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Judge: Brian D. Lynch
Chapter 11
Hearing Date:
~~10/11/03~~ 11/15/2017
Hearing Time: 9:10:00 a.m.
Location: Vancouver
Response Date: ~~9/11/26~~ 10/17

5 Attorneys for Debtors

8
9 IN THE UNITED STATES BANKRUPTCY COURT
10 FOR THE WESTERN DISTRICT OF WASHINGTON AT TACOMA

11 In re
12 Gateway Medical Center II, LLC,
13 Jointly Administered with
14 Gateway Medical Center, LLC, Case No.
15 17-41779-BDL,
16 Debtors.

Case No. 17-41780-BDL

JOINT DEBTORS' FIRST AMENDED
DISCLOSURE STATEMENT

17 **I. INTRODUCTION**

18 On May 4, 2017, Gateway Medical Center II, LLC (“Gateway II”) and Gateway
19 Medical Center, LLC (“Gateway”) (collectively, “Debtors”) each filed a voluntary petition for
20 relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). On May
21 31, 2017, the Bankruptcy Court entered an order authorizing the joint administration of the
22 Debtors’ Bankruptcy Cases. On August 2, 2017, the Debtors filed a Joint Chapter 11 Plan and
23 Motion to Substantively Consolidate (the “Plan”) with the Bankruptcy Court, which included a
24 motion to substantively consolidate the Debtors’ cases. The Debtors have since removed the
25 Substantive Consolidation Motion from their Plan. A copy of the Plan is attached hereto as
26 Exhibit 1. Capitalized terms in this Disclosure Statement have the definitions set forth in the
Plan. The Debtors are seeking acceptance of the Plan by each of their creditors.

1 ~~///~~

2 The purpose of this Disclosure Statement is to provide you with adequate
3 information to enable you to make an informed judgment concerning whether to vote for or
4 against the Plan. You are urged to review the Plan with care and, if appropriate, consult with an
5 attorney about the Plan and its impact on your legal rights before voting on the Plan. Capitalized
6 terms used but not defined in this Disclosure Statement shall have the meanings assigned to such
7 terms in the Plan or the Bankruptcy Code.

8 This Disclosure Statement is submitted in accordance with Section 1125 of the
9 Bankruptcy Code and Bankruptcy Rule 3016. This Disclosure Statement has been approved by
10 Order of the Bankruptcy Court as containing adequate information to permit parties in interest to
11 make an informed judgment when voting on the Plan. The Bankruptcy Court's approval of this
12 Disclosure Statement, however, does not constitute a recommendation by the Bankruptcy Court
13 either for or against the Plan.

14 The description of the Plan contained in this Disclosure Statement is intended as a
15 summary only and is qualified in its entirety by reference to the Plan itself. This Disclosure
16 Statement does not attempt to summarize or discuss each and every section of the Plan. If any
17 inconsistency exists between the Plan and this Disclosure Statement, the terms of the Plan are
18 controlling. This Disclosure Statement may not be relied on for any purpose other than to
19 determine how to vote on the Plan.

20 This Disclosure Statement has been prepared by the Debtors in good faith based
21 upon information available to the Debtors and information contained in Debtors' books and
22 records. The information concerning the Plan has not been subject to a verified audit. The
23 statements contained in this Disclosure Statement are made as of the date hereof unless another
24 time is specified herein, and the delivery of this Disclosure Statement shall not imply there has
25 been no change in the facts set forth herein since the date of this Disclosure Statement and the
26 date the material relied on in preparation of this Disclosure Statement was compiled.

1 ~~///~~

2 Nothing contained herein shall constitute an admission of any fact or liability by
3 any party, or be admissible in any proceeding involving the Debtors or any other party.

4 **II. BRIEF EXPLANATION OF CHAPTER 11**

5 Chapter 11 of the Bankruptcy Code is the principal reorganization provision of
6 the Bankruptcy Code. Pursuant to Chapter 11, a debtor attempts to reorganize its business for
7 the benefit of its creditors and other parties in interest. A debtor may also use Chapter 11 and a
8 plan of reorganization to facilitate the orderly sale of the debtor's assets and an efficient
9 distribution to the debtor's creditors and interest holders.

10 The formulation and confirmation of a Chapter 11 plan is the principal purpose of
11 a Chapter 11 case. A plan sets forth a proposed method of compensating the debtor's creditors.
12 Chapter 11 does not require all holders of claims to vote in favor of a plan in order for the
13 Bankruptcy Court to confirm that plan. However, the Bankruptcy Court must find that the plan
14 meets a number of statutory tests before it may confirm (*i.e.*, approve) that plan. These tests are
15 designed to protect the interests of holders of claims who do not vote to accept the plan of
16 reorganization, but who will nonetheless be bound by the plan's provisions if it is confirmed by
17 the Bankruptcy Court.

18 **III. BRIEF SUMMARY OF THE PLAN**

19 The Plan provides for the full payment of all creditors' Allowed Claims.
20 Therefore, the Debtors urge you to accept the proposed Plan and promptly return your completed
21 ballot to enable your vote to be counted.

22 As detailed below, the Debtors' respective assets include real property located at
23 2621 and 2501 NE 134th Street, Vancouver, Washington (collectively, the "Property"). After
24 confirmation of the Plan, custodial receiver D. Keith Kaiser of Kidder Mathews ("KM") will
25 continue to manage, with consultation and input from the Debtors' managing member, and
26 oversee operations at the Property. Court-approved real estate broker Marcus & Millichap will
assist the Debtors in marketing and selling the Property. [The Debtors will have sole control.](#)

1 through their manager, Daniel J. Boverman (“Boverman”) to market and sell the Property and
2 will have complete and unfettered access to the Property in order to market and sell it.
3 Additionally, Boverman will have the right to approve or disapprove leasing activities, including
4 new leases, terminations or amendments of leases. In addition to the net rental income generated
5 by the Property pending a sale, the sale proceeds will be sufficient to pay the Debtors’ creditors
6 in full.

7 For example, the Plan provides that the Debtors will pay unsecured creditors with
8 claims under \$500.00 within fifteen (15) days of April 30, 2018 (the “Effective Date”) of the
9 Plan. Those claims are referred to as Convenience Class Claims. So long as the Secured
10 Creditors’ Claims are paid in full, the Plan provides for payment ~~in full~~ of all other known
11 general Allowed Claims Unsecured Claims in ~~two~~one lump ~~sums—eighty percent (80%)~~
12 ~~paid~~sum within ~~45~~90 days of the Effective Date of the Plan ~~and the remaining twenty percent~~
13 ~~(20%) by no later than April 30, 2018.~~ All Allowed Secured Claims will receive payment in
14 full on their Allowed Claims from proceeds of sale of the Property by no later than the Effective
15 Date, except for Maxim, which shall receive payment on or before June 30, 2018 on its Allowed
16 Claim, to the extent that it has not already been paid from the Forbearance Defendants.

17 The Debtors believe that the Plan provides the best possible return for creditors in
18 the nearest term and at the lowest cost. If the Debtors’ assets were liquidated in a chapter 7
19 proceeding, the Allowed Claim of one secured creditor ~~would~~could be paid less than the amount
20 owed and Allowed Unsecured Claims and Equity Interests would receive nothing. Debtors ask
21 that you support the Plan. Enclosed you will find a ballot. The Debtors ask that you return a
22 ballot voting in favor of the Plan.

23 **IV. BACKGROUND INFORMATION**

24 **A. Historical Background and Events Leading to Bankruptcy**

25 The Debtors are affiliated entities. They are manager-managed Washington
26 limited liability companies. The sole manager of the Debtors is ~~Daniel J. Boverman~~
~~(“Boverman”).~~ They Boverman. The Debtors are owned by the same interest holder, Michael

1 DeFrees (“DeFrees”). The Debtors own adjacent medical office buildings located in Vancouver,
2 Washington. More specifically, Gateway II owns the real property and improvements commonly
3 known as 2621 NE 134th Avenue, Vancouver, Washington 98686 (“Gateway II Property”). The
4 Gateway II Property includes an office building constructed in 2007 and has 32,041 rentable
5 square feet on a 2.05-acre site. Gateway owns adjacent real property and improvements
6 commonly known as 2501 NE 134th Avenue, Vancouver, Washington 98686 (the “Gateway
7 Property”). The Gateway Property includes an office building that was constructed in 2001 and
8 has 22,077 rentable square feet on a 1.56-acre site. The Gateway Property and Gateway II
9 Property are collectively referred to herein as the “Property.”

10 The Debtors have three secured creditors – Opus Bank (“Opus”), Maxim
11 Commercial Capital, LLC (“Maxim”), and the Clark County Treasurer (collectively, the
12 “Secured Creditors” and individually, a “Secured Creditor”). On or about August 28, 2015, each
13 of the Debtors and Opus entered into certain Promissory Notes, Trust Deeds and Security
14 Agreements (respectively, the “Notes,” “Trust Deeds,” and “Security Agreements”). By virtue
15 of the Trust Deeds, Security Agreements, and UCC-1 Financing Statements recorded on August
16 28, 2015, Opus asserts that it holds a security interest and lien in Debtors’ assets including, but
17 not limited to, the Property, rents, accounts receivable, cash, goods, equipment, fixtures, general
18 intangibles, instruments, chattel paper, and certain intellectual property (the “Assets”), and all
19 products, proceeds, rents, and profits of the Assets (collectively, the “Cash Collateral”).

20 ~~The approximate~~ Opus has filed proofs of claim listing an amount ~~that Opus was~~
21 ~~owed as of May 4, 2017,~~ owed of \$5,518,338.20 (including \$130,000 of default interest) on the
22 Gateway Note ~~was \$5,431,348 and \$6,649,597~~ and \$6,826,930.41 (including \$159,187.50 of
23 default interest) on the Gateway II Note. ~~In sum, the approximate amount of Opus’ secured~~
24 ~~claim as of the Petition Date was \$12,080,945. As of the date of the Plan, Opus had not filed~~
25 ~~Proofs of Claim in either Bankruptcy Case.~~ Maxim is a Secured Creditor of the Debtors by
26 virtue of certain commercial guaranties and a Deed of Trust, Assignment of Rents, Security

1 Agreement and Fixture Filing dated November 24, 2015 (“Maxim Trust Deed”). More
2 specifically, Debtors guaranteed and secured certain loan obligations owed by non-debtor, third
3 party Gateway National Corporation (“Gateway National”) to Maxim. Non-debtor, third parties
4 Vancouver RV Park, LLC (“Vancouver RV”) and DeFrees also guaranteed Gateway National’s
5 obligations to Maxim.

6 The underlying loan transactions arose as follows. In 2015, Maxim entered into
7 two loan transactions with Gateway National. On September 10, 2015, it entered into an
8 Equipment Finance Agreement with Gateway National whereby Maxim loaned Gateway
9 National the principal sum of \$750,000.00. Maxim further alleges that on or about November
10 24, 2015, Gateway National executed and delivered a promissory note in favor of Maxim in the
11 principal amount of \$2,329,600.00. (Collectively, the above loans are referred to as the “Maxim
12 Loans.”) Debtors and Vancouver RV Park, LLC (“Vancouver RV”) executed the Maxim Trust
13 Deed which further secured the Maxim Loan with (1) real property and improvements owned by
14 Vancouver RV (“Vancouver RV Property”), (2) the Gateway Property, and (3) the Gateway II
15 Property. By virtue of the Maxim Trust Deed and the UCC-1 Financing Statement recorded on
16 November 24, 2015, Maxim asserts that it holds a second priority lien and security interest in the
17 Property, Debtors’ Assets, and Cash Collateral. Maxim ~~asserts that as of March 20, 2017, the~~
18 ~~balance owed on the Maxim Loans was \$3,227,697.50. As of the date of the Plan and Disclosure~~
19 ~~Statement, Maxim had not filed Proofs of Claim in either Bankruptcy Case. filed a proof of~~
20 ~~claim in each case for the same guaranty obligation in the amount of \$3,317,139.98.~~

21 On June 15, 2016, Maxim, Gateway National, Vancouver RV, and DeFrees (the
22 “Forbearance Parties”) entered into a Forbearance Agreement. Pursuant to that Forbearance
23 Agreement, ~~DeFrees intends~~ the Forbearance Parties agreed to pay Maxim from the proceeds of
24 the sale of significant real property and improvements ~~(“Yacht Harbor Property”)~~ ~~which has~~
25 ~~equity~~ which, collectively, have sufficient equity to fully ~~or substantially~~ satisfy the Maxim
26 Loans. ~~Vancouver RV is in the process of listing the Vancouver RV property for sale.~~

1 ~~Additionally,~~ Gateway National is in the process of selling certain commercial construction
2 equipment that secures the Maxim Loans. ~~— valued at approximately \$700,000. Vancouver RV~~
3 ~~has real property and improvements valued at approximately \$6 million to \$7.2 million with a~~
4 ~~first lien encumbering the property held by Riverview Community Bank of approximately \$3.1~~
5 ~~million, leaving equity of about \$2,600,000 to \$3,600,000 after commissions and closing costs.~~
6 ~~Maxim has a Stipulated Monetary Judgment and Judgment and Order of Foreclosure, for~~
7 ~~Appointment of General Receiver, and Replevin from the Forbearance Defendants (the~~
8 ~~“Stipulated Judgment”)~~ that gives Maxim the right to appoint a receiver for Gateway National
9 ~~and Vancouver RV. DeFrees also has equity in Yacht Harbor, LLC’s undeveloped real property~~
10 ~~and marina sufficient to pay the Maxim claim as well and will be listing those properties at the~~
11 ~~beginning of 2018.~~ There is more than sufficient equity from the real and personal property
12 being sold by the borrower, Gateway National, ~~and guarantors, DeFrees and~~ Vancouver RV, ~~and~~
13 ~~equity of guarantor DeFrees in Yacht Harbor real property,~~ to pay the Maxim Loans in full.
14 Under the principle of marshalling, as set forth in the Plan, Maxim must look to these outside
15 assets for payment first before receiving proceeds from the sale of the Debtors’ Properties. The
16 Debtors anticipate and expect that Maxim’s claim will be fully paid from the sale of the
17 Forbearance Defendants’ properties. Lastly, the Clark County Treasurer has a lien on the
18 Property for unpaid property taxes. Specifically, the Clark County Treasurer has filed Proofs of
19 Claim in both Bankruptcy Cases as follows: (1) Claim 1-2 for \$110,973.54 filed in the Gateway
20 II Bankruptcy Case and secured by a statutory lien on the Gateway II Property, and (2) Claim 3-1
21 for \$84,585.38 filed in the Gateway Bankruptcy Case and secured by a statutory lien on the
22 Gateway Property.

23 As discussed above, the Secured Creditors each have a lien on both the Gateway
24 Property and Gateway II Property (collectively, the “Liens”). With this Court’s approval, the
25 Debtors have hired Marcus & Millichap as their real estate broker (“Broker”) to list, market and
26 sell the Properties. The Debtors have valued the Properties as follows: \$7 million for the

1 Gateway Property and \$9.8 million for the Gateway II Property. Those values are based upon
2 two main sources: (i) the appraisals that Opus obtained when Opus made its loans to the Debtors
3 in August of 2015 at roughly \$7.5 million for Gateway and \$9.13 million “as is” and \$10.9
4 million stabilized for Gateway II; and (ii) the Broker’s opinions of value in the amounts of \$7
5 million for Gateway and, ultimately, \$9.8 million for Gateway II, both of which were based in
6 part on Argus Financial Models that Broker prepared. When the two Properties are considered
7 together, there is significant equity over and above the Liens sufficient to pay all remaining
8 creditors of the Debtors in full. The Gateway Property has not been the subject of any formal
9 marketing efforts prior to the Petition Date. The Gateway II Property was the subject of a listing
10 agreement with real estate broker Collier’s International WA LLC effective from June 15, 2016
11 to January 31, 2017 at listing price of \$13.8 million. A letter of intent at a price of \$9.9 million
12 was received during that time period.

13 Unfortunately, the Property was the subject of a non-judicial foreclosure sale
14 scheduled for May 5, 2017. The Debtors were forced to file for bankruptcy relief in order to
15 prevent the loss of that equity, not only for their interest holder, but also for Maxim, whose
16 interest would likely have been foreclosed without sufficient payment, if any at all.
17 Additionally, the loss of that equity would mean that at least a portion of the unsecured creditors
18 with claims in these bankruptcy proceedings would not receive payment.

19 The Debtors were both the subject of lawsuits commenced by Opus in Clark
20 County Superior Court for the appointment of a custodial receiver under RCW 7.60.035 (*Opus*
21 *Bank v. Gateway Medical Center, LLC* (Case No. 16-2-02503-3) and companion case *Opus Bank*
22 *v. Gateway Medical Center II, LLC* (Case No. 16-2-02505-0), filed on or about December 30,
23 2016 (collectively, the “Receivership Cases”). At the request of Opus, Keith Kaiser of Kidder
24 Matthews (“KM”) was appointed custodial receiver to manage the Property on December 30,
25 2016. The Property has been managed by KM from December 30, 2016 to the Petition Date.
26 The lease payments of both Gateway II and Gateway tenants have been made to KM from

1 January 2017 to the Petition Date and expenses for the operation of both businesses have been
2 paid/managed by KM for that same time period.¹

3 As described herein, the Plan provides that continuation of the Debtors'
4 businesses by KM, with consultation and input from Boverman, while Debtors market and sell
5 the Property will benefit all involved parties by paying all Allowed Claims in full. However,
6 under the Plan, Boverman will have the discretion to make interest payments to the Secured
7 Creditors post-confirmation from the Opus Account or direct KM to make interest payments to
8 Secured Creditors from the Custodial Receivers Accounts.

9 **B. Significant Events During Bankruptcy**

10 1. Joint Administration of Cases. By order entered May 31, 2017 (Doc. 33),
11 the Court directed that the Bankruptcy Cases of the Debtors would be jointly
12 administered.

13 2. Employment of Professional Persons. By order entered June 12, 2017
14 (Doc. 48 in Jointly Administered Bankruptcy Case), the Court approved the employment
15 of Farleigh Wada Witt as bankruptcy counsel for the Debtors.

16 3. Continued Management by Custodial Receiver. By orders of the courts
17 entered on June 7, 2017 (Doc. 41 in Gateway Bankruptcy and Doc. 44 in Gateway II
18 Bankruptcy), the Custodial Receiver was permitted to continue in possession and control
19 of the Debtors' assets. Those assets include the Properties as well as all leases, rents,
20 issues, and profits of such Property and accrued proceeds and profits held by the
21 Receiver.

22 4. Actions to Market and Sell the Property. By order entered June 19, 2017
23 (Doc. 55), the Court approved the employment of ~~Marcus & Millichap Real Estate~~
24 ~~Investment Services of Seattle (the "Broker") as~~ Brokeras real estate broker for the
25 Debtors. Since becoming employed, the Broker has diligently worked to value the

26 ¹ See § IV. B.3., infra, regarding continued management by KM post-petition.

1 Property and develop a marketing plan and offering memoranda for the listing of the
2 Properties.

3 The Broker has completed all of its due diligence, has drone video, offering
4 memoranda, due diligence data room online, website etc. The Broker group the Debtors have
5 employed are associated with Smelter Healthcare Real Estate Group, who are specialists in
6 medical office properties and who possess a large database of active investors in the sector. The
7 Broker ~~has already~~originally contacted select potential buyers and begun obtaining
8 confidentiality agreements. Commencing in late September of 2017, the Broker has officially
9 listed the Properties and prepared a customized marketing website.

10 5. Claims Bar Date. The Court ~~has not established~~set a claims bar date ~~as of~~
11 ~~the filing of this Disclosure Statement~~of September 18, 2017. Other than Opus, Maxim
12 and Clark County, there have been unsecured claims filed totaling approximately \$10,500
13 against the Debtors.

14 6. Leasing Agent. The Court authorized the employment of a leasing agent, Eric
15 Fuller & Associates, Inc. (the “Leasing Agent”) by order entered September 11, 2017. Since that
16 time, it is the Debtors’ understanding that a new tenant has leased space at the Gateway Property,
17 but the Debtors are awaiting confirmation from KM on that point. .

18 V. PLAN OVERVIEW AND CLAIM CLASSIFICATION/TREATMENT

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1 The Plan provides for the payment of all Allowed Secured Claims in full from net
2 rental proceeds, Debtors' cash on hand, and proceeds from the sale of the Property. The Plan
3 further provides for payment of Allowed Unsecured Claims so long as the Class 3 Allowed
4 Secured Claim is paid in full. ~~The Plan further provides for the substantive consolidation of the~~
5 ~~Debtors' Bankruptcy Estates for the purposes of performing under the Plan and paying all~~
6 ~~Allowed Claims in full. As set out in section V.C.1. below, substantive consolidation is~~
7 ~~necessary to assure the payment in full of Maxim (to the extent that Maxim is not paid from~~
8 ~~other sources to which other creditors do not have recourse), and Debtors' Allowed Unsecured~~
9 ~~Claims and Equity Interests.~~ Classification and Treatment of Claims

10 ~~A.~~ Classification and Treatment of Claims

11 Below is a general summary of the Plan's classification and treatment of Claims.
12 It is intended as a general summary only and is qualified in its entirety by reference to the Plan.
13 The Plan classifies the claims against the Debtors into five (5) separate classes of Creditor
14 Claims and one class of Equity Interests. The Plan also provides for certain Unclassified Claims
15 pursuant to applicable provisions of the Bankruptcy Code. Holders of Unclassified Claims are
16 not eligible to vote for or against the Plan.

17 1. Class 1: Secured Claim of Clark County Treasurer. Class 1 consists of
18 the Secured ~~Claim~~Claims of the Clark County Treasurer (the "Class 1 Claim") for unpaid
19 real property taxes assessed against the Property in the amount of \$84,585.38 for the
20 Gateway Property and \$110,973.54 for the Gateway II Property. Under the Plan, the
21 Class 1 ~~Claim is~~Claims are each deemed allowed in the amount of ~~\$195,558.92 as of the~~
22 ~~Petition Date~~110,973.54 in the Gateway II Bankruptcy Case and \$84,585.38 in the
23 Gateway Bankruptcy Case. The Clark County Treasurer will retain its lien on the
24 ~~Property~~each of the Properties until the Class 1 ~~Claim is~~Claims are paid in full. The
25 Class 1 ~~Claim~~Claims shall accrue interest at the statutory rate of twelve percent (12.0%)

26

1 per annum until paid in full. Debtors shall pay the Class 1 ~~Claim~~Claims in full on or
2 before ~~April 30, 2018~~the Effective Date.

3 2. Class 2: Secured ~~Claim~~Claims of Opus Bank. Class 2 consists of the
4 Secured Claims asserted by Opus (the “Class 2 ~~Claim~~”). ~~As detailed in the Plan and~~
5 ~~discussed above, the approximate balance as~~Claims”). As of the Petition Date, Opus
6 asserts that it is owed the following amounts: \$5,518,338.20 on the Gateway Note ~~was~~
7 ~~\$5,431,348~~ and ~~the balance~~\$6,826,930.41 on the Gateway II Note ~~was \$6,649,597.~~. In
8 sum, the approximate amount of ~~Opus’ total Claims total \$12,080,945~~the claims asserted
9 by Opus as of the Petition Date total approximately \$12,345,268 secured by the
10 ~~Property~~Debtors’ respective Properties as well as Debtors’ remaining Assets and Cash
11 Collateral. Until the Allowed amount of the Class 2 ~~Claim~~Claims have been paid in
12 full, Opus shall retain its liens against the ~~Property~~respective Properties, Assets, and Cash
13 Collateral of each Debtor that secure the Class 2 ~~Claim~~Claims. Notwithstanding the
14 foregoing, ~~the Custodial Receiver~~KM and the Debtors are authorized to use the Cash
15 Collateral and funds held in the Custodial Receiver’s Account and the Opus Account to
16 make any Payments provided in the Plan and prepare the Property for sale, including
17 making reasonable improvements to the Property as reasonably necessary for leasing or
18 sale purposes.

19 The Debtors shall pay the Allowed amount of the Class 2 ~~Claim~~Claims in full on
20 or before ~~April 30, 2018~~the Effective Date. The Class 2 ~~Claim~~Claims shall accrue interest on
21 the principal balances of the Gateway Note and the Gateway II Note at the contract default rate
22 of ~~five and 20/100 percent (5.20%)~~5% per annum over the contract rate until ~~paid in full~~. ~~The~~
23 ~~Debtors shall make monthly accrued interest payments to Opus until the Allowed amount of the~~
24 ~~Class 2 Claim is paid in full~~the Confirmation Date. Class 2 Claims shall accrue interest at the
25 rate of 4% between the Confirmation Date and payment of the Class 2 Claims. Debtors shall pay
26 the Class 2 Claims in full on or before the Effective Date from the proceeds of the sale of the

1 respective Properties to which each of the Class 2 Claims attach. For each week that the
2 Properties are sold prior to April 30, 2018, the Class 2 Claims shall be reduced by \$75,000. If
3 the Properties (or either of them) are not sold by the Effective Date, then the Debtors will
4 cooperate with Opus in a motion to sell the Properties (or either of them) to Opus pursuant to 11
5 USC §363 such that Opus could credit bid the amounts it is owed on the Opus Note(s).

6 3. Class 3: Secured Claim of Maxim. Class 3 consists of the Secured Claim
7 asserted by Maxim (the “Class 3 Claim”). Maxim asserts a claim secured by a junior lien
8 on the Property, Assets, and Cash Collateral. As detailed above and in the Plan, Maxim
9 asserts that ~~as of March 20, 2017, the balance owed on the Maxim Loans was~~
10 ~~\$3,227,697.50.~~ it has a claim of \$3,317,139.98. Maxim shall retain its junior liens that
11 secure the Class 3 Claim until the Allowed amount of the Class 3 Claim has been paid in
12 full minus any amounts received by Maxim from any other source on the Maxim Loans.
13 Notwithstanding the foregoing, ~~the Custodial Receiver~~ KM and the Debtors are
14 authorized to use the Cash Collateral and funds held in the Custodial Receiver’s Account
15 and the Opus Account to make any Payments provided in the Plan and prepare the
16 Property for sale, including making reasonable improvements to the Property.

17 Pursuant to the equitable principle of marshalling, the Plan requires Maxim to
18 first seek payment of its Class 3 claim from borrower, Gateway National, and non-debtor
19 guarantors DeFrees and Vancouver RV. *Meyer v. United States*, 375 U.S. 233, 237-38 (1963).
20 Those non-debtor entities have sufficient assets to pay Maxim in full, leaving sufficient assets in
21 the Debtors’ Bankruptcy Estates to satisfy all remaining creditors’ Allowed Claims in full. The
22 marshalling of assets in this case is necessary to protect all Allowed Claims and Equity Interests
23 of the Debtors. Maxim disputes that the marshalling doctrine applies and further contends that
24 marshalling was expressly waived by the Debtors in certain loan documentation.

25 If the Class 3 Claim is not satisfied in full as a result of Maxim’s recovery from
26 the ~~above third parties, obligors and guarantors (other than~~ the Debtors shall pay the Allowed

1 ~~amount of the Class 3 Claim in full by April 30, 2018.~~ on the Maxim Loans as of the Effective
2 Date, then Maxim's lien shall attach to the proceeds of the sale of the Properties which funds
3 shall be released to Maxim if it has not received payment for whatever amounts may be owing
4 on the Class 3 Claim as of June 30, 2018 from the Forbearance Defendants on or before June 30,
5 2018.

6 ~~4.~~ Class 4: Convenience Class. Class 4 consists of all Convenience Class
7 Claims. Convenience Class Claims are those Allowed Unsecured Claims which are equal to or
8 less than \$500.00, or Claimants electing to reduce their Unsecured Claims to \$500.00 or less.
9 Debtors estimate that there are nine (9) Convenience Class creditors with Claims totaling
10 approximately \$1,593.00. Each holder of an Allowed Claim that is a Class 5 Claim shall be paid
11 in full in Cash in not later than fifteen (15) days after the Effective Date of the Plan.

12 ~~4.~~ 5. Class 5: General Unsecured Claims. Class 5 consists of all General
13 Unsecured Claims. The Debtors estimate claims under this Class 5 total approximately
14 \$15,532.00. All Allowed General Unsecured Claims shall be paid ~~in full~~ as described below:
15 ~~Interest shall accrue on and after the Effective Date on the unpaid balance of each Class 5 Claim~~
16 ~~at the Federal Judgment Rate until such~~ so long as the Class 3 Allowed Claim is fully paid in
17 full. First, Debtors shall pay all Allowed Class 5 Claims in existence on the Confirmation Date
18 as follows. Within forty five (45) days of the Confirmation Date, Debtors shall pay each holder
19 of an Allowed Class 5 Claim one lump sum on his or her Allowed Claim within 90 days of the
20 Effective Date.

21 ~~First, Debtors shall pay all Allowed Class 5 Claims in existence on the Effective~~
22 ~~Date as follows. Within forty five (45) days of the Effective Date, Debtors shall pay each holder~~
23 ~~of a Class 5 Claim an amount equal to eighty percent (80%) of his or her Allowed Claim. By no~~
24 ~~later than April 30, 2018, Debtors shall pay each holder of a Class 5 Claim the remaining twenty~~
25 ~~percent (20%) of his or her Allowed Claim.~~

1 Second, Debtors shall pay all Allowed Class 5 Claims that arise after the Effective
2 Date as a result of a rejection of a lease, as follows. Debtors shall pay the holders of an Allowed
3 Class 5 Claim asserted after the Effective Confirmation Date pursuant to Section 7.1 in full by the
4 later of (a) ~~April 30, 2018 forty five (45)~~ ninety (90) days after the Effective Date or (b)
5 ~~allowance of~~ thirty (30) days after allowance of such Class 5 Creditor's Proof of Claim.

6 5. ~~6.~~ Class 6: Equity Interests. Class 6 consists of the Equity Interests in the
7 Debtors. The Holder of such Equity Interests shall retain such interests following Confirmation
8 but shall receive no distributions on account of such interests unless and until all payments
9 owing to holders of Allowed Claims described in this Plan have been made.

10 6. ~~7.~~ Unclassified Claims.

11 *i. Administrative Expense Claims.* Each holder of an Allowed
12 Administrative Expense Claim shall be paid by Debtors in full in Cash on the later of (a) the
13 Effective Date or (b) the date on which such Claim becomes Allowed, unless such holder shall
14 agree to a different treatment of such Claim; provided, however, that Administrative Expense
15 Claims representing obligations incurred in the ordinary course of business by Debtors during
16 the Bankruptcy Case shall be paid by Debtors or Reorganized Debtors in the ordinary course of
17 business and in accordance with any terms and conditions of the particular transaction, and any
18 agreements relating thereto. The sum of \$50,000 from sale proceeds otherwise owed to Opus
19 from each of the Debtors' Properties shall be allocated to the payment of Allowed
20 Administrative Expense Claims so long as Opus' Class 2 Claims will otherwise be paid in full as
21 Allowed on or before the Effective Date.

22 *ii. Priority Tax Claims.* The Debtors believe there are no Priority Tax
23 Claims in this case. The Debtors are limited liability companies. As a result, they are treated as
24 "pass-through" entities for the purpose of federal income taxes. Thus, they are not liable for
25 such taxes. As of the filing of this Plan with the Court, the Claims Bar Date had not passed and
26

1 no taxing agency has yet filed a Proof of Claim, so it is unknown whether any Taxing Agency
2 will assert a Priority Tax Claim.

3 As detailed above, the Clark County Treasurer holds a Claim for unpaid real
4 property taxes secured by the Property. Since the Clark County Treasurer holds a Secured Claim
5 to the extent it is an Allowed Claim, it is not a Priority Tax Claim and is being treated under
6 Section 5.2 of the Plan. Pursuant to Code § 1129(a)(9)(D), the Clark County Treasurer shall
7 receive treatment not less favorably under the Plan than it would have received if its Claim was
8 treated as holding a Priority Tax Claim and paid pursuant to the provisions of Code Section
9 1129(a)(9)(C).

10 *iii. Bankruptcy Fees.* The Debtors shall be responsible for timely payment of
11 fees incurred pursuant to 28 U.S.C. § 1930(a)(6) until the case is closed, converted or dismissed.
12 After confirmation, the Debtors shall file with the Court a monthly financial report for each
13 month, or portion thereof, that the case remains open. The monthly financial report shall include
14 a statement of all disbursements made during the course of the month, whether or not pursuant to
15 the Plan.

16 *iv. Professional Fees.* Debtors shall pay the Professional Fees when Allowed
17 as Administrative Expense Claims within fifteen (15) days after entry of a final order approving
18 the amount of the fees, or otherwise as the holder of an Administrative Expense Claim for
19 Professional Fees may agree in writing or as allowed by law.

20 **B. Assumption/Assignment and Rejection of Unexpired Leases and Executory
21 Contracts**

22 Pursuant to § 365(a) of the Bankruptcy Code, the Plan constitutes a motion to
23 authorize Debtors to assume and assign the unexpired leases set forth in Plan Exhibit 2
24 (individually, “Lease” and collectively, “Leases”) to the purchaser(s) of the Property in
25 conjunction with and effective upon the closing of a sale of the Property (“Closing”), and
26 contingent upon the purchaser(s)’ consent. The Debtors are the lessors under each Lease. As of
the date of this Plan, none of the lessees under the Leases have filed a Proof of Claim. Debtors

1 believe that no cure payments under Section § 365(b)(1)(A) will become due from Debtors upon
2 assumption.

3 1. Objections. Any party to an unexpired lease who believes it has a claim
4 against the Debtors is required under the Plan to file any claim for arrearage required to
5 be cured by § 365(b)(1) of the Bankruptcy Code and any objections to the assumption.
6 Failure to assert such arrearage or to file any objections shall constitute an agreement to
7 the assumption as set out herein and a conclusive acknowledgment that no defaults or
8 claims exist under said contract (on the part of the Debtors) that require a cure.

9 2. Claims for Rejection Damages. To the extent that the Purchaser(s) do not
10 consent to an assignment of one or more of the Leases, those specific leases shall be
11 deemed rejected effective upon Closing (“Rejection”). Any entity holding a claim based
12 upon the Rejection of an unexpired lease under the Plan is required to file a Proof of
13 Claim with the Bankruptcy Court within thirty (30) days after Rejection if the
14 Bankruptcy Case is open at that time, or submit a Proof of Claim to Debtors if the
15 Bankruptcy Case is closed at that time. A Claim based upon the Rejection of an
16 executory contract or unexpired lease shall be a Class 5 Claim to the extent it is an
17 Allowed Claim. The failure of any such entity to submit a Proof of Claim within the
18 specified time period will result in the disallowance of such Claim.

19 **C. Means for Execution of the Plan**

20 1. Substantive Consolidation. ~~As detailed in the Plan, all necessary elements~~
21 ~~exist in this case to warrant substantive consolidation of the Debtors’ respective~~
22 ~~Bankruptcy Estates. See, In re Bonham, 229 F.3d 750, 766-8 (9th Cir. 2000).~~
23 ~~Substantive consolidation will result in a savings on professional fees to the Estates of the~~
24 ~~Debtors by (among other savings) making claims administration and the preparation,~~
25 ~~negotiation, and confirmation of the Plan and Disclosure Statement more simplified,~~
26 ~~efficient, and less costly. More fundamentally, substantive consolidation will facilitate~~

1 ~~the full payment to Maxim and the unsecured creditors of both of the Debtors. There is~~
2 ~~insufficient equity in the assets of the Gateway Estate to pay the secured claims of the~~
3 ~~Clark County Treasurer, Opus, and Maxim. As such, in a liquidation of Gateway, Maxim~~
4 ~~would not be fully paid and Gateway's unsecured creditors would receive nothing. In~~
5 ~~stark contrast, there is sufficient equity in a substantively consolidated case of the~~
6 ~~combined Estates to pay all of the Debtors' creditors' Allowed Claims in full. Sale of~~
7 Property. As detailed in the Plan, the Debtors will sell the Property to pay the Allowed
8 Claims of their creditors in full. The Debtor shall execute a purchase and sale agreement
9 with a credit-worthy buyer on or before February 28, 2018. The Debtors shall close the
10 sale of the Property on or before April 30, 2018. If the Debtors (or either of them) do not
11 close the sale of the Properties by April 30, 2018, then the Debtors shall cooperate with
12 Opus with the sale of the Property pursuant to 11 USC §363 free and clear of liens (and
13 without payment of real estate excise taxes pursuant to 11 USC §1146), at which Opus
14 may credit bid. In that event, should there be insubstantial sums to pay professional fees
15 associated with the 363 sale to Debtors' counsel and to Boverman, Opus shall pay
16 Debtors' counsel's and Boverman's reasonable professional fees to obtain approval and
17 implement the 363 sale.

18 2. Corporate Existence and Vesting of Assets. Under the Plan, each of the
19 Debtors would continue to exist in accordance with the laws of the State of Washington
20 and pursuant to their respective Operating Agreements. Under the Plan, Debtors will
21 continue to work with the Broker to market and sell the Property. The ~~Custodial~~
22 ~~Receiver~~Debtors shall ~~remain in control of and~~have the sole and exclusive control and
23 authority to sell the Properties (or either of them) and the Debtors shall have unfettered
24 access to the Properties to market and sell them, without the need for involvement from
25 the Custodial Receiver. KM shall continue to manage the Debtors' Property ~~as well as all~~
26 ~~leases, through the collection of~~ rents, ~~issues, and profits of such Property and accrued~~

1 ~~proceeds and profits held by the Receiver~~ and maintenance of accounts that contain such
2 rents, subject to use by ~~the Custodial Receiver~~ KM for the improvement and maintenance
3 of the Properties to be determined in consultation with and with ~~input from Boverman~~ the
4 approval of Boverman. New leases, amendments to leases, termination of leases or other
5 material revisions to leases shall be agreed upon by the Receiver and Boverman. The
6 bankruptcy cases shall stay open until the Debtor(s) file applications to close the case(s).
7 The Bankruptcy Court shall retain jurisdiction to resolve disputes between KM and the
8 Debtors regarding lease administration, expenditure of funds or other issues. The
9 Debtors shall have access to and authority to communicate directly with the Leasing
10 Agent and the Leasing Agent and KM shall provide contemporaneous information
11 regarding any and all lease administration issues to the Debtors, through Boverman.
12 DeFrees shall have no management role with the Debtors. While Boverman may consult
13 with DeFrees on leasing and sale matters and may include DeFrees on update calls with
14 the Broker and on calls with proposed buyers of the Property, DeFrees has no authority to
15 transact business on the Debtors' behalf.

16 3. Disputed Claims; Objections to Claims. The Plan provides for payment in
17 full of all Allowed Claims. No Cash or other property shall be distributed under the Plan
18 on account of any Disputed Claim, or a portion of any such Claim, unless and until such
19 Disputed Claim becomes an Allowed Claim. The Debtors reserve the right to contest and
20 object to any Claims and previously Scheduled Amounts unless allowance is specifically
21 provided for in the Plan and Confirmation Order. All Disputed Claims shall be resolved
22 by the Bankruptcy Court.

23 **VI. ASSETS, LIABILITIES, AND TAX CONSEQUENCES**

24 **A. Debtors' Assets**

25 The material assets of the Debtors are set forth in their respective Schedules A/B
26 filed in this case, as amended. Principally, the material assets of the Debtors consist of (1) the
Property, (2) office furniture, fixtures, and equipment, (3) fertility equipment, (4) accounts

1 receivable (e.g., rent due from tenants), (5) cash held in restricted and unrestricted accounts at
2 Opus Bank, (6) cash held in accounts at Riverview Community Bank, and (7) cash held and
3 controlled by the Custodial Receiver in accounts at U.S. Bank.

4 **B. Debtors' Liabilities**

5 The liabilities of the Debtors as of the Petition Date are set forth in their
6 respective Schedules D, E, and F as previously filed in their Bankruptcy Cases, as amended.
7 Principally, they consist of approximately \$13,718,359 in secured claims and approximately
8 \$25,000 in general unsecured claims.

9 **VII. CONFIRMATION REQUIREMENTS/LIQUIDATION ANALYSIS**

10 At the hearing on confirmation, the Bankruptcy Court will determine whether the
11 provisions of Bankruptcy Code Section 1129 of the Bankruptcy Code have been satisfied. If all
12 the provisions of Section 1129 are met, the Bankruptcy Court may enter an order confirming the
13 Plan. Joint Debtors believe the Plan satisfies all the requirements of Chapter 11 of the
14 Bankruptcy Code, that Debtors have complied or will have complied with all the requirements of
15 Chapter 11, and that the Plan has been proposed and is made in good faith.

16 Among other Code requirements, to confirm the Plan the Bankruptcy Court must
17 determine that the Plan satisfies Section 1129(a)(7). That section requires that each impaired
18 creditor (whose claim has not been disputed or for which an objection has been filed and
19 temporary allowance not granted) with a right to vote either accepts the Plan or, alternatively,
20 receives under the Plan at least as much as it would receive if the Debtors' assets were liquidated
21 and the proceeds distributed under a Chapter 7 liquidation. This is generally known as the "best
22 interests" test. The Debtors believe that the Plan satisfies this requirement.

23 To apply the best interests test, the Debtors' assets are valued in the context of the
24 value which would be generated from their distressed liquidation in the context of a Chapter 7
25 case by a Chapter 7 trustee appointed by the Bankruptcy Court. This analysis would take into
26 account the costs and expenses of the liquidation, and such additional administrative and priority
claims which may result from the use of Chapter 7 for the purpose of liquidation. Net liquidation

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

4 The Plan involves a short period of reorganization followed by the liquidation of
5 Debtors' assets. The Debtors' Plan projections and a liquidation analysis is attached hereto as
6 Exhibit 2. By substantively consolidating the Estates, the Plan provides for full payment of all
7 Allowed Claims from net rental income, Debtors' liquid assets, and proceeds from the sale of the
8 Property. The Plan provides for the orderly and targeted marketing of the Property by the
9 Broker, as opposed to distressed liquidation of the Debtors' assets in a Chapter 7 proceeding.
10 Additionally, a Chapter 7 trustee would be also entitled to a commission on all funds distributed
11 on a blended rate of roughly five percent (5%) pursuant to Section 326(a). As provided under
12 the Liquidation Analysis, that expense, including professional fees, could be well in excess of
13 \$800,000 and would not be payable under the Plan.

14 A Chapter 7 trustee would also engage his/her own professionals (attorneys,
15 accountants) to represent him/her during the liquidation, who would incur an additional level of
16 costs in simply getting up to speed in the case. For these reasons, among others, the Debtors
17 believe that conversion to a case under Chapter 7 would result in (a) significant additional costs
18 being borne by the Estates above those the consolidated Estate would incur under the Plan; (b)
19 potentially lower distributions being received by Creditors; and (c) delay distributions to
20 Creditors. Under the circumstances, the Debtors believe that the Plan provides a much better
21 alternative for all interested parties.

22 Underlying the liquidation analysis are projections and assumptions which are
23 inherently subject to uncertainties and contingencies. The liquidation analysis is based on
24 assumptions that may change.

25 **VIII. CONFIRMATION OF THE PLAN**

26 **A. Ballots and Voting Deadline**

1 A ballot for voting to accept or reject the Plan is enclosed with each copy of this
2 Disclosure Statement and mailed to all Creditors entitled to vote. After carefully reviewing this
3 Disclosure Statement and its exhibits, including the Plan, please indicate your acceptance or
4 rejection of the Plan by voting in favor or against the Plan on the enclosed ballot as directed
5 below.

6 The Bankruptcy Court had directed that, to be counted for voting purposes, ballots
7 for acceptance or rejection of the Plan must be signed and received no later than _____ .m.
8 Pacific Time, on _____, 2017, by the Debtors at the following address:

9 Farleigh Wada Witt
10 Attn: Diane Fallon
11 121 SW Morrison, Ste. 600
12 Portland, OR 97204

13 All persons entitled to vote on the Plan may cast their vote for or against the Plan by completing,
14 dating, and signing the enclosed ballot and returning it, by First Class Mail or hand delivery, to
15 the Debtors, at the address indicated above. Additionally, ballots may be submitted via e-mail in
16 PDF format to dfallon@fwwlaw.com or via facsimile transmission to Farleigh Wada Witt, Attn:
17 Diane Fallon at (503) 228-1741. Ballots emailed or sent by facsimile transmission will be
18 counted if faxed or emailed to Ms. Fallon by _____ .m. Pacific Time on
19 _____, 2017.

20 Any ballots received after _____ .m. Pacific Time on _____,
21 2017 will not be included in any calculation to determine whether the parties entitled to vote on
22 the Plan have voted to accept or reject the Plan.

23 Holders of each Claim that was scheduled by the Debtors or with respect to which
24 a Proof of Claim has been filed for which no objection is pending will receive ballots and are
25 permitted to vote based on the amount of the Proof of Claim. If no Proof of Claim has been
26 filed, then the vote will be based on the amount scheduled by the Debtors in its Schedules.
27 Holders of any Disputed Claims who have settled their dispute with the Debtors are entitled to

1 vote the settlement amount of their Claim. The Bankruptcy Code provides that such votes will
2 be counted unless the Claim has been disputed, disallowed, disqualified or suspended prior to
3 computation of the vote on the Plan. The Claim to which an objection has been filed is not
4 allowed to vote unless and until the Bankruptcy Court rules on the objection. The Bankruptcy
5 Code provides that the Bankruptcy Court may, if requested to do so by the holder of such claim,
6 estimate or temporarily allow a Disputed Claim for the purposes of voting on the Plan.

7 If a person holds Claims in more than one class entitled to vote on the Plan, such
8 person will be entitled to complete and return a ballot for each Class. If you do not receive a
9 ballot or if a ballot is damaged or lost, please contact:

10 Farleigh Wada Witt
11 Attn: Diane Fallon
12 121 SW Morrison, Ste. 600
13 Portland, OR 97204
14 Telephone Number: (503) 228-6044

15 When a ballot is signed and returned without further instruction regarding
16 acceptance or rejection of the Plan, the signed ballot shall be counted as a vote accepting the
17 Plan. When a ballot is returned indicating acceptance or rejection of the Plan but is unsigned, the
18 unsigned ballot will not be included in any calculation to determine whether parties entitled to
19 vote on the Plan have voted to accept or reject the Plan. When a ballot is returned without
20 indicating the amount of the Claim, the amount shall be as set forth on the Debtors' Schedules or
21 any Proof of Claim filed with respect to such Claim.

22 **B. Parties Entitled to Vote**

23 Pursuant to Section 1126 of the Bankruptcy Code, each class of impaired claims
24 or interests that is not deemed to reject the Plan is entitled to vote to accept or reject the Plan.
25 Any holder of an Allowed Claim that is in an impaired class under the Plan, and whose Class is
26 not deemed to reject the Plan, is entitled to vote. A Class is "impaired" unless the legal,
equitable and contractual rights of the holders of claims in that Class are left unaltered by the
Plan or if the Plan reinstates the Claims held by members of such Class by (1) curing any

1 defaults, (2) reinstating the maturity of such claim, (3) compensating the holder of such Claim
2 for damages that result from the reasonable reliance on any contractual provision of law that
3 allows acceleration of such claim and (4) otherwise leaving unaltered any legal, equitable or
4 contractual right of which the Claim entitled the holder of such claim. Because of their favorable
5 treatment, classes that are not impaired are conclusively presumed to accept the Plan.
6 Accordingly, it is not necessary to solicit votes from the holders of claims in classes that are not
7 impaired.

8 **C. Votes Required for Class Acceptance of the Plan**

9 For a Class of Claims to accept a plan, Section 1126 of the Bankruptcy Code
10 requires acceptance by Creditors that hold at least two-thirds in dollar amount and a majority in
11 number of the Allowed Claims of such Class, in both cases counting only those claims actually
12 voting to accept or reject the Plan. If the Plan is confirmed, the Plan will be binding with respect
13 to all holders of Claims and Interests in each Class, including Classes and members of Classes
14 that did not vote or that voted to reject the Plan.

15 **D. Confirmation Hearing**

16 The hearing on confirmation of the Plan has been set for _____, 2017, at
17 _____ before the Honorable Brian D. Lynch, United States Bankruptcy Judge, in Courtroom
18 ____, United States Bankruptcy Court, _____. The Bankruptcy
19 Court shall confirm the Plan at that hearing only if certain requirements, as set forth in § 1129 of
20 the Bankruptcy Code, are satisfied.

21 Section 1128(b) of the Bankruptcy Code provides that any party in interest may
22 object to confirmation of the Plan. Any objections to confirmation of the Plan must be made in
23 writing and filed with the Bankruptcy Court and received by counsel for the Debtors no later
24 than _____, 201____, by _____ p.m. Pacific time. Unless an objection to confirmation is
25 timely filed and received, it may not be considered by the Bankruptcy Court.

26

1 **IX. MISCELLANEOUS PROVISIONS**

2 In addition to the provisions discussed herein, the Plan contains a number of
3 administrative and miscellaneous provisions. *See, e.g.*, Plan Sections IX (Miscellaneous
4 Provisions), Section X (Satisfaction/Discharge), Section XI (Modification of Plan), Section XII
5 (Retention of Jurisdiction), and Section XIII (Closing Order). Those provisions are not restated
6 or summarized in this Disclosure Statement. Please review the Plan carefully.

7 **X. TAX CONSEQUENCES**

8 Although the Debtors have not concluded a tax analysis, confirmation of the Plan
9 is not expected to generate tax consequences to Debtors. Debtors are limited liability companies
and considered pass-through entities for tax purposes.

10 CIRCULAR 230 DISCLAIMER: TO ENSURE COMPLIANCE WITH
11 REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE,
12 HOLDERS OF CLAIMS ARE HEREBY NOTIFIED THAT (A) ANY
13 DISCUSSION OF FEDERAL TAX ISSUES IN THIS DISCLOSURE
14 STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR
15 WRITTEN TO BE USED OR RELIED UPON, AND CANNOT BE USED OR
16 RELIED UPON, FOR THE PURPOSE OF (1) AVOIDING TAX-RELATED
17 PENALTIES UNDER THE INTERNAL REVENUE CODE OF 1986, AS
AMENDED, OR (2) PROMOTING, MARKETING OR RECOMMENDING TO
ANOTHER PARTY ANY TRANSACTION OR TAX MATTER(S)
ADDRESSSED HEREIN, AND (B) ANY DISCUSSION OF FEDERAL TAX
ISSUES IN THIS DISCLOSURE STATEMENT (INCLUDING ANY
ATTACHMENTS) ARE WRITTEN IN CONNECTION WITH DEBTOR
SOLICITING ACCEPTANCES OF THE PLAN THROUGH THIS
DISCLOSURE STATEMENT.

18 YOU ARE URGED TO CONSULT YOUR OWN TAX
19 ADVISOR ABOUT ANY FEDERAL, STATE, LOCAL, AND APPLICABLE
FOREIGN, INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

20 **XI. RECOMMENDATION AND CONCLUSION**

21 Please read this Disclosure Statement and the Plan carefully. After reviewing all
22 the information and making an informed decision, please vote by using the enclosed ballot. The
23 Debtors strongly urges you to vote in support of the Plan

24 RESPECTFULLY SUBMITTED this 2nd 15th day of AugustNovember,
2017.

25 FARLEIGH WADA WITT

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Padding cell	

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Moved to	6
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Total changes	191