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**IN THE UNITED STATES BANKRUPTCY COURT  
 FOR THE DISTRICT OF ARIZONA**

In re

TUCSON ONE, LLC

Debtor.

Chapter 11 Proceeding

4:17-BK-11219-BMW

**DEBTOR'S FIRST DISCLOSURE  
 STATEMENT DATED DECEMBER  
 21, 2017 FOR ITS PLAN OF  
 REORGANIZATION DATED  
 DECEMBER 21, 2017**

Tucson One, LLC (hereinafter "Debtor"), through its undersigned attorney, hereby submits its First Disclosure Statement dated December 21, 2017 for its First Plan of Reorganization dated December 21, 2017.

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**LIST OF EXHIBITS**

Exhibit A	First Plan of Reorganization Dated December 21, 2017 and filed as a separate document
Exhibit B	Form of Ballot
Exhibit C	Liquidation Analysis



1 ORDER FOR RELIEF (FILING DATE) WITHIN WHICH TO PROPOSE ITS PLAN OF  
2 REORGANIZATION, KNOWN AS THE EXCLUSIVITY PERIOD. THE EXCLUSIVITY  
3 PERIOD, UNLESS SHORTENED OR CHANGED BY ORDER OF THE COURT,  
4 ALLOWS ONLY THE DEBTOR TO PROPOSE ITS PLAN OF REORGANIZATION  
5 WITHIN THE EXCLUSIVE PERIOD.  
6

7 **1.3 Confirmation Hearing and Voting Instructions.** The United States  
8 Bankruptcy Court for the District of Arizona (“the Court”) will set a hearing on  
9 confirmation of the Plan in the U.S. Bankruptcy Court, 38 N. Scott Ave., Tucson,  
10 Arizona. The time and date of the hearing will be set forth in the Order which will  
11 accompany the approved Disclosure Statement. Claimants and interest holders may  
12 vote on the Plan by filling out and mailing that accompanying ballot in accordance with  
13 the procedure provided on the ballot and the Order Approving the Disclosure Statement  
14 and Fixing Time for Filing Acceptance or Rejection of Plan, Combined with Notice  
15 thereof, so that it is received at least five (5) days prior to the date of the hearing. As a  
16 creditor, your vote is important. For a class of creditors’ claims to accept the Plan,  
17 acceptances must be filed by at least 2/3 in amount, and more than ½ in number of the  
18 allowed claims of each class that actually vote on the Plan. A failure to vote on the Plan  
19 does not constitute either an acceptance or rejection of the Plan. The Bankruptcy Court  
20 may confirm only one plan in this case. The plan confirmed by the Bankruptcy Court  
21 must meet the requirements contained in the Bankruptcy Code.  
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1 Unless authorized by the Court, only the Debtor or the Debtor's representatives  
2 may solicit your vote. The cost of any solicitation by the Debtor will be borne by the  
3 Debtor. No other additional compensation shall be received by any party for any  
4 solicitation other than as disclosed to the Bankruptcy Court. CREDITORS ARE URGED  
5 TO CAST A BALLOT FOR OR AGAINST DEBTOR'S PLAN OF REORGANIZATION.  
6

7 **1.4 Ballot Procedures.** Creditors will receive an electronic or paper copy of  
8 this Disclosure Statement, the Plan or Reorganization, an Order setting the hearing on  
9 confirmation of the Plan, and a Ballot. The Debtor reserves the right to designate the  
10 correct Class, if any creditor submits a Ballot that fails to either identify a Class number  
11 or votes a Ballot in an incorrect Class. The Debtor also reserves the right to designate  
12 the treatment options afforded any creditor who submits a Ballot and fails to designate  
13 any treatment option afforded that Class, but only if reasonable attempts to contact the  
14 creditor to discern its intent have failed.  
15

16 **1.5 Representations.** NO REPRESENTATIONS CONCERNING THIS  
17 DEBTOR OR THE PLAN ARE AUTHORIZED OTHER THAN AS SET FORTH IN THIS  
18 DISCLOSURE STATEMENT. ANY REPRESENTATION OR INDUCEMENTS TO  
19 OBTAIN YOUR ACCEPTANCE OF THE PLAN OTHER THAN AS CONTAINED  
20 HEREIN SHOULD NOT BE RELIED UPON. THE INFORMATION CONTAINED  
21 HEREIN HAS NOT BEEN AUDITED. THE DEBTOR IS UNABLE TO REPRESENT  
22 THAT THE INFORMATION HEREIN IS WITHOUT ANY INACCURACY, ALTHOUGH  
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1 THE INFORMATION DISCLOSED IS ACCURATE TO THE BEST OF THE DEBTOR'S  
2 KNOWLEDGE, INFORMATION, AND BELIEF.

3 THE COURT HAS NOT VERIFIED THE ACCURACY OF THE INFORMATION  
4 CONTAINED HEREIN, AND THE COURT'S APPROVAL OF THIS DISCLOSURE  
5 STATEMENT DOES NOT IMPLY THAT THE COURT ENDORSES OR APPROVES  
6 THE PLAN, BUT ONLY THAT IF THE INFORMATION IS ACCURATE, IT IS  
7 SUFFICIENT TO PROVIDE AN ADEQUATE BASIS FOR CREDITORS TO MAKE AN  
8 INFORMED DECISION WHETHER TO ACCEPT OR REJECT THE PLAN.  
9

10 **1.6 Value of Assets and Accounting.**

11 THE ONLY REPRESENTATIONS THAT ARE AUTHORIZED OR WHICH MAY  
12 BE MADE CONCERNING THE DEBTOR, THE VALUE OF ITS ASSETS, OR THE  
13 REORGANIZED DEBTOR ARE THE REPRESENTATIONS CONTAINED IN THIS  
14 DISCLOSURE STATEMENT. EXCEPT AS NOTED, THE FINANCIAL INFORMATION  
15 CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECTED TO  
16 AN AUDIT BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT. ALL  
17 FINANCIAL, EXPENSE, AND INCOME RECORDS OF THE DEBTOR ARE  
18 MAINTAINED ON A CASH BASIS. SOME OF THE ACCOUNTING/FINANCIAL WORK  
19 FOR THE DEBTOR IS PERFORMED BY AN OUTSIDE ACCOUNTANT RETAINED BY  
20 THE DEBTOR. FOR THAT REASON, THE DEBTOR IS NOT ABLE TO WARRANT OR  
21 REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE  
22 STATEMENT IS WITHOUT INACCURACY. HOWEVER, GREAT EFFORT HAS BEEN  
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1 MADE TO ENSURE THAT ALL SUCH INFORMATION IS FAIRLY PRESENTED. NO  
2 REPRESENTATIONS OR ASSURANCES CONCERNING THE DEBTOR  
3 (INCLUDING, WITHOUT LIMITATION, ITS FUTURE BUSINESS OPERATIONS) OR  
4 THE PLAN ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN  
5 THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS  
6 MADE BY ANY PERSON TO SECURE YOUR VOTE WHICH ARE OTHER THAN  
7 HEREIN CONTAINED SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT  
8 YOUR DECISION, AND SUCH ADDITIONAL REPRESENTATIONS OR  
9 INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR, WHO,  
10 IN TURN, SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT  
11 FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.  
12  
13

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

4 THE BANKRUPTCY'S COURT'S APPROVE OF THIS DISCLOSURE  
5 STATEMENT DOES NOT CONSTITUTE A RECOMMENDATION BY THE  
6 BANKRUPTCY COURT EITHER FOR OR AGAINST THE PLAN.  
7

## 8 SECTION 2

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

#### 10 2.1 Circumstances that Gave Rise to the Filing of the Bankruptcy

##### 11 Petition:

##### 12 History of the Secured Loan

13 The Debtor was formed in 2005, which consists of the Henry A. and Shirley  
14 Goldman Family Trust dated June 9, 1999 as its 100% managing member. Debtor was  
15 formed to own and rent the real property located at 3700 E. Ft. Lowell Road, Tucson,  
16 Arizona ("Property"). To acquire the Property, in June, 2005, the Debtor obtained a loan  
17 from Principal Commercial Funding, LLC, evidenced by a first position note and deed of  
18 trust against the Property, in the principal amount of \$2,469,500.00 ("Secured Loan").  
19 Henry A. Goldman is a guarantor of the Secured Loan as to the top 10%.  
20  
21

22 Upon Debtor's information and belief, the Secured Loan was sold and assigned  
23 to a number of other lenders. Debtor entered into two modification agreements with  
24 assignee Bank of America which, among other things, extended the note term. Debtor  
25  
26

1 first extended the Secured Loan in December, 2010; at the time, Secured Lender was  
2 represented by Helios, and charged \$23,395.00 (plus nearly \$10,000 in attorney's fees)  
3 as consideration for the extension. The second extension occurred in May, 2015;  
4 Secured Lender was represented by Principal Global, and charged an additional  
5 \$4,590.00 (plus additional attorney's fees and costs) as consideration for this second  
6 extension.  
7

8 Upon information and belief, Debtor's Secured Loan is part of a lending pool of  
9 other distressed loans, and was likely sold to successor lenders for cents on the dollar.  
10 It is believed that Debtor's Secured Loan is third from the smallest in a pool of other  
11 distressed loans. Therefore, former attempts to try and negotiate an extension or  
12 resolution with the lender fell on deaf ears, as finding someone with authority to engage  
13 in such discussions with Debtor was virtually impossible.  
14

### 15 **Rental History**

16 Debtor's original tenant was California Design Center who supplied new upscale  
17 furniture in Tucson. During the periods of growth in Tucson when new homes were  
18 being built, there was a market for new furniture. When the real estate market crashed  
19 in 2008 / 2009, new home builds in Tucson virtually ceased and there was less demand  
20 for furniture sales. As a result, California Design Center vacated the Property, and  
21 Circus Furniture entered into a year lease with Debtor in late 2011.  
22

23 After a series of short term leases that expired, Circus Furniture began occupying  
24 the Property on a month-to-month basis. Circus Furniture filed for Chapter 11  
25  
26

1 Bankruptcy on October 16, 2015 (“Circus Bankruptcy”) after it bounced a rent check to  
2 Debtor. As part of its plan, Circus Furniture conducted a liquidation sale at all of its  
3 locations, including Debtor’s Property, and vacated the Property on or about August 1,  
4 2016. Debtor received partial rent payments during this sale period, and filed an  
5 Application for Administrative Expense claim in the Circus Bankruptcy for the balance of  
6 its post-petition rent and over \$35,000 in damages and repairs as a result of Circus  
7 failing to maintain the Property, in addition to its attorney’s fees and costs.  
8

9 To date, this administrative expense claim has gone unpaid, as the agents that  
10 conducted the sale for Circus absconded with the sale proceeds. To date, the Property  
11 has been vacant as a result of its poor condition and a depressed commercial rental  
12 market.  
13

14 Ultimately, after failed attempts to negotiate, Lender accelerated the balance  
15 owed under the Secured Loan and initiated a Trustee’s Sale. Debtor filed its Chapter  
16 11 case to stay the foreclosure sale.  
17

18 **2.2 Current Management.** The Debtor is currently managed by Henry A.  
19 Goldman, Trustee.

20 **2.3 Location of Debtor’s Major Assets.** The Debtor’s primary asset is the  
21 real property located at 3700 E. Ft. Lowell, Tucson, Arizona (the “Property”).  
22

23 **2.4 Real Properties of the Debtor / Assets of the Estate:**

Property Address or Parcel Number	Estimated Value
3700 E. Ft. Lowell Road, Tucson, AZ	\$1,100,000.00 (per Schedules)

1           **2.5    Valuation Hearings.** Debtor anticipates filing a motion to determine  
2 valuation based on the forthcoming opinion of its appraiser.

3           **2.6    Significant Events Prior to the Commencement of the Debtor's**  
4 **Reorganization**

5           Due to the depressed market in Tucson, Debtor has been unsuccessful in renting  
6 or selling the Property. The condition in which Circus Furniture left the Property has also  
7 made it difficult to market it for rent or sale.

8           However, Debtor's Plan proposes a reduced monthly payment on the Secured  
9 Loan, permit Debtor to negotiate a future lease with a tenant (more consistent with  
10 current market rates) sufficient to cover the payment and generate extra income  
11 necessary to make payments to other Creditors and make improvements to the  
12 Property, as further provided herein.

13           **2.7    Accounting and Valuation Methods Used to Produce the Financial**  
14 **Information in the Disclosure Statement:** The accounting process is conducted  
15 using general accepted accounting principles. Values used are the opinion of Henry A.  
16 Goldman based on his experience and knowledge of the Property.

17           **2.8    Causes of Action:** The Debtor currently has no causes of action.

18           **2.9    Plan of Reorganization:** The Debtor has filed a Plan which will allow it to  
19 retain its Property and pay creditors. See Plan attached hereto as **Exhibit "A"**.



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## SECTION IV

### *Summary of Plan of Reorganization*

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

**4.1 Summary of the Plan:** Debtor's Plan proposes to reduce the balance of the Secured Loan to the appraised value of the Property, thus bifurcating the Secured Loan into two parts: 1) a first position secured claim equal to the fair market value of the Property, and 2) a second position secured claim equal to the balance to be paid off upon the sale of the Property. The first position secured claim will be amortized, resulting in a lower monthly payment than the current payment. This will provide Debtor more flexibility in negotiating a future lease with a tenant sufficient to cover the monthly payment, plus generate additional cash flow to pay the remaining Creditors. Debtor's Plan proposes paying all remaining Creditors in full five years from the Effective Date, or upon the sale of the Property.

**4.2 Segregation of Classes:** The Plan further proposes to segregate the creditors and interest holders of the Debtor into separate classes. Of these classes,



1 allowed administrative and priority claimants, including priority tax claimants, but  
2 exclusive of those referenced in 11 U.S.C. Section 507(a)(8) will receive payments of  
3 100% of their respective claims, in cash over time, with a market rate of interest, as set  
4 forth in the Plan.

5 Generally, all Administrative Claims will be paid in full in cash as stated in the  
6 Plan. The Debtor shall retain the property and the creditors shall be paid in accordance  
7 with modifications of their applicable loan and security documents as set forth herein  
8 and in the Plan of Reorganization.

10 **4.3 Value of Secured Claims:**

11 *See Section 2.10, above.*

12 ANY STIPULATION ENTERED INTO BETWEEN THE SECURED CREDITORS  
13 AND THE DEBTOR SHALL SUPERSEDE AND TREATMENT OF CREDITORS THAT  
14 MAY BE SET FORTH IN THE DEBTOR'S PLAN.  
15

16 **4.4 Cash Collateral Litigation:** There currently is no cash collateral litigation.

17 **4.5 Anticipated Future of Debtor:** Debtor believes its plan, if confirmed, will  
18 provide the capital necessary to make payments to all its Creditors, as provided herein.  
19

20 **4.6 Source of Information:** The source of the information presented is from  
21 Henry A. Goldman, Trustee, managing member of Debtor.

22 **4.7 Information Regarding Claims Against Estate:** No Proofs of Claim  
23 have yet been filed for any creditors as of this date. Claims are due January 15, 2018.  
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1 amount due. In addition, the amounts of the claims specified in this Disclosure  
2 Statement and Plan do not include, for example, claims arising from the rejection of  
3 certain executory contracts and other contingent or unliquidated claims arising against  
4 Debtor, if any.

5       **2. Effective Date:** The “Effective Date” of the Plan is important in  
6 determining when performance of many of the Debtor’s obligations under the Plan is  
7 due. The “Effective Date” as defined in the Plan shall mean the later of (a) the first  
8 business day following the 10th day after entry of the Court of an order confirming the  
9 Plan, or (b) the first business day after such order has become final and unappealable;  
10 provided however, no appeal of said order is pending; provided further, the Debtor may  
11 waive the condition that no appeal of the order of confirmation be pending by a writing  
12 duly executed by the Debtor and filed with the Court on or before the date which but for  
13 the pendency of appeal would become the effective date of the Plan, and in the event  
14 that said condition is timely waived by the Debtor, the Plan shall become effective as  
15 provided herein notwithstanding the pendency on said date of an appeal or appeals; in  
16 the event that said condition is not timely waived, the Plan shall become effective on the  
17 first business day after an appeal is no longer pending.

18       **3. Classification:** The Plan divides claims against the Debtor into multiple  
19 separate classes that the Debtor asserts are in accordance with the Bankruptcy Code.  
20 Unless otherwise expressly stated in the Plan, distributions to holders of allowed claims  
21 are in full satisfaction of their allowed claims. All claims against the Debtor arising prior  
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1 to confirmation will be discharged by performance of the Plan on the Effective Date to  
2 the extent that such claims are dischargeable under Bankruptcy Code Section 1141(d).

3 For the purposes of the Plan, claims are classified and treated as follows:

4 **5.1 Class One – Administrative Claims:**

5 A. Classification: Class One consists of all claims for the cost of  
6 administration of the Debtor's bankruptcy estate. Included in this class are all claims for  
7 administrative expenses entitled to priority under Bankruptcy Code §507(A)(1), such as  
8 professional fees and costs, as approved by the Bankruptcy Court of the attorneys,  
9 accountants, and other professional persons employed by the Debtor, and all actual and  
10 necessary expenses of operating the Debtor's business pursuant to Bankruptcy Code  
11 §503(b), including without limitation, all fees charged against the Debtor's business  
12 pursuant to Chapter 123 of Title 28, United States Code. Debtor believes claims in this  
13 class will exceed \$20,000.00.

14 B. Impairment: Class One is not impaired.

15 C. Treatment: The Plan provides for the payment in cash, in full, of all  
16 Allowed Administrative Claims on the later of the Effective Date or the date upon which  
17 such Claims become Allowed Claims, or as otherwise ordered by the Bankruptcy Court  
18 or agreed to by Claimant and Debtor. Class 1 claims will be paid from assets of the  
19 estate. The Debtor currently estimates that the Class 1 claims will exceed \$20,000.00  
20 and may include post-petition administrative expenses. Such payments will reduce the  
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1 amount of administrative expenses due on the Effective Date of the Plan unless  
2 otherwise provided.

3 **THIS CLASS DOES NOT VOTE.**

4 **5.2 Class Two – Priority Claims of Governmental Units**

5 A. Classification: Class Two claims consists of all allowed claims of the  
6 United States Internal Revenue Service (“IRS”) and/or State of Arizona, Department of  
7 Revenue (“DOR”) and/or the Department of Economic Security (“DES”), City of Tucson  
8 or other government agencies which are entitled to priority pursuant to Section  
9 507(a)(8) of the Bankruptcy Code except ad valorem taxes. **Debtor is not aware of**  
10 **any claims.**

11  
12  
13 B. Impairment: Class Two is impaired.

14 C. Treatment: Each holder of a Class Two allowed claim shall retain its  
15 lien or claim, in accordance with Section 1129 of the Bankruptcy Code. The claim shall  
16 bear simple interest at a fixed rate equal to that rate which would be required to be paid  
17 as of the Effective Date under Section 6621 and/or 6622 of the Internal Revenue Code,  
18 or such other interest rate as the Bankruptcy Court determines is sufficient to confer  
19 upon the tax claim a value as of the Effective Date equal to the principal amount of such  
20 claim. The allowed claim shall be payable in 60 equal monthly installments of principal,  
21 along with accrued interest, in deferred cash payments over a period not to exceed five  
22 years from date of petition. The first payment shall commence on the first day of the  
23 month immediately following the month of the Effective Date. The claim is subject to  
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1 prepayment at any time without penalty or premium and shall have such other terms as  
2 are usual and customary.

3 **5.3 Class Three - Secured Ad Valorem Real Property Tax Claims**

4 A. Class Three shall consist of all allowed ad valorem real or personal  
5 property tax claims of local taxing authorities as of the date of the confirmation which  
6 are secured by liens or inchoate lien rights on the Debtor's real property. The Debtor  
7 believes the Class Four claimant will assert a claim in the amount of approximately  
8 \$43,000.00 in favor of the Pima County Treasurer.  
9

10 B. Impairment: Class Three is impaired.

11 C. Treatment: On the Effective Date, each holder of a Class Three Claim  
12 (the Pima County Treasurer's claim) will be allowed in the principal amount due, with  
13 interest at the statutory rate, plus penalties (if any). Debtor proposes to pay in full all  
14 outstanding taxes and interest, consistent with the provisions of 11 U.S.C. §  
15 1129(a)(9)(C)(ii) and (D), or will pay Pima County Treasurer in full in the event Debtor is  
16 able to sell the Property. Debtor will pay Pima County Treasurer, in regular  
17 installments, with interest, over 60 month, until Pima County's claim is paid in full, on or  
18 before September 22, 2021. Pima County retains its liens.  
19  
20

21 **5.4 Class Four – Secured Claim by U.S. Bank.**

22 A. Classification: Class Four consists of the allowed secured claim of U.S.  
23 Bank as Trustee and Successor-In-Interest to Bank of America ("Secured Lender"  
24 herein). This claim is evidenced by a promissory note and first position deed of trust  
25  
26

1 secured against the Property, including the top 10% carve-out guaranty of Henry A.  
2 Goldman. Debtor believes this claim is not fully secured.

3 Debtor believes Secured Lender appraised the Property at \$1,300,000 earlier  
4 this year. Debtor anticipates conducting a valuation hearing concerning this property  
5 based on its own forthcoming appraisal, but for the purposes of proposing treatment of  
6 Secured Lender's Claim, Debtor is for the time being using the estimated \$1,300,000  
7 value of the Property.  
8

9 B. Impairment: Class Four is impaired.

10 C. Treatment:

11 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH  
12 SECURED LENDER AS TO ITS TREATMENT, THE TERMS AND CONDITIONS  
13 THEREIN WILL SUPERSEDE THAT TREATMENT SET FORTH HEREIN.  
14

15 Under § 506 of the Bankruptcy Code, a secured creditor has a secured claim to  
16 the extent of the creditor's interest in the Debtor's interest in the collateral and an  
17 unsecured claim for the balance, if any, unless the creditor makes an 1111(b) election,  
18 and, if eligible, elects to have its claim treated as fully secured.  
19

20 The Debtor's Plan proposes to limit the Class 4 Creditor's first position secured  
21 claim to \$1,300,000, and to treat the balance of its claim, if any, as a second position  
22 secured claim against the Property to be paid upon the sale of the Property ("Modified  
23 Secured Notes"). If the Debtor and the Creditor cannot agree as to the amount of the  
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1 Class 4 Creditor's allowed first position secured claim, the Court may be called upon to  
2 make that determination.

3 The allowed claim of the Class 4 Creditor shall be paid in two parts, assuming no  
4 1111(b) election is made by Creditor, and secured by a first lien mortgage evidenced by  
5 a promissory note and deed of trust, modified as follows:  
6

7 1. Should the Class 4 secured claim be reduced to the fair market value of  
8 the Property, Debtor proposes to amortize the \$1,300,000 over 30 years at 3.5% per  
9 annum, and make interest-only payments in the total annual amount of \$45,500.00 (in  
10 equal monthly installments) for five years. The maturity date of the Secured Loan shall  
11 be extended to five years after the Effective Date, subject to an additional five-year  
12 extension.  
13

14 2. The note of the Class 4 creditor shall continue to be secured by its first  
15 position deed of trust on the Property. Secured Lender shall release the current carve-  
16 out guaranty for Henry A. Goldman.  
17

18 3. When Debtor leases the Property, all cash flow will be used to make the  
19 scheduled monthly interest-only payments, taxes, insurance, and Property expenses.  
20 At the end of the five year extension term, Debtor will obtain an appraisal to see if it  
21 results in a value sufficient to pay off the Modified Secured Notes. If not, Debtor and  
22 Secured Lender agree to negotiate in good faith to work out the terms of an additional  
23 five-year extension.  
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1           4.       The Debtor the Class 4 Creditor shall agree to execute such modifications  
2 to the existing note and deed of trust as are reasonably necessary to reflect the  
3 provisions of the Plan treatment of this creditor.

4           5.       Any difference between current market value and secured first position  
5 note and deed of trust due to Secured Lender shall be evidenced by a second position  
6 note and deed of trust against the Property to be paid from the sale of the Property.  
7

8           6.       If, and only if, the Class Four Creditor makes the election provided for in  
9 Bankruptcy Code § 1111(b)(2), then the secured claim will be allowed in an amount  
10 equal to the amount owed under the mortgage notes as of the petition date, less any  
11 penalty claims as determined by the Court, and shall accrue interest from the Effective  
12 Date of the Plan at the rate of 3.5% per annum, or the rate of the existing note,  
13 whichever is less, and payable in equal monthly installments of interest amortized over  
14 thirty (30) years, with the first monthly installment due thirty (30) days after the Effective  
15 Date and subsequent monthly installments due on the same day of each subsequent  
16 month.  
17

18           **5.5    Class Five - Claims of General Unsecured Creditors / Deficiency**  
19 **Claims**  
20

21           A.   Classification: Class Five consists of all general unsecured non-  
22 priority claims / deficiency claims against the Debtor.  
23

24           B.   Impairment: Class 5 is Impaired.  
25  
26  
27  
28

1 C. Treatment: Class 5 consists of the allowed general unsecured claims  
2 against Debtor. Beginning 18-months after the Effective Date, Debtor proposes making  
3 monthly payments to its allowed general unsecured claims, paid equally, pro-rata, until  
4 the allowed claims are paid in full.

5 **5.6 Class Six – Insider Claims**

6 A. Classification: Class 6 shall consist of all Allowed Claims by Insiders for  
7 repayment of or repayment of indebtedness of any nature or category. Debtor owes  
8 Henry Goldman Investments a balance of \$1,899,571.

9 B. Impairment: This Claim is impaired.

10 C. Treatment: This Claim shall receive payment only after all Allowed  
11 Claims entitled to distribution are paid the Allowed Amount of their claims.  
12

13 **This class does not vote.**

14 **5.7 Class Seven – Contingent, Unliquidated and Disputed Claims**

15 A. Classification: Class Seven shall consist of contingent, disputed, and  
16 unliquidated claims. **Debtor is not aware of any such claims.**

17 B. Impairment: Class 7 is impaired.

18 C. Treatment: Class 7 creditors shall receive no distribution under the  
19 Plan.  
20

21 **5.8 Class Eight - Equity Interest Holders**

22 A. Classification: Class 8 consists of the interest of the Debtor.

23 B. Impairment: Class 8 is not impaired.

1 C. Treatment: The existing equity interests of the members of the Debtor  
2 shall be retain their interest in the Debtor to the extent that they contribute money or  
3 money's worth, including labor or contractor's skills to the Debtor, to facilitate the  
4 reorganization of the Debtor. **This class does not vote.**

## 5 **SECTION VI**

### 6 *Post-Confirmation Management*

7 The manager of the Debtor post-confirmation will be Henry A. Goldman, Trustee.  
8

## 9 **SECTION VII**

### 10 *Income Tax Consequences of Reorganization*

11 The Debtor has been advised by NEFF & BOYER, P.C. to obtain independent  
12 tax advice to determine the consequences of going forward under the Plan and  
13 retaining the Property hereunder. The Debtor has advised NEFF & BOYER, P.C. that  
14 outside tax counsel has been/or will be retained and/or consulted to assist in drafting,  
15 amending or revising the Plan as proposed. The Debtor and NEFF & BOYER, P.C.  
16 have been advised that the Debtor can retain the Property without significant adverse  
17 tax consequences.  
18

19 **7.1 Disclaimer**: *The income tax consequences of the reorganization of the*  
20 *Debtor pursuant to this Plan will be different and will depend upon the Debtor's tax*  
21 *situation. NEFF & BOYER, P.C. is not advising the Debtor regarding the tax*  
22 *consequences of the reorganization of the Debtor and the Debtor will consult with its*  
23  
24  
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1 own tax advisor regarding the tax consequences of the reorganization of the Debtor  
2 according to the Plan.

3 ANY POTENTIAL PARTICIPATING INVESTORS ARE URGED TO CONSULT  
4 THEIR OWN ADVISORS AS TO THE OVERALL TAX IMPLICATIONS OF  
5 PARTICIPATION OR NONPARTICIPATION UNDER THE PLAN.  
6

7 **7.2 Consummation:** For purposes of Local Bankruptcy Rule 2015, and  
8 consistent with Bankruptcy Code Section 1001(2), consummation of the Plan shall  
9 occur upon the 1) funding of the contributions due from participating investors  
10 hereunder if required ; and 2) commencement of disbursements to Impaired creditors as  
11 provided in the Plan.  
12

## 13 SECTION VIII

### 14 *Feasibility*

15 As a condition to confirmation of a plan of reorganization, Section 1129(a)(11) of  
16 the Bankruptcy Code requires that the confirmation is not likely to be followed by a  
17 liquidation or the need for further financial reorganization, except as proposed in such  
18 plan.  
19

20 THE FINANCIAL PROJECTIONS SET FORTH IN THIS DISCLOSURE  
21 STATEMENT REPRESENT A PREDICTION OF FUTURE EVENTS BASED ON  
22 CERTAIN ASSUMPTIONS OF THE DEBTOR. ANTICIPATED FUTURE EVENTS MAY  
23 OR MAY NOT OCCUR AND THE PROJECTIONS MAY NOT BE RELIED UPON AS A  
24 GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS WHICH WILL  
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1 OCCUR. BECAUSE OF THE UNCERTAINTIES INHERENT IN PREDICTIONS OF  
2 FUTURE EVENTS, THE ACTUAL RESULTS OF OPERATIONS MAY WELL BE  
3 DIFFERENT FROM THOSE PREDICTED AND SUCH DIFFERENCES MAY BE  
4 MATERIAL AND ADVERSE.

5 THE FINANCIAL PROJECTIONS ARE INTENDED TO ASSESS THE FUTURE  
6 ASSETS, LIABILITIES, INCOME AND CASH FLOW AVAILABLE FOR DEBT  
7 SERVICING AND ARE NOT DESIGNED OR INTENDED TO BE USED FOR  
8 PURPOSES OF PROJECTING THE FUTURE VALUE OF THE DEBTOR'S  
9 INTERESTS OR DEBENTURES ISSUED BY OR ON BEHALF OF THE  
10 REORGANIZED DEBTOR.  
11

12 The Debtor has made a variety of assumptions which have been the basis of its  
13 Plan of Reorganization. Those assumptions include (1) the value of the property, and/  
14 or (2) Debtor's ability to lease out the Property. These assumptions will be available to  
15 make debt service payments as proposed under the Plan. Actual operations of the  
16 business confirm these assumptions. Based on the cash flow projections prepared by  
17 the Debtor, the Debtor believes that the Plan satisfies the feasibility requirements of the  
18 Bankruptcy Code.  
19

## 20 **SECTION IX**

### 21 *Liquidation Analysis*

22 The primary assets and only significant income-producing asset of the Debtor's  
23 estate is the real property located at 3700 E. Ft. Lowell Road, Tucson, Arizona. The  
24

1 Property is subject to and encumbered by the asserted liens and security interests held  
2 by the major secured creditors of the Property.

3 In the event this case were to be converted to a case under Chapter 7 and the  
4 assets of the estate liquidated, these creditors would proceed to foreclose upon their  
5 interest in the property. A foreclosure of the property would eliminate any prospect of  
6 any payment to remaining secured creditors, or unsecured and priority creditors. As a  
7 result, it is the Debtor's opinion that all claimants are best served through  
8 implementation and effectuation of the Plan which provides for a significant, albeit  
9 limited, dividend on its claims. If the Plan of Reorganization is consummated, the  
10 unsecured trade creditors and unsecured deficiency claims, if any, will be paid a  
11 substantial sum of monies, on a pro rata basis as set forth in the Plan. Creditors and  
12 other interested parties are urged to review the debtor's schedules and statement of  
13 affairs as filed with the United States Bankruptcy Clerk's Office (and as amended from  
14 time to time) for purposes of confirming the debtor's conclusions contained in this  
15 liquidations analysis, attached hereto as **Exhibit "C"**.  
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## 19 SECTION X

### 20 *Acceptance and Confirmation*

21 **10.1 What is Necessary for Court Approval of a Plan:** Chapter 11 of the  
22 Bankruptcy Code permits the readjustment of secured debt, unsecured debt and equity  
23 interests. A Chapter 11 plan may provide less than full satisfaction of senior  
24 indebtedness and payment of junior indebtedness, and may even provide some return  
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1 to equity owners absent full satisfaction of indebtedness, so long as no impaired class  
2 votes against the plan (except as provided below).

3 Even if an impaired class votes against the plan, implementation of the plan is  
4 still possible so long as the plan is fair and equitable and that class is afforded certain  
5 treatment defined by the Code. That certain treatment may be very broadly defined as  
6 giving a claimant the full value of his claim or interest. Such value is determined by the  
7 Court and balanced against the treatment afforded the dissenting class of creditors. If  
8 the latter is equal to or greater than the former, the Plan may be confirmed over the  
9 dissent of that class, depending upon the treatment of junior claims and interests. In  
10 particular, senior claims must be satisfied in full prior to payment of junior claims or  
11 interests, unless the holders of senior claims agree to different treatment. This principle,  
12 commonly known as the "absolute priority rule", applies only in cases when a class of  
13 unsecured claims or equity interests is impaired and does not accept the plan. In that  
14 event, the absolute priority rule does not apply to all classes of unsecured claims and  
15 equity interests, but only to the dissenting class and classes junior to the dissenting  
16 class.  
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20 The exception to the absolute priority rule is that an existing Debtor can  
21 contribute money or property which is (1) new (fresh); (2) substantial; (3) necessary,  
22 and (4) not readily available from other sources.  
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1 In the event a class is unimpaired, it is automatically deemed to have accepted  
2 the plan. In this proposed Plan, Classes **2 through 7** will be impaired, as defined in  
3 §1124 of the Code, as the result of the Plan. All other classes will be unimpaired.

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

13  
14 In considering "feasibility", as mentioned earlier, the Bankruptcy Court is only  
15 required to determine whether the plan has a reasonable prospect of being  
16 accomplished. This entails determining the availability of cash for payments required at  
17 the effective date, and any other factor which might make it impossible for the  
18 reorganized Debtor to accomplish that which it proposes to accomplish in the plan.  
19

20 In addition, in order to confirm a plan, the Court must find that the plan was  
21 proposed in good faith and that the plan and the Debtor are in compliance with the  
22 applicable provisions of Chapter 11. Finally, similar to the requirement that the Court  
23 find the plan to be feasible, the Court must find that liquidation or further reorganization  
24 of the reorganized Debtor is not likely to occur after implementation of the plan.  
25  
26



1 The determination by the Court that a plan is fair, equitable and feasible occurs  
2 at the confirmation hearing after a plan has been accepted. The Court's judgment on  
3 these matters does not constitute an expression of the Court's opinion as to whether the  
4 plan is a good one, nor does it constitute an opinion by the Court regarding any debt or  
5 equity interest or securities issued to creditors under the plan.  
6

7 **10.2 Alternatives to the Plan:** Although this Disclosure Statement is intended  
8 to provide information to assist in the formation of a judgment as to whether to vote for  
9 or against this proposed Plan, and although the creditors are not being offered through  
10 that vote an opportunity to express an opinion concerning alternatives to the Plan, a  
11 brief reminder of the alternative to the Plan is in order. This alternative includes the  
12 probable liquidation of the Debtor through conversion of the case to one under Chapter  
13 7. The Debtor believes the Plan to be in the best interests of the creditors and the  
14 interest holders. In arriving at this conclusion, the Debtor emphasizes that the Debtor  
15 has liabilities that may be in excess of the fair market value of its assets (refer to  
16 Debtor's schedules). Moreover, the principal assets of the Debtor are fully encumbered.  
17 Consequently, the unsecured creditors of the Debtor would likely receive smaller or no  
18 distributions under a Chapter 7 liquidation.  
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20

21 THE DEBTOR HAS ATTEMPTED TO SET FORTH THE LIKELY LIQUIDATION  
22 ALTERNATIVE TO ITS PROPOSED PLAN. THE DEBTOR MUST CAUTION  
23 CREDITORS, HOWEVER, THAT A VOTE MUST BE FOR OR AGAINST THE PLAN.  
24 THE VOTE ON THE PLAN DOES NOT INCLUDE A VOTE ON THE LIKELY  
25

1 LIQUIDATION ALTERNATIVE TO THE PLAN. THERE IS NO ASSURANCE THAT  
2 THE LIKELY LIQUIDATION ALTERNATIVE WILL, IN FACT, FOLLOW IF THE PLAN  
3 FAILS ACCEPTANCE. IF YOU BELIEVE THE LIQUIDATION ALTERNATIVE IS  
4 PREFERABLE TO THE PLAN, AND YOU WISH TO URGE IT UPON THE COURT,  
5 YOU SHOULD CONSULT COUNSEL.  
6

7 **10.3 Specific Consideration in Voting:** All of the foregoing gives rise to the  
8 following implications and risks concerning the Plan.

9 While the Plan provides for certain payments, such payments will apply only to  
10 allowed claims and certain interests. Under the Bankruptcy Code, a claim may not be  
11 paid until it is "allowed". A claim will be allowed in the absence of an objection. A claim  
12 to which an objection has been filed will be heard by the Court at a regular evidentiary  
13 hearing and will be allowed in full, in part, or disallowed. While the Debtor will bear the  
14 principal responsibility for claim objections, any interested party may file claim  
15 objections. Accordingly, payment on all claims may be delayed until objections to such  
16 claims are ultimately settled.  
17  
18

19 **10.4 Risk Factors:** For classes of claims which do not receive cash on the  
20 Effective Date, there are certain risks inherent in accepting the Plan, including the  
21 absence of absolute certainty of ultimate payment.  
22

23 **10.5 Disclosure Required by the Code:** The Code requires disclosure of  
24 certain facts as follows:  
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26  
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28



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

3 **11.2 Retention of Causes of Action:** The Debtor shall retain all claims or  
4 causes of action which it has as of the Confirmation Date, the powers of the debtor-in-  
5 possession for purposes of prosecuting claims and causes of action arising under the  
6 Bankruptcy Code, and full authority to pursue, compromise, and resolve all such claims  
7 and causes of action unless the Court has granted any such right to a creditor of this  
8 estate.  
9

10 **11.3 Retention or Rejection of Executory Contracts and Leases:** The Plan  
11 provides that pursuant to Section 365 of the Bankruptcy Code, the Debtor assumes all  
12 executory contracts and unexpired leases to which they are a party, including leases  
13 specifically provided prior to the hearing on the Disclosure Statement, if any.  
14

15 **11.4 Amendments to the Plan:** The Plan may be altered, amended, or  
16 modified by the proponents before the Confirmation Date in the manner provided for by  
17 Section 1127 of the Bankruptcy Code or otherwise provided for by law. The Plan may  
18 also be altered, amended, or modified by the proponents after the Effective Date in  
19 accordance with the Bankruptcy Code and applicable law. A holder of a claim or interest  
20 that has accepted or rejected the Plan shall be deemed to have accepted or rejected  
21 (as the case may be) the Plan as modified unless the modification detrimentally affects  
22 the holder of such claim or interest without the prior consent thereof.  
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1           **11.5 Offer, Issuance and Resale of Plan Securities:** The offer and issuance  
2 of Plan Securities by any Debtor which constitutes securities under the Securities Act of  
3 1933, as amended (the "1933 Act") or applicable state securities laws have not been  
4 registered under the 1933 Act or such state securities laws, pursuant to the exemption  
5 therefrom provided by Section 1145 of the Bankruptcy Code.

6           The Plan Securities will bear the following legend:

7           "The offer and sale of this Plan Security has not been registered under the  
8 Securities Act of 1933, as amended, or qualified under applicable state securities  
9 laws, and this Plan Security may not be offered, sold or transferred in the  
10 absence of such registration or an exemption therefrom under such laws."

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

15           BY ITS RECEIPT OF A PLAN SECURITY, EACH RECIPIENT SHALL BE  
16 DEEMED TO ACKNOWLEDGE THAT IT IS RESPONSIBLE FOR ITS COMPLIANCE  
17 WITH ALL APPLICABLE SECURITIES LAWS. EACH CREDITOR SHOULD CONSULT  
18 HIS OR HER OWN ATTORNEY AS TO WHETHER ANY RESALE OF A PLAN  
19 SECURITY REQUIRES REGISTRATION OF SUCH SECURITY UNDER THE  
20 SECURITIES ACT OF 1933 OR AN APPLICABLE STATE SECURITIES LAW.

21           **11.6 Provision for Filing Reports and Payments of Fees to the Office of**  
22 **the United States Trustee:** The Debtor shall timely file all quarterly reports and post-  
23 confirmation reports and shall pay all fees to the United States Trustee as required by  
24

1 law and will incorporate such language into the order confirming Debtor's Plan of  
2 Reorganization.

3 **11.7 Limited Temporary Injunction.** If, and only if, Henry A. Goldman (a)  
4 contributes cash on the Effective Date of a value greater than, or equal to, the value of  
5 his non-exempt property under Arizona law, (b) agrees to devote himself to managing  
6 the Debtor during the implementation of the Plan, (c) agrees to not substantially  
7 dissipate his assets, and (d) the Debtor has not defaulted on any of its payment  
8 obligations under the Plan, the Debtor seeks a limited temporary injunction barring  
9 creditors from enforcing claims against Henry A. Goldman, as guarantor, surety,  
10 indemnitor, or any other co-debtor or joint and several liability owed together with the  
11 Debtor that will be paid in full under the Plan. If, however, the Debtor defaults on any of  
12 its payment obligations under the Plan, then the limited temporary injunction protecting  
13 Henry A. Goldman will be deemed vacated automatically without further action by such  
14 creditor or the Court. This injunction is not intended to be a release or discharge of any  
15 of Henry A. Goldman's personal liability for such claims under 11 U.S.C. §§ 524(a) or  
16 1141(c) or (d), but rather is intended to be narrowly tailored, limited injunctive relief that  
17 is necessary to prevent irreparable harm to the Debtor's implementation of the Plan  
18 which depends upon Henry A. Goldman to (a) contribute capital to the Debtor; (b)  
19 continue to extend his personal credit on the Debtor's behalf, and, (c) continue to  
20 provide management services to the Debtor on a full time basis essential to the  
21 successful performance of the Plan.  
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**SECTION XII**

*Recommendation of the Debtor*

The Debtor recommends that the Plan of Reorganization be approved. The debtor is of the opinion that Plan approval is in the best interest of all creditors and satisfies the requirements under the U.S. Bankruptcy Code.

**SECTION XIII**

*Conclusion*

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

RESPECTFULLY SUBMITTED this 21<sup>st</sup> day of December, 2017.

**NEFF & BOYER, P.C.**

By: /s/ Jeffrey M. Neff, AZB #5603  
Jeffrey M. Neff, AZB # 5603  
Amanda C. Fife, AZB# 029121  
*Attorneys for Debtor*

ORIGINAL of the foregoing electronically  
Filed this 21<sup>st</sup> day of December, 2017, with:

Clerk, United States Bankruptcy Court  
District of Arizona  
38 South Scott Ave.  
Tucson, Arizona 85701  
*VIA CM/ECF*

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3 Via first-class, U.S. Mail, Email, And/or  
4 Facsimile to all interested parties.

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BY: ACF