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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF IDAHO

In re:) Chapter 11
) Case No. 10-42241-JDP
Gables Management, LLC)
)
Debtor.)
_____)

DISCLOSURE STATEMENT

On December 17, 2010 Gables Management, LLC. (hereinafter referred to as “Debtor”) filed its voluntary petition for reorganization pursuant to Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Idaho. After the case was filed the U.S Trustee filed a motion to dismiss or convert the case due to wrongdoing perpetrated by the 100% owner Keith Rasmussen. The Court conducted a hearing and determined that a Chapter 11 Trustee should be appointed to manage the affairs of the Debtor. Wayne Klein was appointed the Chapter 11 Trustee (hereinafter “Trustee”). Trustee has now filed a proposed Plan of Reorganization, a copy of which is attached hereto as Appendix "B". Pursuant to Section 1125

of the Code. Trustee has obtained an order of the court approving this Disclosure Statement for submission to the holders of Claims against Debtor.

INTRODUCTION

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE TRUSTEE'S PROPOSED PLAN OF REORGANIZATION. PLEASE READ THIS DOCUMENT WITH CARE.

Trustee is providing this Disclosure Statement to all of the known creditors of Debtor pursuant to Section 1125 of the Bankruptcy Code in order to permit such creditors to make an informed judgment in exercising their right to vote on the Plan of Reorganization. Section 1125 of the Bankruptcy Code requires that this Disclosure Statement be submitted to holders of Claims against, and interests in, the Debtor and that this Disclosure Statement contain sufficient information about the Debtor to enable creditors and other interested parties to make an informed decision regarding the Plan of Reorganization. The Disclosure Statement was required to be approved by the court. The Trustee has complied with requirements of Section 1125 of the Bankruptcy Code and the Disclosure Statement has been approved by the Court as containing adequate information.

THE APPROVAL BY THE COURT OF THE DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

Accompanying this Disclosure Statement are copies of the following documents:

Appendix A. The Court's order approving this Disclosure Statement and affixing the time for the filing of acceptances or rejections of the Plan of Reorganization and for a hearing on confirmation of the Plan or Reorganization;

Appendix B. The Plan of Reorganization.

Appendix C. The ballot form for acceptance or rejection of the Plan of Reorganization.

Appendix D. Trustee's projections of income and expenses.

Appendix E. Summary of Past Income and Expenses from January 1, 2009 to April 30, 2012. It should be noted that the Trustee was appointed on August 23, 2011. Since that time he has filed detailed monthly reports with the Court, which can be inspected.

This Disclosure Statement is being furnished to all known creditors to inform them about the plan and their rights with respect thereto. The only representations that are authorized by the Trustee concerning the Debtor's operations, the value of the Debtor's assets, its reorganization prospects, or other matters are the representations contained in this Disclosure Statement. The financial information contained in this Disclosure Statement has not been subjected to an audit by an independent Certified Public Accountant. For that reason, the Trustee is not able to warrant or represent that the information contained in this Disclosure Statement is without any inaccuracy. However, great effort has been made to ensure that all such information is fairly represented.

DEFINITIONS

Unless the context otherwise requires, the following terms, when used in the Disclosure Statement shall have the following meanings:

1. Administrative Claim: A cost or expense of administration of this Chapter 11 case, including any actual, necessary expense of preserving or liquidating the estate, any actual, necessary expense of operating the business of Debtor, and all allowances approved by the Court in accordance with the Code.

2. Allowed Claim: "Allowed Claim" shall mean a Claim (i) in respect of which a proof of Claim has been filed with the Court on or prior to the Bar Date; or (ii) which is scheduled in the Debtor's schedules of assets and liabilities and statement of financial affairs filed with the Court pursuant to §521 of the Bankruptcy Code and which has not been listed (or is no longer listed on the Confirmation Date, if previously so listed) as disputed, contingent or unliquidated; or (iii) in respect of which a proof of Claim has been filed with the Court with §502(h) or §502(i) of the Bankruptcy Code; and in any case as to which no objection to the allowance thereof has been interposed within any applicable period of limitation fixed by Bankruptcy Rule or an order of the Court, or as to which, if objections has been interposed, the Claim has been determined by order of the Court.

3. Avoidance Actions: "Avoidance Actions" shall mean those adversary proceedings instituted by the Trustee or the Plan Administrator to avoid prepetition transfers made by the Debtor. It shall also include any remaining Claim objections which are not resolved on the Effective Date of the Plan.

4. Bankruptcy Code: "Bankruptcy Code" or "Code" shall mean the United States Bankruptcy Code, 11 U.S.C. §101 et seq., and any amendments thereof.

5. Claim: "Claim" shall mean any right to payment or right to an equitable remedy against Debtor for breach of performance if such breach gives rise to a right to payment, whether

or not such right to payment or right to an equitable remedy is reduced to judgment, or whether liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, secured or unsecured.

6. Class: "Class" shall mean any class into which Claims or Interests are classified pursuant to Article I of the Plan.

7. Confirmation Date: "Confirmation Date" is the first business day occurring on or after the (14th) day after the Order of Confirmation is entered by the Court provided, however, that if a stay of the order confirming the Plan is in effect on such first business day, then the Confirmation Date shall be the first business day thereafter on which (i) no stay of the order confirming the Plan is in effect and (ii) the order confirming the Plan has not been vacated.

8. Contested Claim: "Contested Claim" shall mean any Claim which is listed on the schedules filed by the Debtor as contingent, unliquidated or disputed or is, or becomes, the subject of an objection filed with the Court in accordance with the provisions of the Bankruptcy Code and which remains unresolved on the Effective Date.

9. Court: "Court" shall mean the United States Bankruptcy Court for the District of Idaho, presiding over the cases or, if necessary the United States District Court for said district having original jurisdiction over bankruptcy cases and the judges thereof.

10. Effective Date: "Effective Date" of the plan is the Confirmation Date.

11. New Company: "New Company" shall mean the C Corporation formed after the Effective Date of the Plan. Unsecured creditors shall receive shares in this new company based on their Allowed Unsecured Claims so long as they are not the small holders of unsecured Claims.

12. New Shareholders: “New Shareholders” shall mean those members of Class 14 who shall eventually receive shares from the Plan Administrator.

13. Plan Administrator. “Plan Administrator” shall mean the individual appointed under the Chapter 11 Plan to run the Debtor until the case closes. That person shall be Wayne Klein.

14. Property Definitions: The following property described in the Plan shall be defined as follows:

14.1. Blackfoot Property: This real property and personal property is located at 2815 Hunters Loop, Blackfoot, Idaho, which is legally described as the E1/2 of Lot 5 and Lot 6 in Block 2 of Cottonwood Park, Bingham County, Idaho, as shown on the plat recorded November 25, 2003, as instrument No. 524950, and re-recorded January 21, 2004, as instrument No. 536643.

14.2. Idaho Falls Property: This real and personal property is located at 830 1st St and 840 1st St, Idaho Falls, Idaho, legally described as: Lots 1 and 2, Block 1, Beehive Homes, to the City of Idaho Falls, Bonneville County, Idaho, according to the plat recorded July 31, 1985 as instrument no. 903217.

14.3. Pocatello Property: This real and personal property is located at 2805 S. Grant Ave, Pocatello, Idaho legally described as Lot 4 (R) (R1) Block 1 Falcon Ridge Subdivision, Bannock County, Idaho, as the same appears on the official plat thereof, filed in the office of the County Recorder of Bannock County, Idaho.

14.4. Shelley Property: This real property and personal property is located at 530 River Pointe Lane, Shelley, Idaho 83274 and is legally described as Part of Lot 3 Northwest

Quarter Southwest Quarter, Section 32, Township 1 North Range 37, East, Boise Meridian, Bingham County, Idaho, which is more particularly described as:

Commencing at the Southwest corner of Section 32; thence North 00°55'00" West 1580.98 feet along the Section line; thence South 90°00'00" East 24.08 feet to a point on the Easterly right-of-way line of Longhurst Road (700 East); thence North 00°57'58" West 710.35 feet along said Easterly right-of-way line to the Southerly right-of-way line of Shelly West Road; thence North 66°45'43" East 141.61 feet along said right-of-way line to the Point of Beginning. Thence North 66°45'43" East 439.15 feet continuing along said right-of-way line to the Westerly Bank of the Cedar Point Canal; thence South 46°55'58" West 132.21 feet along said Westerly Bank; thence South 31°54'00" West 362.10 feet along said Bank; thence North 58°06'00" West 62.00 feet; thence North 18°11'03" West 201.74 feet to the Point of Beginning.

15. Trustee: "Trustee shall mean the Court Appointed Chapter 11 Trustee who is Wayne Klein.

GENERAL HISTORY OF THE DEBTOR

The Debtor is an Idaho Limited Liability Company formed on April 18, 2003. Keith and Renee Rasmussen claimed to be the sole members and managers of the Debtor. (See Disclosure Statement accompanying the first plan of reorganization, Docket No. 128.) The Trustee does not believe this is accurate. The Trustee has found documents indicating that a variety of Claimants were given, or led to believe they had, equity ownership interests in the Debtor or particular facilities owned by the Debtor.

The Debtor owns and operates three assisted living facilities located in Pocatello, Blackfoot, and Shelley, Idaho. The facilities are called Gables of Pocatello, Gables of Blackfoot, and Gables of Shelley. All three facilities have been constructed since 2003. The Debtor also rents office space in Blackfoot, near the Blackfoot facility.

The Debtor owns two adjacent properties in Idaho Falls, sometimes called Lily and Syringa. Since 2007, these properties have been leased to a company named Niguel Sante. The

lease provided Niguel Sante an option to purchase the properties from the Debtor. Niguel Sante is not in compliance with all the terms of the lease but has indicated a desire to exercise its purchase option for the two properties. The Trustee is in negotiation with Niguel Sante regarding these properties.

Each facility operated by the Debtor has the capacity and is licensed to accept 16 residents. Each provides three different levels of health care, depending on the individual health care needs of each resident. A licensed administrator is responsible for each facility. Currently, the Debtor has 45 residents. Vacancies occur on a regular basis as residents pass away or are admitted to hospitals. The Debtor actively markets its services and at times particular facilities will have waiting lists for admission. The Debtor currently employs 32 individuals to handle resident care and service.

Events Leading to the Bankruptcy Filing

The three facilities were built using construction loans from America West Bank for two facilities and the Bank of Idaho for the third. Before construction was completed, America West Bank failed and was taken over by the FDIC in May 2009. This resulted in the Debtor losing access to some of the expected construction funding and the permanent financing that had been anticipated. These loans were sold by the FDIC to investors. Rasmussen believed that this failure also resulted in the Debtor's inability to obtain an operating loan that was contemplated for the Blackfoot facility.

In the Disclosure Statement accompanying the first Plan of Reorganization, Rasmussen also identified other factors creating financial pressures on the Debtor. These include operating

costs that were too high, erratic reimbursements from Medicaid, cash flow constraints, and an accounting error that led to garnishments of Debtor bank accounts by taxing authorities.

The Trustee believes that other factors also had significant deleterious impacts on the Debtor, impelling it to seek bankruptcy protection. First, Keith Rasmussen had borrowed funds from acquaintances and professional lenders, including hard money lenders. In numerous cases, money was loaned to Rasmussen, but the Debtor made the loan payments. Second, some of the loans were at very high interest rates—at 16% interest or higher. The Trustee has found documentation showing that some of these loan agreements had high penalty terms where high interest rates and penalties compounded to the point that some lenders were paid multiples of the face amount of their loans.

All these factors combined to create short-term cash flow deficiencies and an unsustainable long-term business plan. Given the number and size of payments that the Debtor was making on loans made by lenders to the Debtor and to Keith Rasmussen, the Debtor's financial position was steadily deteriorating.

During 2010, a number of creditors took action against the Debtor, obtaining money judgments for amounts owed. One of the secured creditors filed suit, seeking the appointment of a receiver for one of the facilities. A hearing on the creditor's request for a receiver was scheduled for December 17, 2010, prompting the bankruptcy filing.

The Debtor filed its Voluntary Petition for relief under the Bankruptcy Code on December 17, 2010. Until August 23, 2011, Rasmussen operated the Debtor as debtor in possession. A Meeting of Creditors pursuant to 11 U.S.C. § 341(a) was held on February 4, 2011. A Notice of Appointment of Unsecured Creditors' Committee was filed on February 8,

2011. On June 1, 2011, the Debtor filed its first Disclosure Statement in connection with a planned reorganization.

Court-Approved Interim Payments

No major assets have been disposed of by the Debtor.

Pursuant to Court authorization, the Debtor paid pre-petition wages owed to employees. *See Order Granting Debtor's Motion to Approve Payment of Prepetition Employee Wages*, entered on December 23, 2010 as Docket No. 22.

In July 2011, the Court authorized the Debtor to make adequate protection payments to three of the creditors, Reed Dame (Pocatello Property); Continental and Web Bank (Shelley Property); and Bank of Idaho (Blackfoot Property). These payments, totaling \$24,950.00 are being paid on a monthly basis. *See Cash Collateral Orders at Docket No's. 101, 124, 125, and 130.*

In May 2012, the Trustee also began paying the SBA related to its junior lien on the Pocatello Property based on \$3,335.00 per month.

Debtor's tenant Niguel Sante has also, pursuant to a pre-petition Lease Agreement, been making contractual monthly payments to the Bank of Commerce and SBA. The rent on the facility required Niguel Sante to pay the monthly contract payments directly to these two lienholders as well as pay all real property taxes to Bonneville County.¹

¹ These payments fell behind in March and April but Niguel Sante has advised Trustee it has cured all payments except Bonneville County which it also has agreed to cure.

Events Leading to the Appointment of the Trustee

In April 2011, the Debtor's office manager discovered checks written from the bank account of the Debtor and charges on a debit card belonging to the Debtor that appeared to be for remodeling work on a personal residence of Keith Rasmussen. This was brought to the attention of the U.S. Trustee and the Court. The Court held hearings on this matter in July and issued an order on August 12, 2011 directing the U.S. Trustee to appoint a Chapter 11 trustee for the Debtor. On August 23, 2011, the Trustee was appointed by the Court. (Docket No. 183) On November 17, 2011, the US Trustee filed an action seeking to deny discharge in connection with Rasmussen's personal bankruptcy.

Following his appointment, the Trustee took possession of the bank accounts and the operations of the Debtor. Keith Rasmussen and several family members were terminated as employees of the Debtor. On October 31, 2012, the Trustee filed a report summarizing actions he had taken since his appointment. *See Trustee's Report filed as Docket No. 212.* The Trustee continues to oversee the day-to-day management of the Debtor and control its finances. The Trustee has worked with his counsel in developing this Plan of Reorganization.

Disallowed and Contested Claims

Contingent, Disputed Claims Where no Claim Was Filed: Debtor scheduled certain obligations in its schedules as disputed Claims. No proof of Claim forms were filed for these Claims. As a result, the Claims are disallowed.

Claimant	Claim No.	Amount	Explanation
Rasmussen, Aaron	D	\$90,000.00	No claim filed
Rossiter Architecture	D	\$13,000.00	No claim filed
Total		\$103,000.00	

Disallowed: On January 5, 2012, the Trustee filed notices of objections to 23 Claims. Those on the table below were disallowed by a February 15, 2012 order of the Court (Docket No. 278).

Claimant	Claim No.	Amount	Explanation
Collard, Max	28	\$25,000.00	Disallowed
Stuart, Viola	29	\$35,000.00	Disallowed
Villagran, Lorena	33	\$15,132.08	Disallowed
Nielsen, Shawn & Mary	36	\$292,410.00	Disallowed
Foster, Amy Jean	41	\$145,000.00	Disallowed
Searle, Stan	42	\$32,000.00	Disallowed
Frye, Tracy	43	\$152,400.00	Disallowed
Armstrong, Paige	46	\$486,250.00	Disallowed
Mickelsen, Jay	49	\$80,440.84	Disallowed
Hansen, Kim & Troy	55	\$610,272.40	Disallowed
Forest, Randoline	60	\$112,000.00	Disallowed
Heym, Bob	D	\$31,000.00	Disallowed
Johnston, Jim	F	\$15,500.00	Disallowed
Peterson, Doug	F	\$50,000.00	Disallowed
Roundy, Rodger	F	\$27,500.00	Disallowed
Thompson, J.R.	F	\$15,000.00	Disallowed
Total	16	\$2,124,903.32	

Additional Claims have been disallowed or withdrawn based on objections filed by the Trustee. These are:

Claimant	Claim No.	Amount	Explanation
Hancock, Ryan	53	\$85,000.00	Withdrawn April 11 at Hearing
Michie, Robert	F	\$173,000.00	Disallowed by April 13 order of the Court (Docket No. 348)
Sue, Linda Raye	56	\$300,000.00	Disallowed by April 10 order of the Court (Docket No. 338)
Rasmussen, Renee	58	\$1,208.67	Disallowed by April 10 order of the Court (Docket No. 338)
Rasmussen, Keith	59	\$2,291.67	Disallowed by April 10 order of the Court (Docket No. 338)
Forest, Randoline	60	\$112,000.00	Disallowed by April 10 order of the Court (Docket No. 339)
Bank of Commerce	39	\$103,268.73	Withdrawn on April 19 (Docket No. 354)
Total	7	\$1,553,538.14	

Reduced Claims, Change of Classification: Several Claims have been adjusted either in the amount or the priority of the Claim.

Claimant	Claim No.	Allowed Amount	Explanation
Dance, Michael	27	\$28,000.00	Reduced \$24,174.00
Archibald Insurance	10	\$8,109.00	Priority Claim denied, allowed as unsecured
Les Schwab	12	\$2,148.49	Secured Claim withdrawn, allowed as unsecured
Total	3	\$38,257.49	

Objections Filed, Court has not Yet Ruled

Claimant	Claim No.	Amount	Explanation
Geiger, June	34	\$25,000.00	Hearing on April 11 – decision pending
Geiger, Ernie	35	\$25,000.00	Hearing on April 11 – decision pending
Garrett, Patrick	F	\$92,000.00	Hearing Pending
Total	3	\$142,000.00	

Claims the Trustee Intends to Contest

Claimant	Claim No.	Amount
Armstrong, Clayton	7, Sch. D	\$294,934.08
Anderson, David	32, Sch. F	\$42,399.00
Armstrong, Mike & Abby	48, Sch. D	\$202,925.00
Total	3	\$540,258.08

Claims that May be Contested

Claimant	Claim No.	Amount	Explanation
Bingham Co. Treasurer	23		Tax on Shelley lots ²
Marvelous Mechanics	37	\$45,581.12	Preference payments ³

² Bingham County has filed one Claim related to 3 separate properties. One property “The Shelley Lots” were foreclosed by Bank of Commerce. Trustee presumes Bingham County was paid regarding the taxes on those Shelley Lots. The secured Claim must be adjusted. The Claim secured by Blackfoot Property and Shelley Property is not opposed.

³ Preference and not documented secured Claim.

Niguel Sante	47	\$392,442.51	Idaho Falls property ⁴
Total		\$438,023.63	

Adversary Proceedings the Trustee May Pursue

Claimant	Claim No.	Amount	Explanation
Armstrong, Clayton	7, D		Overpaid investor
Anderson, David	32, F		Overpaid investor
Armstrong, Mike & Abby	48, D		Overpaid investor
Cornelison, Bob		\$171,893.48	Preference payment
Gunnell, Steve & Meisja		\$184,500.00	Fraudulent transfers
Lackey, Chet		\$19,970.45	Fraudulent transfers
Mitchell, Jerry		\$42,224.53	Fraudulent transfers
Page, Sid		\$35,900.00	Fraudulent transfers
Waldrum, Scott		\$128,857.80	Fraudulent transfers
Silcock, Robert & Richard			Preferential transfer
Niguel Sante			Property recovery
Total		\$583,346.26	

Explanation of Claims That Have Been, or May Be, Contested

Loans: Millions of dollars in Claims have been filed by people whose Claims are based on monies they loaned. The Trustee has found, however, that in most cases, the money was loaned to Keith Rasmussen, not to the Debtor. Often there are promissory notes that are signed by Keith Rasmussen. In some instances, the promissory note indicates the money is being loaned to Keith Rasmussen of Gables. However, the Debtor did not agree to become obligated on the note and in the vast majority of cases, the loan funds were paid to Rasmussen, not to the Debtor. The Trustee is objecting to these Claims as they are Claims that should be asserted against Rasmussen, not the Debtor.

⁴ Niguel Sante – see description of dispute below.

Ownership Interests: In other instances, claimants were given ownership interests in the Debtor or one of the facilities in return for the funds they provided to Rasmussen or the Debtor. Some of these claimants received account statements called “Investor’s Statement.” In some cases, the claimants were promised a specific ownership interest in a non-existent entity, such as “Gables of Shelley, LLC.” The Trustee is objecting to Claims where the claimants were investors or given equity interests in return for the monies they gave to Rasmussen or the Debtor.

In at least two instances, claimants had their equity interests in the Debtor converted to debt within the one-year preference period. As such, the conversion can be avoided by the Trustee.

Fraudulent Transfers: The Trustee has identified a number of persons who loaned money to the Debtor and received payments of principal and interest far exceeding the amount of their loans. In some of these cases, the lenders have filed Claims seeking even more money on their loans, despite their loans having been completely repaid with some interest. The Trustee believes he can demonstrate that the Debtor was insolvent when these loan repayments were made and, therefore, the excess payments can be recovered as fraudulent transfers.

The Trustee has also found pre-petition payments from the Debtor to a number of persons who had demanded repayment of loans from Rasmussen or who obtained judgments against Rasmussen or the Debtor. The Trustee believes that these were debts of Rasmussen and that the payments to these persons of funds belonging to the Debtor were fraudulent transfers. The Trustee intends to file adversary proceedings to recover those payments.

Preferential Transfer: The Debtor transferred a property in Rupert back to the original owners within the 90 day period before the petition was filed. This is a preferential transfer that

the Trustee can reverse. The Trustee is still evaluating what action to take regarding this property.

Contract for the Sale of the Idaho Falls Facilities: The Debtor owns two facilities in Idaho Falls which were the subject of an agreement to sell them to Niguel Sante, a company owned by a relative of Rasmussen. An initial contract for the sale was signed in 2007, but was not consummated. A subsequent contract was signed in 2010, shortly before the Debtor filed its bankruptcy petition. The Trustee has analyzed the terms of the 2010 contract and has determined that it is too favorable to Niguel Sante. In addition, substantial amounts of payments that were recited in the contract as having been paid to the Debtor, were never paid to the Debtor. Some of the funds were paid to Rasmussen and other payments were recited as having been paid, when there was no transfer of funds. Trustee believes that Niguel Sante has not complied with all of the significant terms of the contract, giving the Trustee additional justification for rejecting the agreement for the sale of the properties. Niguel Sante has filed a claim for \$392,442.51. The Trustee is in continued negotiations with Niguel Sante over a new contract. At this time, the Trustee does not know if a new contract will be executed, whether the facilities will be returned to the Debtor, and whether Niguel Sante's claim will be allowed. By the time of hearing on this Disclosure Statement, Trustee should have further information regarding this contract.

COMPANY ORGANIZATION, NEW COMPANY

Currently, the Debtor is an Idaho Limited Liability Company in good standing. Until August 31, 2011, the Debtor was taxed as a pass-through entity, where the income of Keith Rasmussen and the Debtor were combined for tax purposes. On August 31, 2011, Rasmussen's ownership interest was sold at auction in connection with his personal bankruptcy. In early

2012, the Trustee filed a notice with the IRS to convert the tax status of the Debtor so it would be taxed as an entity. This change in tax status was made retroactive to September 1, 2011.

The Plan contemplates that a new corporation (“New Company”) will be formed and that the assets and certain of the liabilities of the Debtor will be transferred to New Company at a later date. At that point, the Debtor will be dissolved. The owners (“Owners”) of New Company will be the large unsecured creditors (defined as being unsecured creditors with Claims over \$3,500.00) described in Class 14. The events leading up to the transfer of assets and some liabilities to New Company are as follows:

1. The Debtor will remain in its current form and remain under the control of the Trustee, called the Plan Administrator, (and oversight of the Court) until all of the following objectives are accomplished:
 - a. Confirmation of the Plan;
 - b. New long-term loan agreements are reached with the secured lenders. Under the Plan, these will be 20 year mortgages with the current secured lenders at a 5% interest rate;⁵
 - c. The Idaho Falls Property has been sold or the Debtor has resumed control over the Idaho Falls Property;
 - d. All outstanding administrative expenses of the Plan Administrator, including allowed fees and costs of his professionals have been paid;
 - e. Payment of all Claims to the Idaho county treasurers for property taxes owed (expected to be accomplished by December 2012) (See Class 4 of Plan);

⁵ The Trustee has already executed a new long-term loan agreement with the SBA on the Pocatello property.
DISCLOSURE STATEMENT P -17-
22309-002/817863 JMM/jib 5/16/2012

- f. Payment of all priority Claims to the IRS, the Idaho Tax Commission, and the Idaho Department of Labor have been paid (expected to be accomplished by December 2013) (See Class 3 of Plan);
 - g. Payment of all Claims by small unsecured claimants (defined as Claims for less than \$3,500.00) (expected to be accomplished by November 2013) (See Class 13 of Plan);
2. As the time approaches that these conditions will be satisfied, the Trustee will cause New Company to be formed.
- a. Owners will be notified that New Company has been formed and will be asked to elect members of the board of directors (“Board”) for New Company. The Trustee proposes that the initial number of Board members shall be 5.
 - b. The Board will select the officers (“Officers”) of New Company.
 - c. The Board or Officers will establish procedures for the hiring of employees (or transfer of employees from the Debtor) and operational procedures for the New Company.
 - d. The Board or Officers will work with the Trustee to structure the transfer of assets, Avoidance Actions, Properties, and licenses from the Debtor to New Company.
3. When all conditions precedent to the transfer have been accomplished, the following will occur:
- a. The Trustee will ask the Court to give final approval of the transfers to New Company;

- b. After notice and hearing, and Court approval, Plan Administrator and his professionals shall be paid any fees and costs not previously approved;
- c. Assets will be transferred by the Debtor to New Company. These include the properties and their related assets, bank account balances, patient contracts, records, and Avoidance Actions still pending;
- d. New Company will assume the secured obligations for the facilities as described in Classes 5 through 11;
- e. Shares will be issued to Owners;
- f. The Trustee will ask the Court to discharge the Trustee and to close the bankruptcy estate (subject to a retention of jurisdiction for the conclusion of any still-pending Avoidance Actions);
- g. The Debtor will be dissolved.

Liquidation Analysis

It is the Trustee's considered opinion unsecured creditors would most likely receive a distribution that would be less than 1.1% of their Claims in a Chapter 7 liquidation and the Trustee's Plan provides for significantly more. The Plan provides over the next two (2) year term for a distribution of the priority in unsecured Claims of government entities of \$131,642.56 and \$48,932.35 to small general unsecured creditors. In addition, claimants holding allowed unsecured Claims over \$3,500.00, which total \$2,230,010.39 will be given proportional shares of New Company, which will own all the assets of the Debtor after other debts (other than

mortgages) have been paid.⁶ The Trustee believes this will eventually return more than 100% of the Claim amounts of these creditors. Upon confirmation of the Plan, all current equity ownership interests in the Debtor will be extinguished.

PENDING LEGAL PROCEEDINGS

1. State court and federal court actions. None
2. Bankruptcy Proceedings:
3. Preferences, fraudulent conveyances and lien avoidance: Trustee has made preliminary examinations as to potential preferences and fraudulent conveyances and will determine if any would be beneficial for the estate to pursue. See explanation above.

Trustee reserves the right after the plan is confirmed to pursue these transfers and Claims.

TRUSTEE DESCRIPTION OF THE PLAN

1. Trustee intends to conclude Claims objections.
2. Trustee intends to pursue certain Avoidance Actions to collect monies to pay the creditors.
3. Trustee intends to pay secured creditors the value of their Claims in the Blackfoot Property, Idaho Falls Property, Pocatello Property and the Shelley Property. In certain instances such as the Pocatello Property and Idaho Falls Property there is more than one creditor holding an allowed secured Claim on the respective property. Each property has real property taxes which must be paid as well.

⁶ Some of these claims are being or are expected to be challenged by the Trustee.
DISCLOSURE STATEMENT P -20-
22309-002/817863 JMM/jib 5/16/2012

4. Trustee intends to pay allowed priority Claims owed to former residents of the Debtor (Class 2 Claims) in cash on the Effective Date of the Plan.
5. Trustee intends to pay allowed priority Claims of governmental units for taxes or duties (Class 3, 4, and 12 Claims) by paying: a) all the priority Claims amounts owed to the Idaho Tax Commission and the Idaho Department of Labor, b) half of the property taxes owed on the properties, and c) and a portion of the amount owed to the IRS in cash on the Effective Date of the Plan. Additional payments for property taxes and the IRS will be paid on a monthly basis following the Effective Date of the Plan until paid in full.
6. Trustee intends to pay unsecured creditors holding small Claims in cash following the extinguishment of priority Claims to former residents and to governmental units.

BASIS OF VALUATION

The basis of the evaluation of property contained in the liquidation analysis, or best interest of creditors' test, was obtained from various sources.

IT SHOULD BE BORNE IN MIND THAT THE VALUES ESTABLISHED IN THIS ANALYSIS ARE ONLY THE BEST ESTIMATES OF THE TRUSTEE. These values were arrived at by assuming that the entirety of the Debtor's assets would be liquidated and it is assumed that different values might be obtained in limited or spot sales of similar property over an extended period of time. It must be kept in mind that secured creditors would be expected to exert a major effort to reclaim their property at the earliest possible time to avoid their collateral

being involved in the liquidation process. This sort of activity will reduce the liquidation value of the Debtor's estate.

LEASE OBLIGATIONS

The Debtor entered into a pre-petition lease with Niguel Sante regarding the Idaho Falls Property. As described above, the Trustee believes Niguel Sante is in default under the lease. Niguel Sante has expressed a desire to execute the purchase option under the lease. The Trustee is negotiating with Niguel Sante regarding the Idaho Falls Property.

The Debtor is paying \$550.00 a month to rent an office in Blackfoot where its business records are kept currently and from which it performs the administrative operations of the Debtor. The Debtor expects to continue renting this office for the foreseeable future.

OTHER CONTRACT RIGHTS LIQUIDATION ANALYSIS

"Best Interests of Creditors Test"

Notwithstanding acceptance of the Plan by creditors, in order to confirm the Plan the Court must independently determine that the Plan is in the best interests of all classes of creditors and stockholders. The "best interest" test requires that the Court find that the Plan provides to each member of each impaired class of Claims and interest a recovery which has a present value at least equal to the present value of a distribution which each such person would receive from the Debtor if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code instead of being reorganized under Chapter 11 of the Bankruptcy Code.

To calculate what members of each impaired class of unsecured Claims or interest would receive if the Debtor were liquidated, the Court must first determine the dollar amount that would be generated from the disposition or liquidation of the assets of the Debtor in excess of the

amount necessary to pay allowed secured Claims, plus the cash held by the Debtor, and plus recoveries on actions against third parties. The proceeds of this liquidation will then be reduced by the costs of the liquidation. Such a liquidation would probably take place in a Chapter 7 proceeding and such a proceeding would include the fees of the Trustee as well as those of counsel and other professionals that might be retained by the Trustee, selling expenses (including costs of advertising and auctioneer's fees or brokerage commissions) unpaid expenses incurred by the Debtor during its reorganization proceedings under Chapter 11, and Claims arising by rejection by the Trustee of obligations incurred by the Debtor during the pendency of the Chapter 11 case.

The value of the distributions after liquidation, deduction of costs of liquidation, and in keeping with the analysis described above would then be compared by the Court with the present value being offered to each of the classes of unsecured Claims and interests under the Plan.

The Trustee also believes that unsecured Claims in a liquidation would be significantly greater than under the present circumstances. For example, many contracts and leases which would be assumed pursuant to the Plan would probably be rejected in a liquidation and would give rise to unsubordinated Claims against the liquidation proceeds. These obligations are generally taken care of in Trustee's Plan and because they are paid over time will increase the amount of distribution under the Plan to unsecured creditors.

The proponents also believe that liquidation of the Debtor's estate would be a time consuming matter and might involve litigation between a Chapter 7 trustee and the various Claimants to assets of the estate. It would not be unusual that no distribution to unsecured creditors in a Chapter 7 liquidation proceeding would be forthcoming for two or more years.

THE TRUSTEE FIRMLY BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF EACH CLASS OF CREDITORS.

The following pages set forth assets, liabilities and estimated expenses Trustee is using to calculate its liquidation analysis.

I. ASSETS

	<u>Estimated at Confirmation Date</u>
A. <u>Bank Accounts</u>	
1. General Account:	\$290,000.00

TOTAL ACCOUNTS: \$290,000.00

B. Real Property: The secured indebtedness listed is that existing on the date the bankruptcy was filed. Interest will have accrued on the debt since that date as only some payments have been made.

1. Blackfoot Property	\$1,400,000.00
Secured indebtedness –	
a. Bingham County Taxes:	(\$32,400.00)
b. Bank of Idaho lien ⁷	<u>(\$1,400,000.00)</u>
TOTAL DEBT	(\$1,432,400.00)
2. Idaho Falls Property	\$1,100,000.00
Secured indebtedness –	
a. Bonneville County Taxes:	(\$32,544.53)
b. Bank of Commerce lien ⁸	(\$390,082.00)
c. SBA Lien ⁹	<u>(\$251,254.44)</u>
TOTAL DEBT	(\$ 673,880.97)
3. Shelley Property	\$1,400,000.00
Secured indebtedness –	
a. Bingham County Taxes:	(\$30,749.34)
b. Continental Bank lien ¹⁰	<u>(\$1,400,000.00)</u>

⁷ This creditor is receiving adequate protection payments and thus its Claim will be less on the Effective Date.

⁸ This creditor is receiving adequate protection payments and thus its Claim will be less on the Effective Date.

⁹ This creditor is receiving adequate protection payments and thus its Claim will be less on the Effective Date.

¹⁰ This creditor is receiving adequate protection payments and thus its Claim will be less on the Effective Date.

TOTAL DEBT	(\$1,430,749.34)
4. Pocatello Property	\$1,400,000.00
Secured indebtedness –	
a. Bannock County Taxes:	(\$86,577.80)
b. Reed Dame lien ¹¹	(\$859,606.01)
c. SBA second lien ¹²	(\$505,235.00)
d. Reed Dame 3 rd Lien	(\$70,973.76)
TOTAL DEBT	(\$1,522,392.57)

TOTAL REAL PROPERTY	\$5,300,000.00
Total Secured Debts from above	(\$5,023,608.11)
NET	\$276,391.89

C. Personal Property:

1. Certain furniture is included in the value above.

II. LIABILITIES

A. Secured Indebtedness:

1. See Real Property debts disclosed above

B. Unpaid Estimated Administrative Expenses at confirmation date:

- | | |
|--|---------------|
| 1. Attorney Fees to Trustee's attorney | (\$28,000.00) |
| 2. Trustee Fees | (\$30,000.00) |

TOTAL EXPENSES	(\$58,000.00)
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C. Estimated General Unsecured Creditors

Total Claims (approximately)	(\$2,330,000.00)
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¹¹ This creditor is receiving adequate protection payments and thus its Claim will be less on the Effective Date.

¹² This creditor is receiving adequate protection payments and thus its Claim will be less on the Effective Date.

SUMMARY OF FIGURES USED FOR LIQUIDATION ANALYSIS

I. ASSETS

	<u>VALUE</u>	<u>% Upon Liquidation</u>	<u>Estimated Value Upon Liquidation</u>
A. Bank Accounts	\$290,000.00	100%	\$290,000.00
B. Real Property	\$5,300,000	90%	\$ 4,770,000.
TOTAL Liquidation Value:			\$5,060,000.00

EXPLANATION OF LIQUIDATION VALUE

1.	<u>NET OF ASSETS - SECURED INDEBTEDNESS (see above):</u>	\$276,391.89
2.	Less <u>Estimated Administrative Expenses Undisputed-Ch. 11</u>	\$ (58,000.00)
3.	Less <u>Chapter 7 estimated expense including:</u>	\$ (13,720.00)
	Chapter 7 Trustee @ 3% on personal property (estim.):	\$ (8,700.00)
	Chapter 7 Accountant:	\$ (5,000.00)
	Chapter 7 Attorney:	\$ (20,000.00)
4.	Less Priority Creditor Claims:	
	a. Internal Revenue Service	\$121,819.07
	b. State of Idaho	\$ 5,925.89
	c. Department of Labor	\$ 3,897.60
	d. Rent owed Residents (Class 2 of Plan)	<u>\$7,091.04</u>
		\$138,733.60
5.	Total Available to Fund Unsecured Creditors:	\$22,218.29

ESTIMATED DISTRIBUTION OF
LIQUIDATION PROCEEDS

Based on the amount of unsecured Claims filed and the undisputed amount contained in the schedules, the current amount of unsecured Claims exceeds \$2,300,000.00

FORMATION OF NEW COMPANY

This Plan proposes that after the Effective Date the Trustee shall form a new C Corporation under Idaho Law. The New Company shall issue stock to the remaining unsecured creditors who hold Claims that have not been paid. Common shares shall be issued for every allowed unsecured Claim in the amount of \$100.00. Each share shall be based on a rounded amount. For each multiple Claim that is not \$100 a share shall be issued to dollar amounts over \$50 and none shall be issued for any dollar amount under \$50. By way of illustration if a Claim holder holds a \$151.00 Claim then that holder shall receive 2 shares. If another Claim holder holds a \$148 Claim then he shall receive 1 share.

The initial board of directors shall consist of five Directors who shall be elected by the shareholders as soon as possible after the corporation is formed. Voting shall be cumulative.

To the extent any action is still pending at the time the Plan is confirmed then Trustee shall be appointed as the Plan Administrator to complete the litigation. All recoveries shall be used to pay the costs of the Plan Administrator and his professional's fees. After costs and expense are paid, the Corporation shall first pay any outstanding Claims of priority claimants, government Claims, and unsecured holders of small Claims then redeem stock pro rata until all cash is distributed.

CONFIRMATION OF THE PLAN

1. Voting Procedure:

All creditors entitled to vote on the Plan may cast their votes for or against the Plan by completing, dating and signing the "Ballot for Accepting or Rejecting Plan of Reorganization"

attached to this Disclosure Statement as Appendix C. The Ballot must be filed with the Bankruptcy Court and may be submitted personally or by mailing such Ballot to the U.S. Bankruptcy Court, 801 E. Sherman Street Pocatello, Idaho, 83201. In order to be counted all ballots must be filed or received by the Bankruptcy Court prior to 5:00 o'clock p.m. on the date specified in the order approving the Trustee's Disclosure Statement.

2. Persons Entitled to Vote on Plan:

Only the votes of classes of creditors whose Claims or interests are impaired by the Plan of Reorganization will be counted in connection with confirmation of the Plan of Reorganization. Generally, and subject to the specific provisions of Section 1124 of the Bankruptcy Code, this includes any creditor who, under the Plan, will receive less than payment in full in cash of the allowed amount of their respective Claims on the Effective Date of the Plan or if a creditor's legal, equitable or contract rights is altered by the Plan. In determining acceptance of the Plan, votes will be counted only if submitted by a creditor whose Claim is scheduled by the Debtor as undisputed, noncontingent and liquidated, or who, prior to the hearing on confirmation, has filed with the Bankruptcy Court a Proof of Claim which has not been disallowed, disqualified or suspended prior to computation of the vote on the Plan. The ballot which accompanies this Disclosure Statement does not constitute a Proof of Claim. If you are uncertain whether your Claim has been correctly scheduled, you should check the Debtor's schedules which are on file with, and may be inspected at, the Bankruptcy Court.

3. Acceptances May Not be Necessary to Confirm Plan:

Under Section 1126 of the Bankruptcy Code an impaired class is deemed to have accepted the Plan if (1) at least 2/3 in amount and (2) more than 1/2 in number of the allowed

Claims or interests of class members who have voted on the Plan have voted to accept it. Further, unless there is unanimous acceptance of the Plan by an impaired class, the Bankruptcy Court must also determine that under the Plan such class members will receive property of value, as of the effective date of the Plan, that is not less than the amount that such class member would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code on the effective date of the Plan. Even if all classes of Claims or interests accept the Plan, the Court may refuse to confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and there are other provisions therein which may affect confirmation exclusive of the votes of creditors.

4. Confirmation of Plan Without Acceptances:

The Court may confirm a Plan even though less than all of the classes of Claims or interests accepts the Plan. The circumstances under which the Court may confirm a Plan over the objection of a class of Claims or interests are set forth in Section 1129(b) of the Bankruptcy Code. This section provides that the Court may confirm a Plan notwithstanding its rejection by one or more impaired classes if the Court finds that the Plan does not discriminate unfairly and is fair and equitable with respect to each impaired class which does not accept the Plan. With respect to classes of secured creditors, the fair and equitable test requires that a secured creditor (1) retain its lien and receive cash payments having a present value equal to its allowed secured Claim, and (2) receive the proceeds of the sale of its collateral, or (3) realize the indubitable equivalent of its Claim the extent validly secured.

With respect to a class of unsecured Claims, the fair and equitable test requires that if each creditor in such class does not receive property having a present value equal to the amount

of such creditor's Allowed Claim, no junior class can receive or retain any property. The proponent of the Plan will rely on the features of Section 1129(b) in the event there is a rejection of the Plan by a class of Claims or interests. Under this Plan the equity security interests will receive nothing.

The invocation of the provision of 1129(b) is a legal matter required to be heard by the court at the confirmation hearing or at a hearing set by the court.

5. Consequences of Confirming the Plan:

Confirmation of the Plan will discharge the Debtor from all of its prepetition debts except as otherwise provided for in the Plan, the Order of Confirmation or Section 1141 of the Bankruptcy Code. Confirmation makes the Plan binding upon the Debtor, creditors and other parties in interest regardless of whether they have accepted or rejected the Plan. Confirmation of the Plan will, generally, provide for the distribution of value to the creditors as set forth in the Plan.

6. Hearing on Confirmation of the Plan:

The Bankruptcy court has set a hearing date to determine whether the Plan has or will be accepted and whether the other requirements for confirmation of the Plan have been satisfied. A time for hearing for confirmation of the Plan has been established in Appendix A hereto and each creditor and shareholder should make note of that Notice of Hearing and determine whether or not they want to attend. Attendance is not mandatory to establish a Claim and, as also set forth in Appendix A, all ballots must be filed with the Bankruptcy Court prior to the date set for hearing on Confirmation of Plan.

7. Retention of Jurisdiction:

If the Plan is confirmed, the Bankruptcy Court will retain jurisdiction, as more specifically set out in the Plan, to adjudicate the allowance of Claims, the value of secured interests, the disposition of executory contracts or unexpired leases, the avoidance of liens or transfers, litigation concerning Claims and property of the estate, rule on modifications of the Plan if any, and to issue such orders and judgments as may be necessary to implement the Plan and resolve disputes concerning the Plan.

BANKRUPTCY SCHEDULES

This Disclosure Statement is meant to disclose all of the assets and liabilities of the Debtor. To the extent it contradicts the bankruptcy schedules on file with the Bankruptcy Court the disclosures contained in this Disclosure Statement control over any ambiguities.

THIS DISCLOSURE STATEMENT is submitted this 17th day of May, 2012.

Gables Management, LLC

 /s/ Wayne Klein
By: Wayne Klein
Chapter 11 Trustee

COSHO HUMPHREY, LLP

By /s/ Joseph M. Meier
Joseph M. Meier, Attorney for Trustee