 b. assumption by the Reorganized Debtor under the Plan of the
19 business or of the management of all or substantially all of the property dealt
20 with under the Plan; and
21
22 c. commencement of the distribution under the Plan.

23 Upon substantial consummation, the Reorganized Debtor shall certify the
24 same to the Court, and seek entry of a Final Decree closing this case. The
25

1 Chapter 11 case shall be deemed to be substantially consummated pursuant to
2 11 U.S.C. § 1101(2) following the assumption by the Debtor of the management of
3 substantially all of its Property dealt with under the Plan, and upon (1) full
4 payment of all allowed Administrative Expense Claims; (2) delivery of all required
5 documentation to the Lenders; (3) cure of all defaults under the Note; and (4) the
6 commencement of distributions to creditors. Upon substantial consummation,
7 the Reorganized Debtor shall certify the same to the Court, and seek entry of a
8 Final Decree closing this case.
9
10

11 SECTION 11. **TAX CONSEQUENCES.**
12

13 The Debtor believes that the implementation of the Plan will have no
14 material adverse tax impact on the Debtor, as it is a pass through entity, and not
15 liable for the payment of federal income tax or tax from capital gains realized in
16 the event of an asset sale. No tax opinion has been sought or will be obtained
17 with respect to any tax consequences of the Plan. This Disclosure Statement
18 does not constitute and is not intended to constitute a tax opinion or tax advice to
19 any party, and the summary contained herein is provided for informational
20 purposes only. Each holder of a Claim or Existing Interest is urged to consult
21 with their own accountant, attorney, or tax advisor regarding the federal, state,
22
23
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25

1 local, and foreign tax consequences of the Plan.⁶

2
3 SECTION 12. **ACCEPTANCE AND CONFIRMATION.**

4 12.1 VOTING PROCEDURES.

5 Each holder of an Allowed Claim in an impaired Class that is entitled to
6 vote on the Plan will be entitled to vote separately to accept or reject the Plan as
7 provided in such order entered by the Bankruptcy Court establishing procedures
8 with respect to the solicitation and tabulation of votes to accept or reject the Plan,
9 or in any order or orders of the Bankruptcy Court.

10
11 Separate ballots will be sent to all known holders of Claims, whether or not
12 such Claims are disputed. In addition, only the holders of Allowed Claims (or
13 Claims that have been temporarily allowed or have been estimated by the
14 Bankruptcy Court) which are impaired are entitled to vote on the Plan. A Claim
15 as to which an objection has been filed is not an Allowed Claim unless and until
16 the Bankruptcy Court rules on the objection and any appeals are determined,
17 unless the Bankruptcy Court determines otherwise. The holders of Claims that
18 are subject to objections are not entitled to vote on the Plan unless they request
19
20
21

22
23 ⁶ IRS Circular 230 Notice: To ensure compliance with requirements imposed by
24 the IRS, please be advised that any U.S. tax advice contained in this
25 Disclosure Statement (including any attachment) is not intended or written to
be used, and cannot be used, for the purpose of (1) avoiding penalties under
the Internal Revenue Code, or (2) promoting, marketing, or recommending to
another party any transaction or matter addressed herein.

1 that the Bankruptcy Court, pursuant to Bankruptcy Rule 3018(a), temporarily
2 allow Disputed Claims in appropriate amounts solely for the purpose of enabling
3 the holders of such Claims to vote on the Plan, and the Bankruptcy Court does
4 so.
5

6 12.2 FEASIBILITY AND PROJECTED PERFORMANCE OF THE
7 REORGANIZED DEBTOR.

8 The Code requires, as a condition to confirmation, that the Bankruptcy
9 Court find that liquidation of the Debtor, or the need for future reorganization, is
10 not likely to occur after confirmation. Not later than ten (10) days prior to
11 hearing on the consideration of this Disclosure Statement, the Debtor will file
12 financial statements for Custom Cold, including a 2017 year end statement, and
13 a year to date statement. The Debtor believes that it will be able to demonstrate
14 that it has sufficient means to fund all required payments on the Effective Date;
15 that the Reorganized Debtor will be able to make all payments required pursuant
16 to the Plan; and that the Plan is feasible and not likely to be followed by the
17 liquidation, or the need for further financial reorganization, of the Debtor except
18 as provided in the Plan.
19
20
21

22 12.3 BEST INTERESTS OF CREDITORS AND LIQUIDATION ANALYSIS.

23 Under Code § 1129(a)(7), each holder of a Claim or Interest that is impaired
24 must either (i) vote to accept the Plan, or (ii) receive or retain under the Plan cash
25

1 or property of the value, as of the Effective Date of the Plan, that is not less than
2 the value such holder would receive or retain if the Debtor were liquidated under
3 Chapter 7 of the Code.

4
5 To fulfill that requirement, the Plan will not be confirmed unless the
6 Bankruptcy Court makes a finding that the Plan will provide each member of an
7 impaired Class of Claims or Interests a distribution at least equal to a
8 distribution that would be made if the Debtor were liquidated under Chapter 7 of
9 the Code. If the Plan is found to yield a recovery greater than would be available
10 under Chapter 7, the Plan will be deemed to be in the best interests of creditors,
11 and the Court can confirm the Plan subject to the other requirements of
12 confirmation, regardless of whether creditors have voted for acceptance.
13

14
15 The Bankruptcy Court, in order to determine how much members of each
16 impaired Class of unsecured creditors and Interest holders would receive if the
17 Bankruptcy Estate were liquidated, must first determine the total value of assets
18 which would be realized if this Chapter 11 case was converted to a proceeding
19 under Chapter 7, and the assets liquidated by a bankruptcy trustee. The
20 liquidation value of the Debtor would be the estimate of monies received from the
21 sale of assets supplemented by cash on hand, and collection of any funds payable
22 to the Debtor. The proceeds of liquidation would be reduced by the costs and
23 expenses of liquidation, as well as Administrative Expense Claims and Secured
24
25

1 Claims.

2 If the estate were liquidated under Chapter 7, costs would be incurred for
3 maintenance of the Property, and for the compensation of the trustee and any
4 professionals employed by the trustee, including attorneys and accountants; for
5 costs of sale and disposition of assets; and by all unpaid expenses incurred by
6 the Bankruptcy Estate during the Chapter 11 proceedings (including claims for
7 attorney's fees, accountants, or property tax liabilities); and other expenses
8 arising from the operation during the Chapter 11 and Chapter 7 liquidations.
9

10
11 In a Chapter 7 case, a trustee would be appointed to liquidate the Debtor's
12 assets for distribution to creditors in accordance with the priorities set forth in
13 the Code. Under the priority scheme set forth in the Code, secured creditors are
14 generally paid from the proceeds of sale of the property securing their liens. If
15 any assets remain after the satisfaction of Secured Claims, the holders of
16 Administrative Expense Claims are generally the next to receive payment.
17 Unsecured Claims are paid from any remaining sale proceeds or estate assets, in
18 accordance with their priorities.
19

20
21 Finally, Interest holders receive the balance that remains, if any, after all
22 creditors are paid. To confirm the Plan, the Bankruptcy Court must find that all
23 creditors and Interest holders that do not accept the Plan will receive at least as
24
25

1 much under the Plan as they would receive under a hypothetical liquidation of
2 the Debtor.

3 The Plan is intended to provide distributions to creditors that will be greater
4 than what would be made in the event of liquidation, considering the nature and
5 amounts of creditors' Claims and their priority with respect to each other. A
6 Liquidation Analysis setting forth the Debtor's estimated distribution to creditors
7 and members is attached hereto as Exhibit B.

8
9
10 **12.4 CONFIRMATION OVER DISSENTING CLASS.**

11 In the event that any impaired Class of Claims does not accept the Plan,
12 the Debtor will request the Bankruptcy Court to confirm the Plan in accordance
13 with Code § 1129(b), which will permit the Bankruptcy Court to confirm the Plan
14 if all other requirements under Code § 1129(a) are satisfied, and if, as to each
15 impaired Class which has not accepted the Plan, the Bankruptcy Court
16 determines that the Plan does not discriminate unfairly and is fair and equitable
17 with respect to such non-accepting Classes.
18

19
20 **SECTION 13. ALTERNATIVES TO PLAN.**

21 If the Plan is not confirmed, several different events could occur, including:
22 (1) the Debtor could propose another Plan providing for different treatment of one
23 or more creditors; or (2) the Bankruptcy Court could convert or dismiss the
24
25

1 Bankruptcy Case if the Debtor is unable to confirm an alternative Plan within a
2 reasonable period of time.

3
4 SECTION 14. **RECOMMENDATION.**

5 The Debtor recommends that all creditors vote to accept the Plan as
6 providing the best possible return to creditors under the circumstances of this
7 Chapter 11 case.
8

9 DATED this 12th day of January 2018.


10 DAVIDSON BACKMAN MEDEIROS PLLC

11 /s/ Barry W. Davidson


12 Barry W. Davidson, WSBA No. 07908
13 Attorney for 4356 92nd Ave, LLC
14 1550 Bank of America Financial Center
15 601 West Riverside Avenue
16 Spokane, Washington 99201
17 Telephone: (509) 624-4600
18 Facsimile: (509) 623-1660
19 Email: bdavidson@dbm-law.net

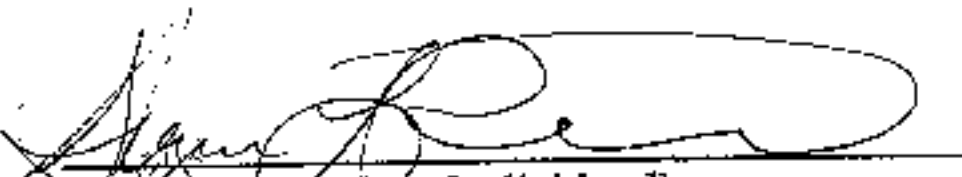
18 Approved and Accepted by the
19 following Proponents:

20 4356 92ND AVE, LLC

21 
22 _____
23 By: Patrick A. Price
24 Its: Member and Authorized Representative
25

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Patrick A. Price, Individually


Suzanne L. Price, Individually

CUSTOM COLD, LLC

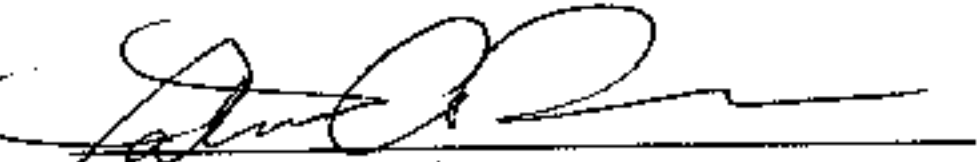

By: Patrick A. Price
Its: Member and Authorized Representative

Exhibit A

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(509) 624-4600

Legal Description of Property

THAT PORTION OF TRACT 3, ADAMS LAKE WASHINGTON TRACTS, ACCORDING TO THE PLAT THEREOF, RECORDED IN VOLUME 11 OF PLATS, PAGE(S) 80, IN KING COUNTY, WASHINGTON, DAF:

BEGINNING AT A POINT ON THE SOUTH LINE OF SAID TRACT FROM WHICH THE SOUTHWEST CORNER THEREOF BEARS NORTH 88°26'16" WEST 347.37 FEET; THENCE NORTH 02°48'45" WEST 218.84 FEET; THENCE SOUTH 84°28'52" EAST 212.31 FEET; THENCE SOUTH 58°43'52" EAST 408.94 FEET; THENCE NORTH 88°26'16" WEST 550.33 FEET TO THE POINT OF BEGINNING;

EXCEPT THAT PORTION OF TRACT 3, ADAM'S LAKE WASHINGTON TRACTS, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 11 OF PLATS, PAGE 80, IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTH LINE OF SAID TRACT 3 FROM WHICH THE SOUTHWEST CORNER OF SAID TRACT BEARS NORTH 88°26'16" WEST, 897.70 FEET; THENCE NORTH 83°26'16" WEST ALONG THE SOUTH LINE OF SAID TRACT 3, FOR A DISTANCE OF 179.60 FEET TO AN IRON PIPE SET BY JONES, BASSI AND ASSOCIATES, LAND SURVEYORS, ON JANUARY 26, 1984; THENCE NORTH 24°10'52" WEST, 53.90 FEET TO AN IRON PIPE SET BY SAID SURVEYORS; THENCE CONTINUING NORTH 24°10'52" WEST, 44.37 FEET TO AN IRON PIPE SET BY SAID SURVEYORS; THENCE CONTINUING NORTH 24°10'52" WEST, 58.67 FEET, MORE OR LESS, TO A POINT ON THE SOUTHERLY LINE OF THAT CERTAIN TRACT OF LAND CONVEYED TO MAURICE KEATING, JR. AND MARGARET G. KEATING, HIS WIFE, BY INSTRUMENT RECORDED UNDER KING COUNTY RECORDER'S RECORDING NUMBER 7302010218, SAID POINT BEING MARKED BY AN IRON PIPE SET BY SAID SURVEYORS; THENCE SOUTH 58°43'52" EAST ALONG SAID SOUTHERLY LINE, 285.26 FEET, MORE OR LESS, TO THE POINT OF BEGINNING;

TOGETHER WITH AN EASEMENT FOR ROAD PURPOSES OVER THE FOLLOWING DESCRIBED TRACT:

BEGINNING AT THE NORTHWEST CORNER OF THE PARCEL DESCRIBED ABOVE; THENCE NORTH 84°28'52" WEST, 18.85 FEET TO A POINT IN THE BOUNDARY OF AN EASEMENT FOR ROAD AND UTILITY PURPOSES AS RECORDED UNDER RECORDING NUMBER 5415738; THENCE SOUTH 51°00'08" WEST, ALONG SAID BOUNDARY, 18.34 FEET; THENCE SOUTH 60°49'32" EAST, 39.45 FEET TO THE WESTERLY LINE OF SAID PARCEL; THENCE NORTH 02°48'45" WEST, 29.01 FEET TO THE POINT OF BEGINNING;

TOGETHER WITH AN EASEMENT FOR ROADWAY AS ESTABLISHED BY RECORDING NUMBER 4568542 OVER AND ACROSS A STRIP OF LAND 30 FEET IN WIDTH HAVING ITS CENTERLINE, A LINE DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF TRACT 2, ADAMS LAKE WASHINGTON TRACTS, ACCORDING TO THE PLAT THEREOF, RECORDED IN VOLUME 11 OF PLATS, PAGE(S) 80, IN KING COUNTY, WASHINGTON;

THENCE SOUTH 01°08'16" WEST ALONG THE WEST LINE OF SAID TRACT 2, A DISTANCE OF 229.30 FEET TO THE POINT OF BEGINNING OF SAID CENTERLINE; THENCE NORTH 61°08'26" EAST, A DISTANCE OF 81.62 FEET TO THE POINT OF CURVE; THENCE ON A CURVE TO THE RIGHT HAVING A RADIUS OF 40 FEET, THROUGH AN ANGLE OF 75°, AN ARC DISTANCE OF 52.36 FEET TO A POINT OF TANGENCY; THENCE SOUTH 43°51'44" EAST, A DISTANCE OF 82.66 FEET TO A POINT WHICH IS THE EASTERLY TERMINUS OF SAID CENTERLINE;

TOGETHER WITH A CIRCULAR TURN-AROUND HAVING A RADIUS OF 30 FEET AND HAVING AS ITS CENTER POINT THE EASTERLY TERMINUS OF CENTERLINE OF THE 30 FOOT STRIP DESCRIBED IN THE PROCEEDING PARAGRAPH;

TOGETHER WITH AN EASEMENT FOR INGRESS AND EGRESS OVER AND UNDER THE FOLLOWING DESCRIBED TRACT:

THAT PORTION OF TRACTS 2 AND 3, ADAMS LAKE WASHINGTON TRACTS, ACCORDING TO THE PLAT THEREOF, RECORDED IN VOLUME 11 OF PLATS, PAGE(S) 80, IN KING COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID TRACT 2; THENCE SOUTH 88°26'16" EAST ALONG THE NORTH LINE OF SAID TRACT, 620.86 FEET; THENCE SOUTH 51°00'08" WEST, 363.35 FEET TO THE TRUE POINT OF BEGINNING; THENCE SOUTH 89°06'16" WEST 137.30 FEET TO A POINT IN THE CIRCUMFERENCE OF A CIRCULAR-TURN-AROUND, DESCRIBED IN RECORDING NUMBER 4568542, FROM WHICH THE CENTER OF THE TURN-AROUND DEFINED IN SAID FILE AS THE CENTERLINE TERMINUS BEARS SOUTH 72°27'52" WEST; THENCE SOUTHERLY ALONG SAID CIRCUMFERENCE 32.56 FEET TO A POINT FROM WHICH SAID CENTER BEARS NORTH 45°41'27" WEST, 30.00 FT; THENCE NORTH 89°06'16" EAST 69.25 FEET; THENCE SOUTH 81°24'59" EAST 31.3 5 FEET; THENCE NORTH 51°00'08" EAST 56.99 FEET TO THE TRUE PLACE OF BEGINNING;

TOGETHER WITH AN EASEMENT FOR ROAD PURPOSES OVER THE FOLLOWING DESCRIBED PROPERTY: BEGINNING AT THE SOUTHEAST CORNER OF THE TRACT ABOVE DESCRIBED EASEMENT; THENCE SOUTH 60°49'32" EAST 39.46 FEET TO A POINT ON THE WEST LINE OF THE MAIN TRACT; THENCE NORTH 02°48'45" WEST ALONG SAID WEST LINE 29.01 FEET TO THE NORTHWEST CORNER OF SAID MAIN TRACT; THENCE NORTH 84°28'52" WEST TO THE EAST LINE OF THE TRACT DESCRIBED EASEMENT; THENCE SOUTH 51°00'08" WEST TO THE POINT OF BEGINNING.

Exhibit B

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(509) 624-4600

Chapter 7

Liquidation Value:

ASSETS AND LIABILITIES:

Property and Improvements:

| | | |
|---|---------------------|---------------------|
| Real Property and Improvements: | \$4,380,000.00 | |
| Estimated Sales Costs and Commission (6%): | -\$262,800.00 | |
| King County Treasurer (2017): | -\$12,109.68 | |
| King County Treasurer (estimated 2018): | -\$21,806.29 | |
| Karen Jensen and Charles Neff*: | -\$3,607,521.80 | |
| Net Real Property Liquidation Value: | \$475,762.23 | \$475,762.23 |

Personal Property:

| | | |
|--|--------------------|----------------------|
| Cash: | \$86.21 | |
| Receivables (December 2017 and January 2018 rent): | \$20,125.00 | |
| Advance Fee Deposit (Davidson Backman Medeiros IOLTA Account): | \$20,935.00 | |
| Total Value: | \$41,146.21 | |
| Net Real and Personal Property Proceeds\Loss: | | \$516,908.44 |
| Less Chapter 7 Trustee Statutory Fees: | | -\$141,112.00 |
| Less Chapter 7 Trustee Attorney Fees: | | -\$5,000.00 |

Estimated Administrative Expenses:

| | |
|----------------------------------|---------------------|
| Chapter 11 Legal and Accounting: | -\$20,000.00 |
|----------------------------------|---------------------|

Estimated Funds Available For Distribution to Unsecured Creditors:

\$350,796.44

Unsecured Non-priority Claims:

| | | |
|---|-------------------|--------------------|
| Unsecured Claims: | \$9,504.16 | |
| Total Unsecured Non-priority Claims: | \$9,504.16 | -\$9,504.16 |

Estimated Percentage of Payment to Unsecured Creditors:

100.00%

* Balance is set forth as stated in the motion for relief from stay filed by the Karen Jensen and Charles Neff dated January 10, 2018 [Dkt. No. 17]. The Debtor reserves all rights to dispute the Lenders' claim.