

-- For Immediate Release --

Contact:

Dhi Good, communications director
Drala Mountain Center
dgood@dralamountain.org
303-521-8142

Drala Mountain Center Files Reorganization Plan in Chapter 11 Case

On July 28, 2022, Drala Mountain Center ("DMC") filed a plan of reorganization incorporating an agreement with its secured lender, an investment fund managed by Red Hills Holdings ("Red Hills"), on terms for a restructuring of DMC's secured debt. DMC has successfully raised an initial \$1,000,000 in donations targeted for the debt restructuring and, under the agreement, Red Hills will be paid this amount at closing. The Red Hills debt will be extended for an initial six-year term.

All other creditors will be paid in full or on agreed terms under the plan of reorganization. As a result, DMC anticipates that its plan of reorganization will be approved by creditors and will provide debt relief necessary for DMC to continue its operations and fulfill its charitable mission.

Further details concerning the plan of reorganization may be obtained from the docket of the U.S. Bankruptcy Court for the District of Colorado or by contacting Patricia Chen, Ropes & Gray LLP, patricia.chen@ropesgray.com."

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Notes to Editor

Drala Mountain Center (formerly Shambhala Mountain Center) has been located in Red Feather Lakes, Colorado, since 1971.

On February 28, 2022, Drala Mountain Center filed a voluntary petition under Subchapter V of Chapter 11 of the U.S Bankruptcy Code.

Beginning in late 2019, Drala Mountain Center ("DMC") entered into forbearance agreements with its prior secured lender, Wells Fargo, in response to (i) the COVID-19 pandemic, which ultimately forced DMC to cancel in person programs and retreats for sixteen months, thus severely limiting program revenues; and (ii) the crisis in the larger Shambhala community, which began in mid-2018 and resulted in the cancellation of significant Shambhala-related programs. DMC's ability to generate revenues was further impacted by the 2020 Cameron Peak Fire, which caused a lengthy evacuation and destroyed a number of buildings and other infrastructure on DMC's land.

In May 2021, Wells Fargo sold the secured DMC loan to a private distressed debt fund/debt acquisition firm. Although the debt is oversecured based on appraised collateral values, the debt holder did not agree to further forbearance or to restructure the debt on terms that would permit DMC to continue its nonprofit mission. This prompted DMC to file its Chapter 11 petition.

Through the Chapter 11 process, DMC will pay down a portion of its secured debt and restructure the balance so that it can be paid over time. The Pema Chödrön Foundation committed \$500,000 to facilitate the debt restructuring, conditioned on DMC raising an additional \$500,000 in matching donations. Other major donors have matched the amount.

The Chapter 11 bankruptcy process allows an organization to restructure its debt and chart a clear and viable financial route forward while continuing to operate without threat of foreclosure. Subchapter V was added to make reorganization bankruptcies more accessible to small businesses such as DMC by streamlining processes and minimizing legal costs. DMC is represented on a pro bono basis by Ropes & Gray, a nationally recognized law firm with expertise in Chapter 11 cases.

DMC has continued to operate in the normal course of business since the Chapter 11 filing, hosting meditation retreats, group rentals and other programs in accordance with its mission.

Executive Director Michael Gayner said, "We recognize the important role DMC plays in the lives of so many people, particularly during these challenging times when people seek restoration, refuge and inspiration. We look forward to fulfilling our mission of bringing people together to experience wisdom in the coming weeks and months, and for years to come."

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For further information:

Dhi Good dgood@dralamountain.org