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**SO ORDERED.**

**SIGNED this 06 day of February, 2009.**

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF NEW YORK

  
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**ROBERT E. LITTLEFIELD, JR.**  
**CHIEF UNITED STATES BANKRUPTCY JUDGE**

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In re

LINCOLN LOGS LTD.

Debtor(s)

Chapter 11  
Main Case No. 08-13079  
Jointly Administered

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In re

SNAKE RIVER LOG HOMES, LLC

Debtor(s)

Case No. 08-13080

**ORDER (1) AUTHORIZING THE SALE OF SUBSTANTIALLY ALL DEBTORS' ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES TO THE SUCCESSFUL BIDDERS AT AUCTION, (2) TO THE EXTENT APPLICABLE, AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN LEASES AND EXECUTORY CONTRACTS, AND (3) GRANTING RELATED RELIEF**

Upon the motion of Lincoln Logs, Ltd. ("Lincoln") and Snake River Log Homes, LLC ("Snake River"), the debtors and debtors in possession in the above-captioned cases (collectively, the "Debtors"), dated December 30, 2008, for entry of an order pursuant to Sections 105, 363 and 365 of Chapter 11, Title 11 of the United States Code (the "Bankruptcy Code") and Federal Rules of Bankruptcy Procedure ("Bankruptcy Rule") 2002 and 6004 (1) authorizing the sale of substantially all of the Debtors' assets free and clear of all liens, claims and encumbrances to the successful bidders at auction, (2) to the extent applicable,

authorizing the assumption and assignment of certain leases and executory contracts; and  
(3) granting related relief (the “Sale Motion”);

AND it appearing a prompt sale of substantially all of the Debtors’ property by auction will maximize the amount that the Debtors, their estate and their creditors may realize for the value of the Debtors’ assets;

AND it further appearing that the Notice of Auction and Sale Hearing having been given in accordance with this Court’s Order dated December 24, 2008 (Docket No. 140) (the “Bidding Procedures Order”);

AND that such notice is sufficient and adequate and that no other notice of the Auction or Sale Hearing (as defined below) need be given;

AND that the Auction was conducted in accordance with the Bidding Procedures Order upon fair and reasonable terms calculated to achieve the highest and best value for the Debtors’ estates;

AND that the Auction was conducted at arm’s length with the assistance of the Court and with active involvement of the Official Committee of Unsecured Creditors;

AND that auctioning the Debtors’ property is supported by good business reasons and is in the best interest of the Debtors’ estates and creditors;

AND that the Successful Bidders set forth below are good faith purchasers for value within the meaning, and are entitled to the benefits and protection of Bankruptcy Code Section 363(m):

<b>Lot # (as defined in the Bidding Procedures Order)</b>	<b>Successful Bidder(s)</b>	<b>Sale Price</b>
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2,3,8,9a <sup>1</sup> ,9b,9c,10 <sup>2</sup> and 11 (“Bulk Bid”)	The Stephenson Group	\$2,400,000
5 and 7	James Peck	\$100,000
6	Kenneth Pasternak	\$100,000
12	Yellowstone Log Homes	\$5,000
		\$2,605,000

AND the Successful Bidder on Lot 8 (The Stephenson Group) shall have until February 6, 2009 to file with the Court and serve upon counsel to the Debtors, the Official Committee of Unsecured Creditors and First Pioneer Bank, the list of executory contracts (including the cure amounts) The Stephenson Group wishes to have the Debtor assume and assign to the Stephenson Group. The Stephenson Group acknowledges that to the extent any cure amount is due and owing pursuant to an assumed and assigned executory contract such cure amount shall be The Stephenson Group’s responsibility to pay that amount. The sale hearing with respect to the assumption and assignment of executory contracts is adjourned to February 11, 2009;

AND the sale hearing with respect to Lot 4 and the California Assets (as described below in footnote 1) is adjourned to February 11, 2009 at 10:30 a.m.;

AND that notice of the Sale Motion has been provided to the following parties:

(1) the Official Committee of Unsecured Creditors, (2) all scheduled creditors of the Debtors,

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<sup>1</sup> With respect to Lots 9(a) and 9(b), this sale is limited to the assets in those Lots located in New York State. The remaining assets in these Lots that are not being purchased by The Stephenson Group (“California Assets”) will be sold via an internet listing service such as eBay and the ultimate sale of such assets will be approved upon entry of a Stipulation and Order agreed to and executed by the Official Committee of Unsecured Creditors, First Pioneer Farm Credit, and the Debtors, or as otherwise approved by an entry of an order of the Court.

<sup>2</sup> The description of Lot 10 was amended prior to the auction to remove the Debtors’ membership interests in AFI Acquisition Company, LLC (“AFI”) and add all of AFI’s assets.

(3) the U.S. Trustee, (4) all parties who have requested notice in these cases, (5) all parties who have expressed an interest to the Debtors' assets, (6) all local, state and federal taxing authorities, and (7) all other known parties in interest;

AND that the hearing concerning the Sale Motion having been brought before this Court on January 30, 2009 at 9:30 a.m. (the "Sale Hearing") and after hearing from the parties-in-interest who appeared on the record and the Court being satisfied that the relief requested to be granted at the Sale Hearing by this Sale Motion is in the best interest of the Debtors, their estates and creditors, and that the legal and factual basis set forth in the Sale Motion established just and sufficient cause for the relief granted herein; and due deliberation having been had, it is hereby;

ORDERED, ADJUDGED AND DECREED, that

1. The Sale Motion is granted in all respects as modified herein and all the foregoing clauses are incorporated herein by reference.
2. All objections to the relief requested therein that have not been withdrawn, waived, or settled are overruled on the merits.
3. The Debtors are hereby authorized and directed to execute and deliver or cause the execution and delivery of any and all agreements, conveyances, instruments, assignments, schedules, documents and amendments and do all other things and take all further actions as may be reasonably necessary or appropriate to sell the Lots to the Successful Bidders as set forth herein, and comply with this Order.
4. The sale and conveyance of the Lots to the Successful Bidders shall be free and clear of all liens, claims and encumbrances and other interests and all such liens, claims and encumbrances and other interests shall attach to the proceeds of the sale of the Lots, with the

net proceeds to be held by Debtors' counsel in a segregated interest bearing account pending further Court order after notice and hearing, except as provided herein at paragraph 17.

5. If any person or entity that has filed mortgages, financing statements or other documents or agreements evidencing liens or claims in or to the assets included in the Lots shall not have delivered to the Debtors (in proper form for recording or filing and duly executed by the appropriate parties) termination statements, instruments of satisfaction and releases of all liens and claims which the person or entity has with respect to such assets, the Successful Bidders are hereby authorized and directed to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to such assets.

6. This Order is and shall be effective as a determination on and as of the date hereof.

7. The terms and provisions of this Order, shall be binding in all respects upon, and shall inure to the benefit of, the Debtors, their estates, and creditors, the Successful Bidders and their respective successors and assigns, and any affected third parties, including but not limited to persons asserting a lien, encumbrance or other interest in or against the Debtors' estates or any of the assets included in the Lots.

8. This Order is and shall be binding upon and govern the acts of all entities, including, without limitation, all filing agents, filing officers, recorders of mortgages, recorders of governmental departments, secretaries of state, federal, state and local officials, and all other persons and entities who may be required by operation of law, the duties of his office, or contract, to accept, file, register or otherwise record or release any documents or instruments regarding the transfer of the assets included in the Lots.

9. Pursuant to Bankruptcy Rule 6004(g), the ten-day stay following the entry

of this Order is waived.

10. All obligations of the Debtors hereunder shall constitute post-petition obligations, enforceable in accordance with their terms, and shall survive confirmation of any plan of reorganization and shall not be discharged under any provision of the Bankruptcy Code.

11. The Court shall retain jurisdiction over any matters related to or arising from the interpretation and/or implementation of this Order.

12. The sale hearing relative to the executory contracts to be assumed and assigned to The Stephenson Group, Lot 4, and the California Assets is hereby adjourned to February 11, 2009 at 10:30 a.m..

13. To the extent any of the Lots contain personally identifiable information as that term is defined at 11 U.S.C. § 101(41A), the Successful Bidder agrees and is directed to maintain the privacy of such information in conformity with any privacy agreement or policy maintained by the Debtor and any applicable local, state, or Federal privacy laws.

14. All assets are being sold AS IS, WHERE IS WITHOUT RECOURSE TO, REPRESENTATION BY, OR WARRANTIES BY, THE DEBTORS OF ANY KIND OR DESCRIPTION WHATSOEVER, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES AND/OR REPRESENTATIONS OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, PHYSICAL CONDITION, TITLE, POSSESSION, QUIET ENJOYMENT OR THE LIKE AND WITH ALL FAULTS. Assets are intended to be sold without software, if any is applicable. In the event that the Debtors' software is included in an asset sale, notwithstanding the disclaimers set forth above, the Debtors makes no representations or warranties regarding the Successful Bidder's right to use such software, as to the performance of the software, its non-infringement or

otherwise.

15. All sales and transfer taxes due as a result of the sales contemplated herein are the responsibility of the Successful Bidders.

16. Irrevocable payment in full of the purchase price for the Bulk Bid and for Lots 5 and 7 and 6 shall be received by Debtors' counsel by bank draft or wire transfer within thirty days of the date of this Order. Irrevocable payment in full of the purchase price for Lot 12 shall be received by Debtors' counsel by bank draft or wire transfer on or before February 9, 2009.

17. The parties agree that \$61,600 of the proceeds from the sale of the Debtors' motor vehicles in Lot 9(a) are not subject to First Pioneer Farm Credit's lien and that the remaining net proceeds from the sale of the Lots sold hereby, which shall be calculated after payment of closing costs and allowed brokerage fees, shall be divided as follows: i) 90% to First Pioneer Farm Credit; ii) 5% to unsecured creditors; and iii) 5% to the estate for payment of post-petition administrative expenses. First Pioneer Farm Credit's share of the net proceeds shall be delivered to it within five (5) business days of determination of the amount of net proceeds available for distribution.

18. In the event that a Successful Bidder fails to timely pay the entire purchase price or otherwise comply with the terms of the terms and conditions of sale approved by this Court, the Debtors will retain the deposit as liquidated damages without notice. The Debtors shall also be entitled to resell such subject Lot to the next highest bidder.

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