



Drala Mountain Center Files Voluntary Chapter 11 Petition to Restructure Debt

On February 28, 2022, equipped with a commitment for a \$500,000 matching donation from the Pema Chödrön Foundation to facilitate a restructuring of its secured debt, Drala Mountain Center (f/k/a Shambhala 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 Shambhala, 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 over secured based on appraised collateral values, the debt holder has not agreed to further forbearance or to restructure the debt on terms that would permit DMC to continue its non-profit mission. This prompted DMC to file its Chapter 11 petition.

Through the Chapter 11 process, DMC intends to pay down a portion of its secured debt and to restructure the balance so that it can be paid over time. The Pema Chödrön Foundation has committed \$500,000 to facilitate the debt restructuring, conditioned on DMC raising an additional \$500,000 in matching donations and launching a broader fundraising campaign in 2022. Other major donors have already committed substantially over half of the \$500,000 matching 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. Our counsel anticipates that DMC's Chapter 11 process may be completed within six months. During this process, DMC will continue to operate in the normal course of business and has a robust variety of programs and retreats scheduled for 2022 and beyond.

SMC Governing Council

- Clifford Neuman, Chair
- Michael Gayner, Executive Director
- Amelie Bracher
- Ming-Lien Linsley
- Connie Rogers
- Karen Wilding
- Reid Miller, Secretary

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From Michael Gayner, Executive Director

DMC is extraordinarily grateful for the continuing love and support of the broad DMC community, including our staff, donors, program participants, retreatants, and guests. We know that the filing of a Chapter 11 petition may cause worry for many of you. We are confident that our restructuring will be successful. More details about our filing may be found in the Declaration filed in support of our Chapter 11 petition, posted below.

I look forward to sharing more about DMC's future as we emerge from this process and the broader COVID-19 pandemic.

For further information, contact: communications@shambhalamountain.org

Below is the text of the First Day Declaration filed with the US Bankruptcy Court.

[First Day Declaration of Michael Gayner](#) — a PDF of the document below.

First Day Declaration

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF COLORADO

In re: DRALA MOUNTAIN CENTER (f.k.a. SHAMBHALA MOUNTAIN CENTER), a Colorado non-profit corporation,

EIN: 84-1535130

Debtor.

Chapter 11, Subchapter V

Case No. 22-[]

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DECLARATION OF MICHAEL GAYNER,