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10 **IN THE UNITED STATES BANKRUPTCY COURT**
11 **DISTRICT OF ARIZONA**

12 In re:

13 250 AZ, LLC,

14 DEBTOR.

Case No.: 4:13-BK-00851-EWH

Chapter 11

HON. EILEEN W. HOLLOWELL

**FIRST AMENDED DISCLOSURE
STATEMENT FOR THE FIRST
AMENDED PLAN OF
REORGANIZATION DATED
NOVEMBER 4, 2013**

**Disclosure Statement Hearing
Date: TBD
Time: TBD
Courtroom:**

15 250 AZ, LLC, Debtor, by and through undersigned counsel, Debtor and Debtor in Possession (the
16 “Debtor”), hereby submits this FIRST AMENDED DISCLOSURE STATEMENT dated
17 NOVEMBER 4, 2013 for the FIRST AMENDED PLAN OF REORGANIZATION dated
18 NOVEMBER 4, 2013.

19 ///

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3 **SECTION I**

4 *Introduction*

5 1.1. Purpose of this Disclosure Statement:

6 The Debtor commenced reorganization proceedings with the filing of a Voluntary Petition
7 under Chapter 11 of the United States Bankruptcy Code, as amended (the “Bankruptcy Code”) on
8 January 22, 2013. The purpose of this Disclosure Statement is to provide holders of claims against
9 or interests in the Debtor with sufficient information about the Debtor and the Plan to enable
10 holders of claims against or interest in the Debtor to make an informed judgment on the merits of
11 the Plan and a decision whether to approve or reject the Plan.

12 Certain materials contained in this Disclosure Statement are taken directly from other readily
13 accessible instruments or are digests of other instruments such as notes, contracts, leases, appraisals,
14 or financial statements. While the Debtor has made every effort to retain the meaning of such other
15 instruments or the portions quoted, you are urged that any reliance on the contents of such other
16 instruments should be predicated on a thorough review of the instruments themselves.

17 THE PLAN ACCOMPANIES THIS DISCLOSURE STATEMENT AS “**EXHIBIT A.**”
18 THE DEFINITIONS CONTAINED IN THE PLAN APPLY TO THIS DISCLOSURE
19 STATEMENT AND EACH RECIPIENT THEREOF IS URGED TO REVIEW THE
20 PROVISIONS OF THE PLAN FULLY PRIOR TO REVIEWING THIS STATEMENT.

21
22 1.2. Disclosure Statement Requirements:

23 The Debtor believes the contents of this Disclosure Statement satisfies the requirements
24 adopted by this Court in (citing the elements below from *In re A.C. Williams Co.*, 25 B.R. 173
25 (Bankr N.D. Ohio, 1982); and *In re Cardinal Congregate I*, 121 B.R. 760 (Bankr. S.D. Ohio,
26 1982)). Those elements are as follows:

- 27 1. The circumstances that gave rise to the filing of the bankruptcy petition;
28 2. A complete description of the available assets and their value;

- 1 3. The anticipated future of the Debtor;
- 2 4. The source of the information provided in the Disclosure Statement;
- 3 5. A disclaimer, which typically indicates that no statements or information concerning the
- 4 debtor or its assets or securities are authorized, other than those set forth in the disclosure
- 5 statement;
- 6 6. The condition and performance of the debtor while in Chapter 11;
- 7 7. Information regarding claims against the estate;
- 8 8. A liquidation analysis setting forth the estimated return that creditors would receive under
- 9 Chapter 7;
- 10 9. The accounting and valuation methods used to produce the financial information in the
- 11 disclosure statement;
- 12 10. Information regarding the future management of the debtor, including the amount of
- 13 compensation to be paid to any insiders, directors, and/or officers of the debtor;
- 14 11. A summary of the plan of reorganization;
- 15 12. An estimate of all administrative expenses, including attorney's fees and accountant's fees;
- 16 13. The collectability of any accounts receivable;
- 17 14. Any financial information, valuations or pro forma projections that would be relevant to
- 18 creditors' determinations of whether to accept or reject the plan;
- 19 15. Information relevant to the risks being taken by the creditors and interest holders;
- 20 16. The actual or projected value that can be obtained from avoidable transfers;
- 21 17. The existence, likelihood and possible success of non-bankruptcy litigation;
- 22 18. The tax consequences of the plan; and
- 23 19. The relationship of the debtor with affiliates.

24
25 Not all of these factors are relevant in all cases but each should be considered to make a
26 determination as to whether it is material to the case at hand.

27 **1.3. Confirmation Hearing and Voting Instructions: [after final approval of this**
28 **Disclosure Statement]**

1 The Bankruptcy Court has set _____, 20____ at ___ AM/PM for a hearing on the
2 approval of the disclosure statement. At the hearing, the court has set _____,
3 20____ for a hearing on the confirmation of the plan. Claimants and interest holders may vote on
4 the Plan by filling out and mailing the accompanying Ballot for Accepting or Rejecting the Plan to:

5 Breen Olson & Trenton, LLP

6 Attn: Dennis M Breen III, Esq.

7 4720 North Oracle Road, Suite 100

8 Tucson, Arizona 85705

9 The claims bar date shall be set by the Court as the date for the hearing on the Disclosure
10 statement, which will be prior to plan confirmation. ALL CREDITORS INCLUDING SECURED
11 AND UNSECURED MUST FILE A PROOF OF CLAIM PRIOR TO THAT DATE IN ORDER
12 TO PARTICIPATE IN DISTRIBUTIONS TO THE UNSECURED CLASS. The Bankruptcy Court
13 may confirm only one plan in this case. The plan confirmed in the Bankruptcy Court must meet the
14 requirements contained in the Bankruptcy Code. In case of any conflict between the Disclosure
15 Statement and the Plan, the Plan controls. Only the Debtor or the Debtor's representatives may
16 solicit your vote. The cost of any solicitation by the Debtor will be borne by the Debtor. No other
17 additional compensation shall be received by any party for any solicitation other than as disclosed to
18 the Bankruptcy Court.

19 1.4. Voting:

20 If you are in one of the classes of creditors or investors whose interests are affected by the
21 Plan (see "Summary of the Plan" below), it is important that you vote. You do not need to vote if
22 you are in one of the classes designated as a claim to be dealt with in a Modified Plan in the event
23 the pending Appeal is decided in the Debtor's favor. To vote to accept or reject the Plan, creditors
24 and investors of the Reorganized Debtor in any of the impaired classes eligible to vote (see the
25 "Summary of the Plan" contained herein and the copy of the Plan attached hereto) should indicate
26 their acceptance or rejection on the appropriate Ballot. A sample ballot is attached as Exhibit B.
27 The actual voting Ballot will be mailed with the Plan after the approval of the Disclosure Statement.
28 Any creditors or investors holding claims in more than one impaired class must file one Ballot for

1 each such class. Additional Ballots may be obtained by proper written request to:

2 Breen Olson & Trenton, LLP

3 Dennis M Breen III, Esq.

4 4720 North Oracle Road, Suite 100

5 Tucson, Arizona 85705

6 You are therefore urged to fill in, date, sign, and promptly mail the enclosed Ballot when it
7 is furnished to you. PLEASE BE SURE TO PROPERLY COMPLETE THE FORM AND
8 LEGIBLY IDENTIFY THE NAME OF THE CLAIMANT OR INTEREST HOLDER.

9
10 **EXECUTED BALLOTS MUST BE RECEIVED ON OR BEFORE THE RETURN**
11 **DATE SET FORTH IN THE BALLOT.**

12 SINCE MAIL DELAYS MAY OCCUR, IT IS IMPORTANT THAT THE BALLOT OR
13 BALLOTS BE MAILED OR DELIVERED WELL IN ADVANCE OF THE DATE SPECIFIED.
14 ANY BALLOTS RECEIVED AFTER THAT DATE MAY NOT BE INCLUDED IN ANY
15 CALCULATION TO DETERMINE WHETHER THE CREDITORS AND INTEREST HOLDERS
16 HAVE VOTED TO ACCEPT OR REJECT THE PLAN.

17 As a claimant or interest holder, your vote is important. The Bankruptcy Court cannot
18 consider Confirmation of the Plan until acceptance thereof has been obtained pursuant to the
19 affirmative vote of impaired claimants by classes who hold at least two-thirds (2/3) in amount and
20 more than one-half (1/2) in number of the allowed claims by class actually voting on the Plan. If an
21 impaired claimant or interest holder who is entitled to vote does not, such failure to vote will bear
22 upon the outcome.

23 Whether a creditor or interest holder votes on the Plan or not, or whether the creditor or
24 interest holder votes at all, such party will be bound by the terms and treatment set forth in the Plan
25 if the Plan is accepted by the requisite majorities of creditors and interest holders and is confirmed
26 by the Bankruptcy Court. Those classes that would only be affected by a Modified Plan that would
27 be filed in the event the Debtor is successful it its appeal will not need to vote and will not be
28 adversely impacted by this Plan. Allowance of a claim or interest for voting purposes does not

1 necessarily mean that all or a portion of the claim or interest will be allowed or disallowed for
2 distribution purposes.

3 Following acceptance, the Bankruptcy Court will hold a hearing on the confirmation of the
4 Plan and will enter an Order of Confirmation with respect to the Plan if it finds that, among other
5 things, all payments to be made by the Debtor in connection with the case or Plan have been
6 disclosed to the Bankruptcy Court, the identity and affiliation of post-confirmation management of
7 the Reorganized Debtor has been fully disclosed, each class of claimants and interest holders has
8 accepted the Plan or is not impaired by the provisions thereof, or the Plan has been confirmed over
9 their objection and that confirmation is not likely to be followed by the liquidation or need for
10 further financial reorganization of the Reorganized Debtor.

11 In the event that the requisite acceptance of impaired classes of claims and interests are not
12 obtained, pursuant to Section 1129(b)(1) of the Bankruptcy Code, the Bankruptcy Court may
13 nevertheless confirm the Plan, upon the request of the proponent of the Plan, if the Bankruptcy
14 Court finds that the Plan does not discriminate unfairly and accords fair and equitable treatment to
15 the class rejecting it. At the hearing on confirmation of the Plan, the Bankruptcy Court will hear
16 any timely filed objections from a claimant or interest holder to confirmation of the Plan.

17 **THE ONLY REPRESENTATIONS THAT ARE AUTHORIZED OR WHICH MAY BE**
18 **MADE CONCERNING THE DEBTOR, THE VALUE OF ITS ASSETS, OR THE**
19 **REORGANIZED DEBTOR, ARE THE REPRESENTATIONS CONTAINED IN THIS**
20 **DISCLOSURE STATEMENT. EXCEPT AS NOTED, THE FINANCIAL INFORMATION**
21 **CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECTED TO AN**
22 **AUDIT BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT. ALL FINANCIAL**
23 **RECORDS OF THE DEBTOR ARE MAINTAINED ON A CASH BASIS. ALL EXPENSES**
24 **AND INCOME ARE ON A CASH BASIS. FOR THAT REASON, THE DEBTOR IS NOT ABLE**
25 **TO WARRANT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE**
26 **STATEMENT IS WITHOUT INACCURACY. HOWEVER, GREAT EFFORT HAS BEEN**
27 **MADE TO ENSURE THAT ALL SUCH INFORMATION IS FAIRLY PRESENTED. NO**
28 **REPRESENTATIONS OR ASSURANCES CONCERNING THE DEBTOR (INCLUDING,**

1 WITHOUT LIMITATION, ITS FUTURE BUSINESS OPERATIONS) OR THE PLAN ARE
2 AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE
3 STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON
4 TO SECURE YOUR VOTE WHICH ARE OTHER THAN HEREIN CONTAINED SHOULD
5 NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH
6 ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO
7 COUNSEL FOR THE DEBTOR, WHO, IN TURN, SHALL DELIVER SUCH INFORMATION
8 TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED
9 APPROPRIATE.

10 THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE
11 AS OF THE DATE HEREOF, UNLESS ANOTHER TIME IS SPECIFIED HEREIN. NEITHER
12 DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS
13 MADE IN CONNECTION WITH THIS DISCLOSURE STATEMENT SHALL, UNDER ANY
14 CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE
15 IN THE FACTS SET FORTH HEREIN SINCE THE DATE THIS DISCLOSURE STATEMENT
16 AND THE MATERIALS RELIED UPON IN PREPARATION OF THIS DISCLOSURE
17 STATEMENT WERE COMPILED. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED
18 ON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN,
19 AND NOTHING CONTAINED IN IT SHALL CONSTITUTE, OR BE DEEMED CONCLUSIVE
20 ADVICE ON, THE TAX OR OTHER LEGAL EFFECTS OF ANY REORGANIZATION ON
21 HOLDERS OF CLAIMS OR INTERESTS IN CONNECTION WITH SUCH
22 REORGANIZATION.

23 THIS DISCLOSURE STATEMENT HAS BEEN CONDITIONALLY APPROVED BY
24 ORDER OF THE BANKRUPTCY COURT, DATED _____, AS CONTAINING
25 INFORMATION OF A KIND AND IN SUFFICIENT DETAIL TO ENABLE A REASONABLE,
26 HYPOTHETICAL INVESTOR TO MAKE AN INFORMED JUDGMENT CONCERNING THE
27 PLAN. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT,
28 HOWEVER, DOES NOT CONSTITUTE A RECOMMENDATION BY THE BANKRUPTCY

1 COURT EITHER FOR OR AGAINST THE PLAN.

2 IN ORDER TO BE CONSIDERED FOR PURPOSES OF SATISFYING THE
3 BANKRUPTCY CODE REQUIREMENTS, YOUR BALLOT MUST BE RECEIVED AT THE
4 ADDRESS INDICATED ON THE BALLOT NO LATER THAN 5:00 P.M. ON THE ____ DAY
5 OF _____. A BALLOT ACCOMPANIES THIS DISCLOSURE STATEMENT
6 FOR USE IN VOTING ON THE PLAN ONCE IT IS APPROVED BY THE COURT.

7
8 ***SECTION II***

9 *History of Debtor and Factors Leading to the Filing of the Chapter 11*

10 2.1. History of the Debtor and Events Leading to Filing Chapter 11.

11 The owners of the Debtor transferred into the Debtor commercial real estate consisting of an
12 84.7% interest in a 29-story office building totaling 537,400 Square Feet, situated on a 1.15 acre site
13 located at 250 East Fifth Street, Cincinnati, Ohio 45202 known as the Chiquita Center. The Court
14 subsequently ruled that the transfers into the Debtor by the owners of the Debtor were invalid. That
15 Ruling is currently on Appeal

16 The Debtor also currently owns commercial real estate consisting of 3 office condominiums,
17 a town house and vacant commercial property of approximately 3 acres on Ina Road in Tucson on
18 which there is a ground lease and approximately 4 acres of vacant land on the northwest corner of
19 Magee & La Cholla in Tucson, Arizona.

20 The Ohio building is named for the original primary tenant, Chiquita Brands that located its
21 corporate office in the building. It vacated the property at the termination of its lease on November
22 30, 2012. The land on which the building is built is not owned by the Debtor. The land on which
23 the building sits is owned by Columbia Development Corporation. The building is subject to an
24 unsubordinated ground lease with an original term of 62 years commencing in April 1982. The
25 Tenants in Common [TIC's] are lessees under the ground lease. There are approximately 31 years
26 remaining on the lease with 3 option periods of 20 years each. The construction of the building was
27 completed in 1984.

28 In 2006 Triple Net Properties, LLC as Manager of NNN 250 East Fifth Street, LLC [TIC-0-]

1 arranged for the sale of the property to 34 separate tenants in common (TICs) from TIC -0-, the TIC
2 Sponsor, to NNN 250 East Fifth Street (1 through 39), LLC. TIC-0- retained a 9.67% percent
3 interest. Its Manager Triple Net Properties, LLC [a/k/a NNN Realty Investors that is a subsidiary of
4 Daymark Realty Advisors] is not a member of the Debtor and has no ownership interest in the
5 Debtor. In the event the Appeal resulted in a decision favorable to the Debtor the interest of
6 Daymark may be acquired by the Debtor. . Prior to the purchase of the property the TIC entities
7 numbers 19, 23, 24, 33, and 37 cancelled their investment in the property and were either never
8 formed or were dissolved. Wachovia Bank, the predecessor in interest to the current Lender U.S.
9 Bank National Association, as Trustee, successor-in-interest to Bank of America, N.A., as Trustee,
10 successor to Wells Fargo Bank, N.A., as Trustee, for the registered holders of COBALT CMBS
11 Commercial Mortgage Trust 2006-C1, Commercial Mortgage Pass-Through Certificates, Series
12 2006-C1 by and through, CW Capital Asset Management LLC, solely in its capacity as Special
13 Servicer [the “Lender”] was a participant in the initial solicitation and document formation even
14 before all of the TICs had committed to contributing their equity. The TICs executed the various
15 documents and as the new owners made down payments of approximately \$41 million. Among the
16 documents executed were a TIC Agreement, a Management Agreement, a Ground Lease, the
17 Mortgage, and the Promissory Note. The TIC Agreement appointed Triple Net Properties Realty,
18 Inc. as the Property Manager. It was subsequently acquired by Daymark Realty Advisors
19 [Daymark] that changed the name of Triple Net Properties Realty, Inc. to Daymark Properties
20 Realty, Inc. This Management Agreement provided that Daymark made all of the decisions
21 [excluding sale or refinancing] regarding the Management of the building unless by unanimous
22 approval of the TICs they were removed. The owners were unable to exert any influence over
23 rising expenses that none of the other parties had any incentive to constrain. That became an
24 intolerable situation as the real estate market declined, tenant losses increased, and the reserves that
25 had been in the accounts became eroded. Debtor’s owners then decided that to preserve any interest
26 in their ownership they needed to obtain control of the building and its management.

27 The original Note provided for payment on an interest only basis for 5 years until November
28 11, 2011 and then was amortized over 30 years with a stop date of November 11, 2016. In

1 November of 2011, Chiquita made the announcement that it was not going to renew its lease when
2 it expired in November of 2012. No new tenants of sufficient size were brought in to replace
3 Chiquita so that when they left in November of 2012 it was apparent that there would not be
4 sufficient funds after making all of the required property operational expenses to make all of the
5 needed capital improvements and the fully amortized loan payments. In April of 2012, Daymark
6 provided airfare to all of the owners to fly to Las Vegas and made a proposal to them to transfer
7 their interest in the building into a Daymark controlled entity that is referred to as a “down REIT”.
8 The transfer was contingent on Daymark reaching agreements with the Lender. At that conference
9 the TIC owners reached a consensus that their interests were not being fairly considered, and that
10 they needed to exercise more of their ownership rights and controls. Significant studies were done
11 and reviewed to consider numerous options as the November 30, 2012 date approached when the
12 rent from Chiquita would cease.

13 Multiple investment banking firms were contacted to identify prospects and terms for the
14 possible recapitalization or refinancing of the building and what the terms and conditions of those
15 firms and or refinancing would be. The TICs in late August then started the process of attempting
16 to identify other distressed properties to form a REIT or to increase the portfolio diversity, to
17 enhance the ability to refinance. It was very difficult to identify owners of properties who were
18 willing to accept the terms needed.

19 In December 2012 in order to simplify the ownership structure for negotiation purposes, in
20 anticipation that a bankruptcy filing may be the only viable option for the owners to recapitalize and
21 reorganize their operating and financial structure, the TICs performed a roll up of the TIC interests.
22 The TICs transferred 84.70818% of their ownership interests in the Chiquita Center, to 250 AZ,
23 LLC an Arizona Limited Liability Company [250 AZ]. 250 AZ then started negotiations to acquire
24 other property and to prepare to file the Chapter 11 if negotiations failed.

25 Compromise was reached for an initial funding letter in mid-December 2012, which was
26 sent to Daymark to execute, which provided that the Lender would supply the funds needed to pay
27 approved operating expenses. With this compromise in place 250 AZ entered into and concluded
28 negotiations for the acquisition of properties in Arizona including two Development parcels that

1 appeared to have promise and an owner willing to accept the terms that 250 AZ required. These
2 negotiations were concluded on January 10, 2013 and the property closed on January 15, 2013.

3 Shortly before the closing of the Arizona properties CW had funded some of the operating
4 expenses to Daymark to pay but by that time, after all of the parties had executed the letter, another
5 month had passed. A few days after the closing of the Arizona properties, the Debtor received a
6 communication from counsel of CW who reversed their position and insisted that the waiver letter
7 be signed before any new funds would be advanced. That insistence on the waiver of lender
8 liability became an obstacle that could not be accepted; consequently, with the refusal to provide
9 any further operating funds the Debtor filed its Petition

10 11 2.2 Current Management.

12 The current management of the Debtor is provided by Edgewater Management LLC. There
13 are five individuals who are the Managing Members of Edgewater Management LLC and each of
14 them is an owner of one or more of the TIC LLC's that contributed their property interest in the
15 Chiquita Center to the Debtor. Edgewater Management LLC as Managing Member of the Debtor is
16 negotiating to bring in additional capital to the Debtor upon confirmation of the Plan. The Manager
17 has arranged for the contribution of significant capital to the Debtor by owners, prior to the approval
18 of the plan, to pay adequate protection payments to the lender on the Townhouse, two different
19 lenders on 3 of the condominiums, as well as on the lender on the Ina and Magee Development
20 Property. The contributions have exceeded \$500,000 pre- petition and over \$200,000 post-petition
21 funds for the benefit of the Debtor as of the date of the filing of this Disclosure Statement and
22 additional amounts are anticipated shortly.

23 The current Management consists of five highly qualified individuals with a broad array of
24 management, legal, tax, and real estate experience. As a group, they have invested in excess of
25 \$8,000,000 in the acquisition of the building. They have both the experience and the knowledge to
26 evaluate the performance of an asset manager if one was engaged, or if they operate as asset
27 manager, to evaluate the performance of the property manager based on the reports they would
28 receive from the property manager and from reviews by the Debtor's independent accounting firm.

1 The managers are experienced and knowledgeable enough to evaluate development options for the
2 property to be developed, and make risk assessment on the data presented. They each successfully
3 operate their own business, or were executives in major corporations prior to their retirement. They
4 were originally looking to have their investment in the building professionally managed but have
5 now stepped up when necessary to take back that decision process and intend post confirmation to
6 have responsive and capable management reporting to them.

7
8 2.3 Properties of the Debtor/Assets of the Estate.

9 Subject to the outcome of the appeal the Debtor may have a 100% ownership interest in the
10 building located at 250 East 5th Street, Cincinnati Ohio consisting of 29-story office building
11 totaling 537,400 Square Feet, situated on a 1.15 acre site. The Debtor has also acquired a portfolio
12 of assets in Arizona that serve to provide diversified exposure for its commercial real estate. The
13 properties in Arizona are on two favorable commercial corners in Tucson and are anticipated to be
14 able to be profitably developed. The properties, consisting of three office condos and a town house
15 as well as two well located commercial properties, have excellent prospects but like many
16 properties in Tucson were overvalued when loans were placed on them. The office condominiums
17 and the townhouse loans will be slightly modified so that the anticipated revenue streams will be
18 sufficient to meet the mortgage payments. This will be enhanced as the development of the adjacent
19 land is completed. It is anticipated that the vacant land at Magee & La Cholla will be able to attract
20 ground leases once the Debtor has been able to obtain a Certificate of Compliance to confirm the
21 conditional zoning that currently exists. This needs to be completed by October of 2013 and is
22 considered in this Plan to be accomplished post confirmation. Without the approval, the land values
23 would be significantly lower. The other properties required the filing of Development concept plans
24 to obtain a certificate of completion for the development of the properties. The required
25 documentation has been filed with the County and revisions based on comments are in process.

26 The Ina Road property has a ground lease with Quick Trip that has been assumed and that
27 pays \$10,000 per month on a triple net lease. . The Debtor has completed the lease requirements for
28 the Ina Road parcel that is one of the Arizona properties and they have begun construction of their

1 facility. Additionally there are discussions ongoing with several other potential companies
 2 interested in a lease, purchase, or build to suit on the north portion of that property.

3 The debtor has attached as Exhibit D a list of current assets tangible and intangible of the debtor at
 4 estimated current value. The sources of the values of the real estate properties are appraisals. A list
 5 of the Debtors' assets and what liens, if any encumber them, are listed on Exhibit D.

6
 7 **2.4. Business of Debtor.**

8 The business of the Debtor is Commercial Real Estate property development, ownership,
 9 management, and leasing. The Debtor has engaged the services of CBRE to provide property
 10 management for the Ohio building. Debtor will pursue additional ground lessees for the Ina Road
 11 property as well as the Magee properties. Due to the increasing improvement that is being seen in
 12 both the Phoenix and Tucson markets it is anticipated the ground lease will be obtainable for these
 13 two well located sites.

14 **2.5. Secured Obligations as of the Date of Filing.**

15 The following is an estimate by the Debtor of the outstanding secured obligations owed as of
 16 the date of the Petition. The Debtor does not have a vehicle loan or any other secured loans besides
 17 those listed below.

Secured Creditor	Type of Encumbrance	Estimated Amount Due at Filing	Property	Status of Property	Intent
U.S. Bank National Association, as Trustee, successor-in-interest to Bank of America, N.A., as Trustee, successor to Wells Fargo Bank, N.A., as Trustee, for the registered holders of COBALT CMBS Commercial Mortgage Trust 2006-C1, Commercial Mortgage Pass-Through Certificates, Series 2006-C1	1st Mortgage based on 84.7%	\$54,556,505	250 East Fifth Street, Cincinnati, OH 45202	Interest in the property subject to the outcome of the appeal Commercial Office	Subject to the outcome of the appeal Cram down loan and Retain
Predenkiewicz Revocable Trust	1st Mortgage	\$140,727.32	2308 Paseo Cielo, Tucson Arizona 85741	Rental Townhome	Cure and Retain

1	One DOT owned 50% by Joe and Sylvia Levkowitz and 50% by Susan Courtney	1st Mortgage	\$275,000	2292 West Magee Rd Unit 204, Tucson AZ 85741	Office Condo Rental	Cure and Retain
2	Gabroy, Rollman & Bosse, P.C.	1st Mortgage	\$303,683.16	2292 West Magee Rd Unit 100, Tucson AZ 85741	Office Condo Rental	Cure and Retain
3				2292 West Magee Rd Unit 101, Tucson AZ 85741	Office Condo Rental	Cure and Retain
4	RREF 11 DFC Acquisitions, LLC	1st Mortgage	\$4,753,683	3390 West Ina Road, Tucson, Pima County, Arizona Parcel No. 225-41-0020	Ground lease and development property	Cram down loan and Retain
5				7787 N La Cholla, Tucson, Pima County, Arizona 225-44-548A, 225-41-0430, 225-44-5490, 225-44-550A, and 224-44-1500 through 225-44-1640 inclusive.		
6						
7						
8						
9						
10						
11						
12						

2.6. Current Litigation or Seizure.

The Debtor's owners are named in the suit COLUMBIA DEVELOPMENT CORPORATION vs. CITY OF CINCINNATI et al Case Number A1201721. That suit is still pending. The Debtor has also filed an Appeal with the Arizona District Court that if successful will result in the Debtor filing a Modified Plan of Reorganization. The Debtor is not currently engaged in any other litigation. The Ohio lawsuit was defended by a firm in Cincinnati during 2012. The firm was successful in defeating Columbia on several matters [that Columbia then reasserted in the Bankruptcy Case] but the final judgment in the Ohio matter was stopped by the automatic stay. The claims are believed to be without merit and it is anticipated that they will be resolved in Bankruptcy Court if the Appeal is successful or will be defended by the Receiver if the Appeal is not

The Debtor was reviewing the status of the case to consider the filing of a Counter Claim for damages caused by the Columbia lawsuit and or recovery under a bond. One of the Tenants has withheld \$350,000 from rental payments as a result of the lawsuit, which had enjoined them from erecting signage on the building for a period of time. However, the Debtor will wait for the decision on Appeal before deciding upon the merits of utilizing its resources to pursue this claim.

1 The Debtor has initiated tax protests on one of its Arizona properties and reached a settlement
2 significantly reducing the taxes.

3
4 2.7. The Condition and Performance of the Debtor while in Chapter 11:

5
6 There have been a significant number of filings in the first five months of this case [over
7 630] some of which are highlighted below. Almost every request by the Debtor to control
8 and manage the property has been challenged by the Lender on the building in Cincinnati
9 through its servicer, CW or by Columbia Development, the Ground Lessor or by Armed
10 Forces Bank, the lender on property in Arizona. Consequently, the owners of the Debtor
11 have raised and spent over \$200,000 of non-estate funds on depositions, experts,
12 engineering reports, and appraisals. The management of the operations of the building in
13 Cincinnati has been provided by CBRE but it has been hampered in being able to efficiently
14 interact with the Debtor due to the current requirement of so many parties being involved in
15 every decision.

16
17 Obviously the Court's determination that the Ohio property was not validly transferred into
18 the Debtor has been a severe blow to the Debtor's plans, however it is the intention of the
19 Debtor to file a Plan with respect to the Arizona properties and then to file a Modified Plan
20 post confirmation in the event the Appeal is favorable to the Debtor. Notwithstanding those
21 constraints, the Debtor has arrived at stipulated treatment for three of the debtors on the
22 Arizona properties and has initiated a tax adjustment on one of them. The Debtor is also in
23 negotiations for the lease of land adjacent to the Quick Trip parcel. The Debtor is in the
24 process of obtaining a Certificate of Compliance for the zoning on the Magee Road parcel in
25 order to retain its value. All of these critical business decisions are now resolvable since a
26 determination has been made as to valuation. As of the date of filing this plan the Court has
27 made the determinations that a) there is no conflict of interest and has approved the
28 appointment of counsel b) that the filing was not in bad faith. It has also denied the lift stay

1 motion of Armed Forces Bank, approved the stipulation between the Debtor and Quick Trip
2 for assuming the ground lease, and approved the stipulations between the Debtor and the
3 lenders on the townhouse and two of the office condos owned by the Debtor.
4

5 ***SECTION III***

6 *Income Projections of the Property and Debtor*

7 The Debtor anticipates income from commercial leasing rents received and other ancillary
8 income as shown in Exhibit E. *A pro forma* statement of the anticipated income and expenses is in
9 Exhibit E attached hereto. It is the intention of the Debtor to provide the opportunity to potential
10 lessees to build to suit in the manner of the Quick Trip lease or to facilitate the construction of a
11 building upon the leased property. .
12
13

14 ***SECTION IV***

15 *Summary of Plan of Reorganization*

16 THE FOLLOWING IS A BRIEF SUMMARY OF CERTAIN PROVISIONS OF THE
17 PLAN AND SHOULD NOT BE RELIED ON FOR VOTING PURPOSES. THE SUMMARY
18 DOES NOT PURPORT TO BE COMPLETE. CREDITORS AND INTEREST HOLDERS ARE
19 URGED TO READ THE PLAN ATTACHED HERETO AS EXHIBIT "A." CREDITORS AND
20 INTEREST HOLDERS ARE FURTHER URGED TO CONSULT WITH COUNSEL IN ORDER
21 TO UNDERSTAND THE PLAN MORE FULLY.
22

23 A.

24 4.1. Plan:

25
26
27 The development parcels held by the Debtor are at the juncture of becoming marketable and
28 sustainable once the conditional zoning issues are resolved. It will be necessary for the Debtor to

1 provide, and it intends to provide, a subsidy to the Claim of the first mortgage holder during the first
2 18 months of the Plan as it develops the ground leasing program or build to suit program that will
3 be attractive for these parcels. The Debtor also during the time period necessary to complete the
4 development of the Quick Trip store and negotiate new leases or buildings on the other parcels
5 subsequent to obtain permanent zoning on the property on the corner of La Cholla and Magee in
6 Tucson.

7 The Plan is paying the allowed secured claim of the first mortgage holder on each rental
8 property and on the development parcels. .

9 Under the Plan of Reorganization, in addition to the payments of the allowed secured claims
10 to the secured creditors, the Debtor will pay to the Class Fifteen unsecured creditors who file timely
11 proofs of claim a Pro Rata share of the funds paid to that class. The Debtor is paying a minimum of
12 \$10,000 to the Class Fifteen General Unsecured creditors per year over the five year period of the
13 Plan. Those creditors would receive nothing in a liquidation. Under a Chapter 7 liquidation
14 analysis, the unsecured creditors would receive \$0.00. For a detailed Liquidation analysis, see
15 **Exhibit C**.

16 In the event an 1111(b) election is made and not precluded by 1111(b)(1)(B)(ii) then the
17 Debtor would pay the amount determined amortized over 30 years with a 15 year payoff date..

18
19 4.2. Description of Assets - Values:

20 The estimated debts owed to secured creditors along with properties valued at market is
21 shown on **Exhibit D**. If there is a discrepancy between the value shown in the Disclosure Statement
22 and Plan, then the plan is the controlling document. Upon objection prior to Plan Confirmation, if
23 no stipulated agreement is reached, or if no valuation has yet been established by the court a
24 valuation hearing will be requested to address the valuation issue and the amount determined at that
25 hearing will be used for Plan and Disclosure Statement purposes.

26
27 4.3. Liquidation Analysis:

28 A liquidation analysis, valuing assets of the Debtor in a Chapter 7, is attached as **Exhibit**

1 “C”. This liquidation analysis includes the nonexempt assets of the Debtor and shows that upon
2 liquidation, unsecured non-priority creditors would receive \$0.00.

3
4 4.4. Information Regarding Claims Against The Estate:

5 The secured creditors hold or previously held notes secured by Deeds of Trust on the various
6 properties of the Debtor. These notes are estimated in aggregate as of petition date to exceed
7 \$5,000,000. The Debtor believes all real property secured creditors will not be fully secured and a
8 portion of their claim will be unsecured unless otherwise indicated. Taxes, if owed, including ad
9 valorem real property taxes on the retained properties will be paid in cash at confirmation of the
10 Plan or over the first 60 months of the Plan with the applicable statutory rate of interest.

11 According to the Accounts Payable report provided by Daymark Realty Advisors in March
12 of 2013 the unsecured creditors [not including the unsecured portion of prior secured claims], listed
13 on the report, hold claims of \$961,771.54 as of the date of the petition. Pending the outcome of the
14 appeal the trade debtors may not be part of the estate. If they are not part of the estate they will not
15 be entitled to any payments from the estate and will not be paid.

16
17 4.5. Segregation of Classes:

18 The Plan further proposes to segregate the creditors and interest holders of the Debtor into
19 separate classes. Of these classes, allowed administrative and priority claimants including priority
20 tax claimants, but exclusive of those referenced in § 507(a)(7) and (8) will receive payments of
21 100% of their respective claims, in cash, within 180 days of Confirmation. The tax payments due
22 under § 507(a)(8) will be paid in equal monthly installments until paid in full within 60 months
23 from the date of filing the petition.

24 Generally, all Administrative Claims will be paid in full in cash as stated in the Plan. The
25 Debtor shall retain all of the assets and properties unless otherwise indicated.

26 Any stipulation entered into between the secured creditor and the Debtor shall supersede any
27 treatment of creditors that may be set forth in the Debtor’s Plan.

1 4.6. Cash Collateral Litigation:

2 A Cash collateral motion has been filed [*See Doc.5*] with respect to the lender on the
3 Cincinnati property and multiple responses and modifications have been made resulting in
4 Stipulated Cash Collateral Order that was in effect until August 31, 2013 after which the property
5 in Ohio that was subject to that Order was placed with a Receiver.

6 4.7. Cash Collateral Agreements:

7 4.7.1. COBALT loan secured by 250 East Fifth Street – Stipulated Order signed by the
8 Court

9 4.7.2. Armed Forces Bank loan secured by Ina and Magee Land – agreement to pay net
10 rents received by Quick Trip.

11 4.7.3. Levkowitz and Courtney loan secured by Office condo 2292 West Magee Rd Unit
12 204, Tucson AZ 85741 – None

13 4.7.4. Predenkiewicz Revocable Trust loan secured by townhome 2308 Paseo Cielo,
14 Tucson Arizona 85741 – Stipulated Order signed by the Court Gabroy, Rollman &
15 Bossé, P.C. Profit Sharing Plan and Trust loan secured by 2292 West Magee Road
16 Unit 100, Tucson, AZ 85741 and 2292 West Magee Road Unit 101, Tucson, AZ
17 85741 - Stipulated Order signed by the Court
18

19 4.8. Anticipated Future of Debtor:

20 The Debtor will continue to operate the commercial property leasing businesses and develop
21 the properties in Arizona. With the establishment of marketing programs it is anticipated that the
22 rental market will improve over the next several years. The infusion of new equity will provide the
23 necessary cash for subsidizing the payments to the first mortgage holder until such time as the
24 property is sold or leased.
25

26 4.9. Future Management of the Debtor:

27 Debtor plans to continue to operate the real estate development and rental property
28 business and utilize their earnings to make the Plan payments. Edgewater Management will

1 continue as the Managing Member of the Debtor and will contract with and utilize experts
2 from various fields to advise the Debtor on strategic issues regarding engineering,
3 marketing, zoning, leasing prospects and terms. .
4

5 4.10. Avoidable Transfers:

6 The Debtors are not aware of any avoidable transfers.
7

8 4.11. Collectability of any Accounts receivable:

9 All accounts receivable are expected to be collected.
10

11 4.12. Source of Information:

12 The source of information for this disclosure statement and plan has come from the Debtor,
13 and professionals employed by the Debtor.
14

15 ***SECTION V***

16 *Classification and Treatment of Claims and Interests*

17 Claim Amounts:

18 Because certain claims against the Debtor may be unknown or of undetermined amounts, the
19 amount of claims specified in this Disclosure Statement reflect only the Debtor's best estimate at
20 this time of the amount due. In addition, the amounts of the claims specified in this Disclosure
21 Statement do not include, for example, claims arising from the rejection of certain executory
22 contracts and other contingent or unliquidated claims arising against the Debtor. Disputed or
23 unliquidated claims will be adjusted after confirmation of the plan and prior to closing the case.

24 Effective Date of the Plan:

25 The "Effective Date" of the Plan is important in determining when performance of many of
26 the Debtor's obligations under the Plan is due. The Effective Date is defined in the Plan as:
27 Effective Date shall mean the later of (a) the first business day following the 60th day after entry of
28 the Court of an order confirming this Plan, or (b) the first business day after such order has become

1 final and unappealable; provided however, no appeal of said order is pending; provided further, the
2 Debtor may waive the condition that no appeal of the order of confirmation be pending by a writing
3 duly executed by the Debtor and filed with the Court on or before the date which but for the
4 pendency of appeal would become the effective date of the Plan, and in the event that said condition
5 is timely waived by the Debtor, the Plan shall become effective as provided herein notwithstanding
6 the pendency on said date of an appeal or appeals; in the event that said condition is not timely
7 waived, the Plan shall become effective on the first business day after an appeal is no longer
8 pending.

9 Funding Plan of Reorganization:

10 Debtor shall fund its plan of reorganization from ongoing business operations, rents,
11 property development, and sale or lease of land and buildings and from equity capital until
12 sufficient disposable income can be generated.

13 Classification:

14 The Plan divides claims against the Debtor into multiple separate classes that the Debtor
15 asserts are in accordance with the Bankruptcy Code. Unless otherwise expressly stated in the Plan,
16 distributions to holders of allowed claims are in full satisfaction of their allowed claims. All claims
17 against the Debtor arising prior to confirmation will be discharged upon confirmation of the Plan to
18 the extent that such claims are dischargeable under the § 1141(d). All of the creditors bound by the
19 Plan shall be required to execute such documents as are reasonably required to reflect the Plan
20 changes on the creditors' claims, and implement and produce accounting records to reflect such
21 changes. For the purpose of the Plan, claims are classified and treated as follows:

22
23 5.1. Class One - Administrative Claims

24 5.1.1. Classification: Class One consists of all claims for the cost of administration
25 of the Debtor's bankruptcy estate. Included in this Class are all claims for
26 administrative expenses entitled to priority under Bankruptcy Code § 507(a)(1),
27 such as professional fees and costs, as approved by the Bankruptcy Court for
28 attorneys, accountants, and other professional persons employed by the Debtor, and

1 all actual and necessary expenses of operating the Debtor's business pursuant to §
2 503(b), including without limitation, all fees charged against the Debtor's business
3 pursuant to Chapter 123 of Title 28, United States Code. Administrative claims shall
4 include any post petition taxes due any taxing authority on the Effective date and not
5 paid through the sale of the property. As of November 1st, 2013, the attorney's
6 unpaid post-petition fees total approximately \$725,000. As of April 30, 2013, the
7 accountant's unpaid post-petition fees total approximately \$13,000. Depending
8 upon the amount of work required to bring the case to completion, the Debtor
9 estimates that the total Administrative claims may be \$900,000. The Debtor will
10 pay the administrative claims from the Debtor's resources available to the Debtor at
11 the time of confirmation or make arrangements to pay the administrative claims over
12 time. Counsel for the Debtor has agreed to accept payments over time based on a
13 percentage of the net property distributions from leases or sales that starts at 33%
14 and reduces to 15% after \$160,000 has been recovered.

15 5.1.2. Impairment: Not impaired.

16 5.1.3. Treatment: The Plan provides for the payment, in full, of all Allowed
17 Administrative Claims on the later of the Effective Date or the date upon which such
18 Claims become Allowed Claims, or as otherwise ordered by the Bankruptcy Court
19 or agreed to by claimants. Class One claims will be paid from assets of the estate or
20 from "new monies" received by the Debtor from its business operations. The
21 Debtor currently estimates that the Class One claims may exceed \$900,000
22 consisting primarily of attorney fees and Accounting Fees owed to Debtor's counsel
23 and CPA, will include post-petition administrative expenses, and may include fees
24 due the United States Trustee, and post-petition payables for business operations.
25 The Debtor has been or will be paying some of its post-petition operating expenses
26 incurred in the ordinary course of business as approved by the Court. Such
27 payments will reduce the remaining amount of Administrative expenses as approved
28 by the Court and due on the Effective Date of the Plan. The Debtor will continue to

1 pay all fees due the U. S. Trustee post-confirmation and to file any reports required
2 by law. The Debtor believes the fees owed to the United States Trustee are current.
3

4 5.2. Class Two - Employee Priority Claims

5 5.2.1. Classification: Class Two consists of allowed claims arising under
6 Bankruptcy Code Section 507(a)(3) and (4) including claims for wages and vacation
7 pay earned by employees of the Debtor within 90 days before the filing of the
8 bankruptcy petition. The Debtor estimates there are no claims in this class.

9 5.2.2. Impairment: Class Two is not impaired.

10 5.2.3. Treatment: If any claims should arise in this class the Plan provides for the
11 payment in cash, in full, of all allowed Class Two claims on the later of the Effective
12 Date or the date upon which such claim becomes an allowed claim.
13

14 5.3. Class Three - Claims of Governmental Units

15 5.3.1. Classification: Class Three claims consists of all allowed claims of the United
16 States Internal Revenue Service(“IRS”), State of Ohio, and/or State of Arizona,
17 Department of Revenue(“AZDOR”), or other government agency which are entitled
18 to priority pursuant to Section 507(a)(8) of the Bankruptcy Code except ad valorem
19 taxes. There are no known claims in this class.

20 5.3.2. Impairment: Class Three is not impaired.

21 5.3.3. Treatment: If any claims should arise each holder of a Class Three allowed
22 claim shall retain its lien or claim, in accordance with Section 1129 of the
23 Bankruptcy Code. The Claim shall be paid in full in 60 equal monthly installments
24 over the term of the plan commencing on the effective date.
25

26 5.4. Class Four Secured Prepetition Ad Valorem Real Property Tax Claims

27 5.4.1. Classification: Class Four shall consist of pre-petition allowed Ad Valorem
28 Real Property Tax Claims of Hamilton County, Ohio, which are secured by liens on

1 real property. The Debtor estimates that claims will be \$0.00.

2 5.4.2. Impairment: Class Four is not impaired.

3 5.4.3. Treatment: There are no known claims in this class. If any claims arise the
4 claim shall be paid in full over the plan period. The Class shall retain its lien or
5 claim until paid and be entitled to interest at the statutory rate.

6
7 5.5. Class Five Secured Pre-petition Ad Valorem Real Property Tax Claims on the
8 properties including:

9 2308 Paseo Cielo, Tucson, AZ 85741	APN 225-44-0840
10 2292 West Magee Rd Unit 204, Tucson, AZ 85741	APN 225-44-5710
11 2292 West Magee Rd Unit 100, Tucson, AZ 85741	APN 225-44-5620
12 2292 West Magee Rd Unit 101, Tucson, AZ 85741	APN 225-44-5630
13 3390 West Ina Road, Tucson, AZ 85741	APN 225-41-0020
14 7787 N La Cholla, Tucson, AZ 85741	APN 225-44-548A, APN 225-41-0430, APN 225-44-5490, APN 225-44-550A, APN 225-41-0020 and APN 224-44-1500 through APN 225-44-1640 inclusive.

15
16
17 5.5.1. Classification: Class Five shall consist of pre-petition allowed Ad Valorem
18 Real Property Tax Claims of Pima County, Arizona, which are secured by liens on
19 real property. The Debtor estimates that the pre-petition claims will be \$57,478.24

20 5.5.2. Impairment: Class Five is impaired.

21 5.5.3. Treatment: The claim shall be paid in full over the term of the Plan. The
22 Class shall retain its lien or claim until paid and be entitled to interest at the statutory
23 rate.

24
25 5.6. Class Six Secured Ad Valorem Real Property Tax Claims

26 5.6.1. Classification: Class Six shall consist of post-petition allowed Ad Valorem
27 Real Property Tax Claims of Hamilton County, Ohio, which are secured by liens on
28 real property. The Debtor estimates that claims will be \$1,818,668 per year.

1 5.6.2. Impairment: Class Six is not impaired.

2 5.6.3. Treatment: Subject to the outcome of the Appeal: This claim shall be paid in
3 full upon no later than 30 days from the due date of the tax. The Class shall retain its
4 lien or claim until paid and be entitled to interest at the statutory rate.

5
6 5.7. Class Seven Secured Ad Valorem Real Property Tax Claims of Pima County on the
7 properties including:

8 2308 Paseo Cielo, Tucson, AZ 85741	APN 225-44-0840
9 2292 West Magee Rd Unit 204, Tucson, AZ 85741	APN 225-44-5710
10 2292 West Magee Rd Unit 100, Tucson, AZ 85741	APN 225-44-5620
11 2292 West Magee Rd Unit 101, Tucson, AZ 85741	APN 225-44-5630
12 3390 West Ina Road, Tucson, AZ 85741	APN 225-41-0020
13 7787 N La Cholla, Tucson, AZ 85741	APN 225-44-548A, APN 225-41-0430, 14 APN 225-44-5490, APN 225-44-550A, 15 APN 225-41-0020 and APN 224-44-1500 16 through APN 225-44-1640 inclusive.

17 5.7.1. Classification: Class Seven shall consist of post-petition allowed Ad Valorem
18 Real Property Tax Claims of Pima County, Arizona, which are secured by liens on
19 real property. Based on the Proofs of Claim filed by Pima County for 2013 Property
20 Tax in the claims register, numbers 13 through 20, the Debtor estimates that claims
21 will be \$72,880 per year.

22 5.7.2. Impairment: Class Seven is not impaired.

23 5.7.3. Treatment: Any future property taxes that are due after confirmation in this
24 class shall be paid in full upon no later than 30 days from the due date of the tax. The
25 Class shall retain its lien or claim until paid and be entitled to interest at the statutory
26 rate.

27 5.8. Class Eight – Claim of U.S. Bank National Association, as Trustee, successor-in-
28 interest to Bank of America, N.A., as Trustee, successor to Wells Fargo Bank, N.A.,
as Trustee, for the registered holders of COBALT CMBS Commercial Mortgage

1 Trust 2006-C1, Commercial Mortgage Pass-Through Certificates, Series 2006-C1
2 ("Lender") alleged to be secured by the Debtor's interest in the building located at
3 250 East Fifth Street, Cincinnati, OH

4 5.8.1. Classification: Class Eight consists of the allowed secured claim of
5 LENDER to the extent of the value of the secured creditor's interest in the Debtor's
6 interest in the real property commonly known as 250 East Fifth Street, Cincinnati,
7 OH. The legal description is attached as Exhibit G. The amount of the claim at the
8 time of filing was approximately \$64,500,000.00. Class Eight is under secured.

9 5.8.2. Impairment: Class Eight is impaired.

10 5.8.3. Treatment: The Treatment of this class is subject to the outcome of the
11 Appeal. This Class is not currently part of the estate. In the event the Appeal
12 changes this status the Debtor will file a modified plan.

13
14 5.9. Class Nine – Secured Claim of the Predenkiewicz Revocable Trust ("PRT") for
15 their first position Lien Secured by 2308 Paseo Cielo, Tucson Arizona 85741

16 5.9.1. Classification: Class Nine consists of the allowed secured claim of PRT to
17 the extent of the value of the secured creditor's interest in the Debtor's interest in
18 the real property commonly known as 2308 Paseo Cielo, Tucson, Arizona 85741.
19 The amount of the claim at the time of filing was approximately \$140,727.32. The
20 Class Nine Claim is under secured.

21 5.9.2. Impairment: Class Nine is impaired.

22 5.9.3. Treatment: The Class Nine Creditor will be paid 8% interest only on its
23 claim amount of \$140,000 amounting to monthly payments of \$933.33. The full
24 balance of the claim including the pre-petition arrears of \$140,727.32 is due 60
25 months from the effective date. The first monthly installment for the First Payment
26 reflecting the new amount due shall be due 10 days after the Date Confirmation of
27 the Plan and subsequent equal monthly installments shall be due on the same day of
28 each subsequent month thereafter.

1
2 5.10. Class Ten – Secured Claim of Sylvia Levkowitz, Trustee of the Administrative Trust
3 for the Revocable Trust of Joe and Sylvia Levkowitz 50% and Susan Courtney 50%
4 (“Secured Creditor”) for their first position Lien Secured by 2292 West Magee Rd
5 Unit 204, Tucson AZ 85741

6 5.10.1. Classification: Class Ten consists of the allowed secured claim of the
7 Secured Creditor to the extent of the value of the secured creditor’s interest in the
8 Debtor’s interest in the real property commonly known as 2292 West Magee Rd
9 Unit 204, Tucson AZ 85741. The amount of the claim at the time of filing was
10 approximately \$275,000. The Class Ten Claim is under secured.

11 5.10.2. Impairment: Class Ten is impaired.

12 5.10.3. Treatment: The Class Ten Creditor will be paid based on an amortization of
13 the \$275,000 balance at 5% interest over 30 years resulting in a monthly payment of
14 \$1,476.26 with the full balance of the claim due 60 months from the effective date
15 of the plan. The first monthly installment for the First Payment reflecting the new
16 amount due shall be due 10 days after the Confirmation Date of the Plan and
17 subsequent equal monthly installments shall be due on the same day of each
18 subsequent month thereafter.

19
20 5.11. Class Eleven – Secured Claim of GABROY, ROLLMAN & BOSSÉ, P.C. PROFIT
21 SHARING PLAN AND TRUST (“GRB”) for their first position Lien Secured by
22 2292 West Magee Rd Unit 100 and 101, Tucson AZ 85741

23 5.11.1. Classification: Class Eleven consists of the allowed secured claim of the
24 Secured Creditor GRB to the extent of the value of the secured creditor’s interest in
25 the Debtor’s interest in the real property commonly known as 2292 West Magee Rd
26 Unit 100 and 101, Tucson AZ 85741. The amount of the claim at the time of filing
27 was approximately \$303,683.16. The Class Eleven Claim is under secured.

28 5.11.2. Impairment: Class Eleven is impaired.

1 5.11.3. Treatment: The Class Eleven Creditor will be paid 8% interest only on its
2 claim amount of \$300,000 with the full balance of the claim including prepetition
3 arrears of \$3,683.16 for a total of \$303,683.16 due 60 months from the effective
4 date. The first monthly installment for the First Payment reflecting interest on the
5 new amount due shall be due 10 days after the Effective Date of the Plan and
6 subsequent equal monthly installments shall be due on the same day of each
7 subsequent month thereafter.
8

9 5.12. Class Twelve – Claim of RREF 11 DFC Acquisitions, LLC (“RREF”) First
10 position Lien Secured by the property located at 3390 West Ina Road, Tucson,
11 Pima County, Arizona Parcel number 225-41-0020 and 7787 N La Cholla,
12 Tucson, Pima County, Arizona Parcel Numbers 225-44-548A, 225-41-0430,
13 225-44-5490 225-44-550A, and 224-44-1500 through 225-44-1640 inclusive.

14 5.12.1. Classification: Class Twelve consists of the allowed secured claim of RREF
15 to the extent of the value of the secured creditor’s interest in the real property
16 commonly known as 3390 West Ina Road, Tucson, Pima County, Arizona Parcel
17 number 225-41-0020 and 7787 N La Cholla, Tucson, Pima County, Arizona Parcel
18 Numbers 225-44-548A, 225-41-0430, 225-44-5490 225-44-550A, and 224-44-1500
19 through 225-44-1640 inclusive. The legal description is attached as Exhibit H. The
20 amount of the claim at the time of filing was approximately \$4,696,924.09. Class
21 Twelve is under secured.

22 5.12.2. Impairment: Class Twelve is impaired.

23 5.12.3. Treatment: In the event the debtor is able to reach an agreement with RREF,
24 the terms and conditions of that agreement will supersede the treatment set forth
25 herein. Under § 506, a secured creditor has a secured claim to the extent of the
26 creditor’s interest in the Debtors interest in the collateral and an unsecured claim for
27 the balance, if any, unless the creditor, if eligible, elects to have its claim treated as
28 fully secured. The allowed amount of the creditor’s secured claim will be the lesser

1 of the value of the creditor's interest in the debtor's interest in the properties
2 securing the creditor's claim as determined under § 506, or the allowed amount of
3 the creditor's claim agreed to by the creditor and debtor or determined by the Court.

4 The debtor proposes to limit the Class Twelve creditor's secured claim to the value
5 set by the Court of the Debtor's interest in the property amounting to \$3,500,000,
6 and to treat its deficiency claim as a Class Fifteen General Unsecured Claim. The
7 Debtor has proposed to pay 5% interest only on RREF's First lien starting on the
8 Effective Date resulting in a monthly payment of \$14,583.33. The principal will be
9 all due and payable at the end of sixty months unless sooner paid. All arrearages will
10 be treated as unsecured claims including all fees and costs of the lender prior to plan
11 confirmation. All other terms and conditions of the loan evidenced by the Deed of
12 Trust and Note shall remain the same except as noted herein. Debtor shall pay
13 property taxes directly to Pima County. Property insurance shall be paid by Debtor
14 directly to the insurer. The allowed secured claim of RREF shall be paid and
15 secured by existing liens on the collateral as follows:

16 5.12.3.1. The allowed secured claim shall reflect the amount of the
17 secured portion of the claim and shall accrue interest from the Effective Date
18 of the Plan at the rate set forth above pursuant to the terms of the Note and
19 Deed of Trust not inconsistent with this Plan. The Class Twelve creditor
20 will not be entitled to any interest on its allowed secured claim from the
21 Petition date to the Confirmation date.

22 5.12.3.2. The modified note [adjusted for the First Payment Date] shall
23 be payable in equal monthly installments based on interest of 5% per annum
24 for the first year and then of principal and interest amortized over 30 years
25 after being reduced by any payments made by Debtor post-petition. The first
26 monthly installment, the First Payment Date, reflecting the new amount due
27 shall be due 10 days after the first anniversary of the Effective Date of the
28 Plan and subsequent monthly installments shall be due on the same day of

1 each subsequent month until paid. The note shall be all due and payable 60
2 months from the effective date.

3 5.12.3.3. The note of the Class Twelve creditor shall continue to be
4 secured by its current position lien on the collateral. No other security for
5 payment of the allowed claim, which creditor had at the Petition Date other
6 than the lien above described which encumbers the collateral of creditor
7 shall be retained post-confirmation.

8 5.12.3.4. The Debtor and the Class Twelve creditor shall agree to
9 execute such modifications to the existing note and deed of trust as are
10 reasonably necessary to reflect the provisions of the plan treatment for this
11 creditor, as determined by the Court.

12
13 5.12.3.5. Alternative Treatment: In the event the Class Twelve
14 Creditor executes their right to elect 1111(b), the term of the plan will be
15 extended to 10 years. The monthly payment for purposes of the 1111(b)
16 treatment will be calculated based on the allowed secured claim of
17 \$3,500,000 at 5% which is the prime rate as of the date of Confirmation,
18 currently 3.25%, plus 1.75% as set forth in the Supreme Court's decision in
19 In re Till v. SCS Credit Corp., 541 U.S. 465, 124 S.Ct. 1951, 158 L.Ed.2d
20 787 (2004). This results in a monthly payment of \$18,788.76 and a balloon
21 of \$2,442,273.27, which will be due at the end of the 10 year plan. Should
22 this be unacceptable for any reason or in the event refinancing of the
23 property for payment of the Balloon is not available at the time the Balloon
24 is due the Debtor will sell the property pursuant to §363. In the event of a
25 §363 sale of the property RREF is entitled to the amount of their allowed
26 secured claim or something equal to the “indubitable equivalent,” of it and
27 RREF’s credit bid will be similarly limited to the amount of their allowed
28 secured claim (as opposed to their total allowed claim).

1
2 5.13. Class Thirteen – Claim of Craig Courtney, (“CC”) Second position Lien Secured by
3 the property located at 3390 West Ina Road, Tucson, Pima County, Arizona Parcel number
4 225-41-0020 and 7787 N La Cholla, Tucson, Pima County, Arizona Parcel Numbers 225-
5 44-548A, 225-41-0430, 225-44-5490 225-44-550A, and 224-44-1500 through 225-44-1640
6 inclusive.

7 5.13.1. Classification: Class Thirteen consists of the allowed secured claim of CC to
8 the extent of the value of the secured creditor’s interest in the real property
9 commonly known as 3390 West Ina Road, Tucson, Pima County, Arizona Parcel
10 number 225-41-0020 and 7787 N La Cholla, Tucson, Pima County, Arizona Parcel
11 Numbers 225-44-548A, 225-41-0430, 225-44-5490 225-44-550A, and 224-44-1500
12 through 225-44-1640 inclusive. The legal description is attached as Exhibit H. The
13 amount of the claim at the time of filing was approximately \$100,000.00. Class
14 Thirteen is wholly unsecured.

15 5.13.2. Impairment: Class Thirteen is impaired.

16 5.13.3. Treatment: The allowed amount of the creditor’s secured claim will be the
17 lesser of value of the creditor’s interest in the debtor’s interest in the properties
18 securing the creditor’s claim as determined under Section 506, or the allowed
19 amount of the creditor’s claim. The Debtor has obtained a valuation of the
20 collateral, which reflects the current market value of the collateral. After deducting
21 the amount of the First position lien from the value of the collateral there is no
22 security available for the Class Thirteen creditor. The Debtor proposes to treat the
23 Class Thirteen creditor as a Class Fifteen General Unsecured claim. The Class
24 Thirteen creditor’s security interest is removed and the lien is stripped from the
25 collateral.

26 5.14. Class Fourteen Trade Debt

27 5.14.1. Classification: Class Fourteen consists of all claims by trade service
28 providers due at the time of filing as shown on Schedule F of Approximately

1 \$908,000.

2 5.14.2. Impairment: Class Fourteen is impaired.

3 5.14.3. Treatment: All of the Trade Debt is no longer part of the estate. The
4 Trade Debt claims will not be paid at this time. The payment of any trade debt
5 is subject to the outcome of the Appeal.

6 5.15. Class Fifteen General Unsecured Claims, including all Real Property Deficiency
7 Claims

8 5.15.1. Classification: Class Fifteen consists of all unsecured claims not otherwise
9 classified in the Plan, all real property deficiency claims, and unsecured claims
10 against the debtor.

11 5.15.2. Impairment: Class Fifteen is impaired.

12 5.15.3. Treatment: The Plan provides that each and every holder of a Class Fifteen
13 allowed claim shall be paid pro rata their share of \$10,000 per annum paid at the rate
14 of \$833.33 per month for the 60 months of the plan. Any liens held by the Class
15 Fifteen creditors shall be invalid and removed as of the Effective Date. The first
16 monthly installment for the First Payment reflecting the new amount due, shall be
17 due 10 days after the Effective Date of the Plan and subsequent monthly
18 installments shall be due on the same day of each subsequent month until paid
19 except for the annual payments which are due 10 days after the completion of the
20 annual financials which are due on the last day of the first month following the end
21 of each applicable year.

22
23 ***SECTION VI***

24 ***Post-Confirmation Management***

25 The reorganized debtor intends to continue the real estate rental business as described in 4.9.
26 It is anticipated that the income generated from the business should be sufficient to meet the plan
27 payment requirements.

1 **SECTION VII**

2 *Income Tax Consequences of Reorganization*

3 The Debtor has determined that the Plan can be executed without significant adverse tax
4 consequences.

5 7.1 Disclaimer: *The income tax consequences of the reorganization of the Debtor*
6 *pursuant to this Plan will be different and will depend upon the Debtor's tax situation. BREEN*
7 *OLSON & TRENTON, LLP, is not advising the Debtor regarding the tax consequences of the*
8 *reorganization of the Debtor and the Debtor will consult with its own tax advisor regarding the tax*
9 *consequences of the reorganization of the Debtor according to the Plan.*

10 7.2 Generally: The commencement of a bankruptcy case creates an estate, which
11 generally includes all legal or equitable interests in property of the debtor as of the commencement
12 of the case. There are certain exceptions. Exempt property and abandoned property are initially
13 part of the bankruptcy estate, but are subsequently removed from the estate. Excluded property is
14 never included in the estate.

15 A separate taxable estate is not created when a partnership or corporation files a bankruptcy
16 petition and their tax return filing requirements do not change. The debtor-in-possession, court
17 appointed trustee, assignee, or receiver must file the entity's income tax returns on Form 1065, Form
18 1120, or, Form 1120S.

19 In cases where a trustee or receiver is not appointed, the debtor-in-possession continues
20 business operations and remains in possession of the business' property during the bankruptcy
21 proceeding. The debtor-in-possession, rather than the general partner of a partnership or corporate
22 officer of a corporation, assumes the fiduciary responsibility to file the business' tax returns.

23 The filing requirements for a corporation in a bankruptcy proceeding also do not change. A
24 bankruptcy trustee, receiver, or debtor-in-possession, having possession of or holding title to
25 substantially all of the property or business operations of the debtor corporation, must file the
26 debtor's corporate income tax return for the tax year.

27 **SECTION VIII**

1 *Feasibility*

2 As a condition to confirmation of a plan of reorganization, § 1129(a)(11) requires that the
3 confirmation is not likely to be followed by a liquidation or the need for further financial
4 reorganization, except as proposed in such plan.

5 The Debtor sets out as **Exhibit E** and **Exhibit F** its Anticipated Income and Expense and the
6 Schedule of Sources and Uses of Cash. The Debtor's income detailed in these exhibits and the
7 supporting documents demonstrate the income of the Debtor and show that the plan is feasible.

8 THE FINANCIAL PROJECTIONS SET FORTH IN THIS DISCLOSURE STATEMENT
9 REPRESENT A PREDICTION OF FUTURE EVENTS BASED ON CERTAIN ASSUMPTIONS
10 OF THE DEBTOR. ANTICIPATED FUTURE EVENTS MAY OR MAY NOT OCCUR AND
11 THE PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER
12 ASSURANCE OF THE ACTUAL RESULTS WHICH WILL OCCUR. BECAUSE OF THE
13 UNCERTAINTIES INHERENT IN PREDICTIONS OF FUTURE EVENTS, THE ACTUAL
14 RESULTS OF OPERATIONS MAY WELL BE DIFFERENT FROM THOSE PREDICTED AND
15 SUCH DIFFERENCES MAY BE MATERIAL AND ADVERSE.

16 THE FINANCIAL PROJECTIONS ARE INTENDED TO ASSESS THE FUTURE
17 ASSETS, LIABILITIES, INCOME, AND CASH FLOW AVAILABLE FOR DEBT SERVICING
18 AND ARE NOT DESIGNED OR INTENDED TO BE USED FOR PURPOSES OF PROJECTING
19 THE FUTURE VALUE OF THE DEBTOR'S INTERESTS OR DEBENTURES ISSUED BY OR
20 ON BEHALF OF THE REORGANIZED DEBTOR.

21
22 **SECTION IX**

23 *Liquidation Analysis*

24 The Debtor's non-exempt assets are not in excess of the priority payments due on the taxes.
25 In the Plan, the unsecured non-priority creditors are being paid \$50,000, which is in excess of the
26 Liquidation value of the estate shown in Exhibit C as \$0.00.

27 As a result, it is the Debtor's opinion that all claimants are best served through
28 implementation and effectuation of the Plan, which provides for a better return on their claims.

1 Creditors and other interested parties are urged to review the debtor's schedules and statement of
2 affairs as filed with the United States Bankruptcy Clerk's Office (and as amended from time to
3 time) for purposes of confirming the debtor's conclusions contained in this liquidation analysis,
4 attached hereto as **Exhibit C**.

5
6 **SECTION X**

7 *Acceptance and Confirmation*

8 10.1 What is Necessary for Court Approval of a Plan:

9 Chapter 11 of the Bankruptcy Code permits the readjustment of secured debt, unsecured
10 debt, and equity interests. A Chapter 11 plan may provide less than full satisfaction of senior
11 indebtedness and payment of junior indebtedness, and may even provide some return to equity
12 owners absent full satisfaction of indebtedness, so long as no impaired class votes against the plan
13 (except as provided below).

14 Even if an impaired class votes against the plan, implementation of the plan is still possible
15 so long as the plan is fair and equitable and that class is afforded certain treatment defined by the
16 Code. That certain treatment may be very broadly defined as giving a claimant the full value of his
17 claim or interest. Such value is determined by the Court and balanced against the treatment
18 afforded the dissenting class of creditors. If the latter is equal to or greater than the former, the Plan
19 may be confirmed over the dissent of that class, depending upon the treatment of junior claims and
20 interests. In particular, senior claims must be satisfied in full prior to payment of junior claims or
21 interests, unless the holders of senior claims agree to different treatment. This principle, commonly
22 known as the "absolute priority rule," applies only in cases when a class of unsecured claims or
23 equity interests is impaired and does not accept the plan. In that event, the absolute priority rule
24 does not apply to all classes of unsecured claims and equity interests, but only to the dissenting class
25 and classes junior to the dissenting class. The exception to the absolute priority rule is that an
26 existing debtor can contribute money or property which is: (1) new (fresh); (2) substantial; (3)
27 necessary; and (4) not readily available from other sources or provide payments [in the case of an
28 individual debtor] equal to the debtor's projected disposable income over the applicable

1 commitment period.

2 The Debtor has solicited its owners who have committed to provide to the Debtor \$200,000
3 of capital. Upon providing this new equity 250 Preferred, LLC shall become the majority member
4 and owner of 250 AZ, LLC. .

5 In the event a class is unimpaired, it is automatically deemed to have accepted the plan. In
6 this proposed Plan, Classes Five, and Seven thru Fifteen will be impaired, as defined in § 1124 of
7 the Code, as a result of the Plan.

8 The Code states that if there is no dissenting class, the test for approval by the Court of a
9 Chapter 11 plan (i.e., confirmation) is whether the plan is feasible and in the best interests of
10 creditors and interest holders. In simple terms, a plan is in the best interests of creditors and interest
11 holders if the plan will provide a better recovery to the creditors and interest holders than they
12 would obtain if the Debtor were liquidated and the proceeds distributed in accordance with
13 bankruptcy liquidation priorities. The Court, in considering this factor, need not consider any other
14 alternative to the plan but liquidation.

15 In considering "feasibility," as mentioned earlier, the Bankruptcy Court is only required to
16 determine whether the plan has a reasonable prospect of being accomplished. This entails
17 determining the availability of cash for payments required at the effective date, and any other factor,
18 which might make it impossible for the reorganized debtor to accomplish that which it proposes to
19 accomplish in the plan.

20 In addition, in order to confirm a plan, the Court must find that the plan was proposed in
21 good faith and that the plan and the debtor are in compliance with the applicable provisions of
22 Chapter 11. Finally, similar to the requirement that the Court find the plan to be feasible, the Court
23 must find that liquidation or further reorganization of the reorganized debtor is not likely to occur
24 after implementation of the plan.

25 The determination by the Court that a plan is fair, equitable, and feasible occurs at the
26 confirmation hearing after a plan has been accepted. The Court's judgment on these matter does not
27 constitute an expression of the Court's opinion as to whether the plan is a good one, nor does it
28 constitute an opinion by the Court regarding any debt or equity interest issued to creditors under the

1 plan.

2 10.2 Alternatives to the Plan:

3 Although this Disclosure Statement is intended to provide information to assist in the
4 formation of a judgment as to whether to vote for or against this proposed Plan, and although
5 creditors are not being offered through that vote an opportunity to express an opinion concerning
6 alternatives to the Plan, a brief reminder of the alternative to the Plan is necessary. This alternative
7 includes the probable liquidation of the Debtor through conversion of the case to one under Chapter
8 7. The Debtor believes the Plan to be in the best interests of the creditors and the interest holders.
9 In arriving at this conclusion, the Debtor emphasizes that the Debtor has liabilities in excess of the
10 fair market value of its principal assets (refer to Debtor's schedules). Moreover, the assets available
11 for liquidation are unlikely to yield what they are valued at in the plan but are still not sufficient to
12 pay all of the priority debt. Consequently, the unsecured creditors of the debtor would likely receive
13 no distributions under a Chapter 7 liquidation. THE DEBTOR HAS ATTEMPTED TO SET
14 FORTH THE LIKELY LIQUIDATION ALTERNATIVE TO ITS PROPOSED PLAN. THE
15 DEBTOR MUST CAUTION CREDITORS HOWEVER, THAT A VOTE MUST BE FOR OR
16 AGAINST THE PLAN. THE VOTE ON THE PLAN DOES NOT INCLUDE A VOTE ON THE
17 LIKELY LIQUIDATION ALTERNATIVE TO THE PLAN. THERE IS NO ASSURANCE THAT
18 THE LIKELY LIQUIDATION ALTERNATIVE WILL, IN FACT, FOLLOW IF THE PLAN
19 FAILS ACCEPTANCE. IF YOU BELIEVE THE LIQUIDATION ALTERNATIVE IS
20 PREFERABLE TO THE PLAN AND YOU WISH TO URGE IT UPON THE COURT, YOU
21 SHOULD CONSULT COUNSEL.

22 10.3 Specific Consideration in Voting:

23 All of the foregoing gives rise to the following implications and risks concerning the Plan.
24 While the Plan provides for certain payments, such payments will apply only to allowed claims and
25 certain interests. Under the Code, a claim may not be paid until it is "allowed." A claim will be
26 allowed in the absence of an objection. A claim to which an objection has been filed will be heard
27 by the Court at a regular evidentiary hearing and will be allowed in full, in part, or disallowed.
28 While the Debtor will bear the principal responsibility for claim objections, any interested party may

1 file claim objections. Accordingly, payment on all claims may be delayed until objections to such
2 claims are ultimately settled.

3 10.4 Risk Factors:

4 For classes of claims which do not receive cash on the Effective Date, there are certain risks
5 inherent in accepting the Plan, including the absence of absolute certainty of ultimate payment. The
6 Projected income may not be achieved, interest rates may increase, and mortgages may not be
7 available.

8 10.5 Disclosure Required by the Code:

9 The Code requires disclosure of certain facts as follows:

- 10 1) there are no payments or promises made of the kind specified in § 1129(a)(4)(A)
11 which have not previously been disclosed to the Court;
- 12 2) the ownership of the properties of the reorganized Debtor will remain with the
13 Debtor and will not be affected by the Plan and management will remain with the
14 debtor: and
- 15 3) the Debtor has no contractual relationship or sharing of profits or proceeds or
16 ownership with any other parties. The Debtor is the exclusive owner of all of the
17 assets listed, which include all of the assets of the Debtor.

18
19
20 ***SECTION XI***

21 *Other Provisions of the Plan*

22 11.1 Retention of Jurisdiction:

23 The Bankruptcy Court shall retain exclusive jurisdiction over this case to supervise the Plan,
24 to hear, if applicable law provides, and to determine, among other things, the following matters:

- 25 1) any and all objections to the allowance of claims or interests except as provided in
26 the Plan;
- 27 2) any and all applications for payment for fees from the Debtor made by attorneys and
28 other professional pursuant to §§ 330 or 503, or for payment of any other fees or

1 expenses authorized to be paid by the Debtor under § 327, and any objections
2 thereto;

3 3) any and all pending applications for rejection, the assumption, or assignment, as the
4 case may be of unexpired leases and executory contracts;

5 4) any and all motions, applications, adversary proceedings, and contested or litigated
6 matters properly before the Bankruptcy Court;

7 5) modifications of this Plan;

8 6) all matters relating to the implementation or consummation of this Plan; and

9 7) any and all suits or actions brought for collection or recoupment of debts or other
10 obligations owed by defaulted partners to the Debtor.

11 11.2 Default:

12 In the event of default by the Debtor in any payment required hereunder, the creditor shall
13 have the right, after giving written notice to the Debtor and the Debtor failing to make the payment
14 within 10 days, to any remedy available under applicable state and federal law that the Creditor may
15 be entitled to.

16 11.3 Discharge:

17 According to § 1141(d)(5)(a), upon confirmation of the Plan, the Debtor shall be discharged
18 from all obligations other than as reflected in the Plan; and according to § 1141(a), creditors shall be
19 bound by the plan and execute such modifications to the existing liens or notes and deeds of trust as
20 are reasonably necessary to reflect the provisions of the plan treatment as determined by the Court

21 11.4 Retention of Causes of Action:

22 The Debtor shall retain all claims or causes of action which it has as of the Confirmation
23 Date, the powers of the debtor-in-possession for purposes of prosecuting claims and causes of action
24 arising under the Bankruptcy Code, and full authority to pursue, compromise, and resolve all such
25 claims and causes of action unless the Court has granted any such right to a creditor of this estate.

26 11.5 Retention or Rejection of Executory Contracts and Leases:

27 The Plan provides, pursuant to § 365, that the Debtor accepts all executory contracts and
28 unexpired leases to which they are a party and UNLESS OTHERWISE PROVIDED FOR any

1 specifically provided for prior to the hearing on the Disclosure Statement.

2 11.6 Amendments to Plan:

3 The Plan may be altered, amended, or modified by the proponents before the Confirmation
4 Date, in the manner provided for by § 1127 or otherwise provided for by law. The Plan may also be
5 altered, amended, or modified by the proponents after the Effective Date in accordance with the
6 Code and applicable law. A holder of a claim or interest that has accepted or rejected the Plan shall
7 be deemed to have accepted or rejected, as the case may be, the Plan as modified unless the
8 modification detrimentally effects the holder of such claim or interest without the prior consent
9 thereof.

10 11.7 Offer, Issuance and Resale of Plan Securities:

11 The offer and issuance of Amended Plan Securities by any Debtor which constitutes
12 securities under the Securities Act of 1933, as amended (the "1933 Act") or applicable state
13 securities laws have not been registered under the 1933 Act or such state securities laws, pursuant to
14 the exemption therefrom provided by Section 1145 of the Bankruptcy Code.

15
16 The Amended Plan Securities will bear the following legend:

17
18 "The offer and sale of this Amended Plan Security has not been registered
19 under the Securities Act of 1933, as amended, or qualified under applicable
20 state securities laws, and this Amended Plan Security may not be offered,
21 sold, or transferred in the absence of such registration or an exemption
22 therefrom under such laws."
23

24 Resale or other transfer of an Amended Plan Security by a creditor who has acquired it
25 pursuant to the Amended Plan, may or may not be exempt from the registration requirements of
26 Section 5 of the Securities Act of 1933 and any applicable state securities laws or Blue Sky Laws.

27 BY ITS RECEIPT OF AN AMENDED PLAN SECURITY, EACH RECIPIENT SHALL
28 BE DEEMED TO ACKNOWLEDGE THAT IT IS RESPONSIBLE FOR ITS COMPLIANCE

1 WITH ALL APPLICABLE SECURITIES LAWS. EACH CREDITOR SHOULD CONSULT HIS
2 OR HER OWN ATTORNEY AS TO WHETHER ANY RESALE OF AN AMENDED PLAN
3 SECURITY REQUIRES REGISTRATION OF SUCH SECURITY UNDER THE SECURITIES
4 ACT OF 1933 OR AN APPLICABLE STATE SECURITIES LAW.

5 11.8 **Provision for Filing Reports and Payments of Fees to the Office of the United**
6 **States Trustee:**

7 The Debtor shall timely file all quarterly reports and post-confirmation reports and shall pay
8 all fees to the United States Trustee as required by law and will incorporate such language into the
9 order confirming the Debtor's Plan of Reorganization. **This paragraph includes the**
10 **requirements under § 1129(a)(12) and 28 U.S.C. § 1930(a)(6).**

11 11.9 The accounting and valuation methods used in financial statements:

12 The Debtor has utilized GAAP method of accounting. Valuations are provided based on the
13 debtor opinion of value or by appraisal.

14 11.10 The relationship of the debtor with affiliates:

15 The Debtor does not have any Relationships with any affiliates other than as has been
16 disclosed in the Chapter 11 proceedings

17
18 11.11 Commencement:

19
20 Commencement of the Plan shall occur upon the funding on the Effective Date and
21 commencement of disbursements to Class One through Class Fifteen as provided in the Plan.

22
23 ***SECTION XII***

24 ***Recommendation of Debtor***

25 The Debtor recommends that the Plan of Reorganization be approved in light of the
26 alternative that only secured creditors in first position are likely to be paid a significant portion of
27 their claim. The Debtor is of the opinion that the Plan approval is in the best interest of all
28 creditors.

1
2 **CONCLUSION**

3 The materials provided in this Disclosure Statement are intended to assist you in voting on
4 the Plan in an informed fashion. If the Plan is confirmed, you will be bound by its terms.
5 Therefore, you are urged to review this material in order to make an informed vote on the Plan.
6

7 **RESPECTFULLY SUBMITTED** November 4, 2013.

8 **BREEN OLSON & TRENTON, LLP**

9
10 /s/ Dennis M Breen III, Esq. AZ BAR #005309
11 Dennis M Breen III, Esq.
12 *Attorney for Debtor*
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