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12 **UNITED STATES BANKRUPTCY COURT**  
13 **DISTRICT OF NEVADA**

14 In re:

15 QUALITY UPHOLSTERY INC.,

16 Debtor.

17 Case No.: 17-12359-ABL  
18 Chapter 11

19 Date:  
20 Time:

21 **DISCLOSURE STATEMENT TO ACCOMPANY PLAN OF REORGANIZATION #2**  
22 **PROPOSED BY THE DEBTOR**

23 Debtor QUALITY UPHOLSTERY (“Quality”) hereby provides this disclosure statement  
24 (the “disclosure statement”) which is being distributed for the purpose of acceptances of the plan.  
25 Debtor intends to seek to confirm the plan and to cause the effective date of the plan to occur as  
26 promptly after confirmation of the plan as possible, however there can be no assurance as to  
27 whether or when the confirmation or the effective date of the plan actually will occur.

This disclosure statement has been prepared in accordance with bankruptcy code section  
1125 and bankruptcy rule 3016(b) and not necessarily in accordance with federal or state securities  
laws or other nonbankruptcy law. This disclosure statement has been neither reviewed nor  
approved by the U.S. Securities and Exchange Commission (the “SEC”) or the Internal Revenue  
Service (the “IRS”), nor has the SEC or the IRS passed upon the accuracy or adequacy of the  
statements contained herein.

1 The information in this disclosure statement may not be relied upon for any purpose other  
2 than to provide certain information of potential relevance in determining acceptance of the plan.  
3 No solicitation to accept the plan may be made except pursuant to section 1125 of the bankruptcy  
4 code.

5 A copy of the plan is attached as **Exhibit 1** hereto. All holders of claims against the debtor  
6 that are entitled to vote on the plan are advised and encouraged to read this Disclosure Statement  
7 and the plan in their entirety. Unless otherwise specified herein, the statements contained in this  
8 disclosure statement are made only as of the date hereof, and there can be no assurance that the  
9 statements contained in this disclosure statement will be correct at any later date. In the event of  
10 any conflict between this disclosure statement and the terms of the plan, the terms of the plan shall  
11 govern.

12 As to contested matters, adversary proceedings and other actions or threatened actions, this  
13 Disclosure Statement will not constitute or be construed as an admission of any fact or liability, or  
14 as a stipulation or waiver, but rather as a statement made in settlement negotiations. This  
15 Disclosure Statement will not be admissible in any bankruptcy or nonbankruptcy proceeding  
16 involving the Debtor or any other party (other than in connection with approval of this Disclosure  
17 Statement or confirmation of the plan), nor will it be construed to be conclusive advice on the tax,  
18 securities, or other legal effects of the plan as to holders of claims against, or equity interests in,  
19 the debtor. You are advised to obtain independent expert advice on such subjects.

20 Safe harbor statement under the private securities litigation reform act of 1995: all forward-  
21 looking statements contained herein or otherwise involve material risks and uncertainties and are  
22 subject to change based on numerous factors, including factors that are beyond debtor's control.  
23 Accordingly, the future performance and financial results may differ materially from those  
24 expressed or implied in any such forward-looking statements. Such factors include, but are not  
25 limited to, those described in this Disclosure Statement. Debtors do not undertake to publicly  
26 update or revise forward-looking statements even if experience or future changes make it clear that  
27 any projected results expressed or implied therein will not be realized.

1 This Disclosure Statement contains, among other things, summaries of the plan, certain  
2 statutory provisions, certain events in the Debtors' chapter 11 case and certain documents related  
3 to the plan that are attached hereto or have been or will be separately filed with the bankruptcy  
4 court. Although debtors believes that these summaries are fair and accurate, these summaries are  
5 qualified in their entirety to the extent that the summaries do not set forth the entire text of such  
6 documents or statutory provisions or every detail of such events. In the event of any conflict,  
7 inconsistency or discrepancy between a description in this disclosure statement and the terms and  
8 provisions of the plan or any other such documents, the plan or such other documents will govern  
9 and control for all purposes, except where otherwise specifically noted. Factual information  
10 contained in this Disclosure Statement has been provided by the debtors' schedules and the papers  
11 and pleadings on file with the court. Subject to the terms of any definitive documentation to be  
12 executed in connection with the plan, debtors do not represent or warrant that the information  
13 contained herein or attached hereto is without any material inaccuracy or omission.

14 Except as otherwise specifically noted, the financial information contained herein has not  
15 been audited by a certified public accountant and has not necessarily been prepared in accordance  
16 with generally accepted accounting principles. The financial information contained herein has  
17 been produced based upon the Debtors' schedules and the pleading and papers on file with the  
18 court.

19 IRS circular 230 notice: to ensure compliance with IRS circular 230, holders of claims and  
20 equity interests are hereby notified that: (a) any discussion of federal tax issues contained or  
21 referred to in this disclosure statement is not intended or written to be used, and cannot be used,  
22 by holders of claims or interests for purposes of avoiding penalties that may be imposed on them  
23 under the internal revenue code; (b) such discussion is written in connection with the promotion  
24 or marketing by the debtor of the transactions or matters addressed herein; and (c) holders of claims  
25 and equity interests should seek advice based on their particular circumstances from an  
26 independent tax advisor.

27

**INTRODUCTION**

**1.1 History and Reason for Filing Bankruptcy**

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2  
3 The Debtor is a Nevada corporation that was formed on June 9, 1995. The Debtor is  
4 engaged in the business of providing upholstery services throughout Clark County, and primarily  
5 performs re-upholstery services to its customers, including upholstery of furniture, casino seating,  
6 boats, vehicles, and other such items in need of upholstery services. The Debtor operates primarily  
7 out of a warehouse located at 112 W. Wyoming Street in Las Vegas, Nevada (the “Warehouse”).  
8 The Warehouse is owned by the Debtor. The Debtor also performs services at a rented property  
9 located at 619 N. Main Street in Las Vegas, Nevada. The rented property is used primarily for the  
10 upholstering of vehicles and boats, while the main Warehouse location is used primarily for the  
11 upholstering of furniture and casino seating. The Debtor also performs upholstery services on site  
12 at the request of its customers.

13 On June 28, 2017, secured creditor ReadyCap filed a proof of claim in the amount of  
14 \$673,809.79. The Debtor has been making monthly payments to ReadyCap throughout these  
15 proceedings in the amount of \$6,024.10, which will reduce the amount owing to ReadyCap.

16 In 2016, the Debtor began to fall seriously behind in its obligations to ReadyCap.  
17 ReadyCap holds a security interest in the Debtor’s building, as well as some of its equipment.  
18 ReadyCap contends that it also holds a security interest in the Debtor’s cash collateral. However,  
19 the Debtor contests this, as the Security Agreement states as follows:

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2. The Collateral in which this security interest is granted is all of the Debtor's property described below in reference to which an "X" or checkmark has been placed in the box applicable thereto, together with all the proceeds and products therefrom. If two such boxes are so marked, the security interest so designated secures the purchase money from the loan used by the Debtor to acquire title to the Collateral.

- a. All equipment and machinery, including power-driven machinery and equipment, furniture and fixtures now owned or hereafter acquired, together with all replacements thereof, all attachments, accessories, parts and tools belonging thereto or for use in connection therewith, including, without limitation, those items on the attached exhibit 'A', now herein incorporated by this reference.
- b. All passenger and commercial motor vehicles registered for use upon public highways or streets, now owned or hereafter acquired, together with all replacements thereof, all attachments, accessories, parts, equipment and tools belonging thereto or for use in connection therewith.
- c. All inventory, raw materials, work in process and supplies now owned or hereafter acquired.
- d. All accounts, deposit accounts, and health care insurance receivables now outstanding or hereafter arising.
- e. All chattel paper, instruments, and general intangibles now in force or hereafter acquired.

The box stating "All accounts, deposit accounts, and health care insurance receivables now outstanding or hereafter arising" is not checked. ReadyCap asserts that despite this, it is properly secured in the Debtor's accounts and accounts receivable. ReadyCap has a personal guaranty from the Debtor's principal, Richard Jahn, who is currently in his own Chapter 13 bankruptcy proceeding in the United States Bankruptcy Court for the District of Nevada. ReadyCap also has Deeds of Trust against Mr. Jahn's personal residence as well as against two rental properties held by Mr. Jahn.

Due to a significant decrease in business, the Debtor also fell behind on its obligations to its garbage provider, Republic Services. In early 2016, Republic Services obtained a judgment against the Debtor for \$38,268.69 plus \$963.00 in interest, plus \$4,070.00 in attorneys' fees, plus \$609.00, plus interest and costs of collection. Republic Services has filed a proof of claim alleging that it is owed approximately \$97,015.33. The Debtor filed this bankruptcy to stop the foreclosure of its building by ReadyCap, and to reorganize the Debtor's obligations.

## 1.2 Condition of Debtor's Warehouse

In approximately September 2017 the Debtor noticed that the North wall of the Debtor's warehouse was separating from the roof because the top 6 inches or so of the wall was leaning out away from the building. The Debtor has contacted an Engineer, who is requiring payment of \$10,000 to perform engineering services to determine how to best reinforce the Debtor's

1 Warehouse. The Debtor has not yet paid this retainer to the engineer. The Debtor believes that  
2 some repairs will need to be made to the building, and estimates that the repairs could cost up to  
3 \$100,000.00. The Debtor has not yet contacted a general contractor or received a report from the  
4 engineer to verify this estimate. However, the Debtor believes that this condition could adversely  
5 effect the value of the Debtor's warehouse and has therefore disclosed this condition in this  
6 Disclosure Statement.

7 **1.3 Plan Proponent**

8 **ALL CLAIM HOLDERS AND INTEREST HOLDERS ARE ENCOURAGED TO READ**  
9 **THE PLAN AND THE DISCLOSURE STATEMENT AND RELATED SOLICITATION**  
10 **MATERIALS IN THEIR ENTIRETY.**

11 **2.1 Purpose of the Disclosure Statement**

12 The purpose of this Disclosure Statement is to ensure that claimants have adequate information to  
13 enable each class to make an informed judgment about the Plan. The assets and liabilities of the  
14 Debtors are summarized herein. To the extent the information contained in this Disclosure  
15 Statement may be inconsistent with the Debtors' Statements and Schedules filed initially in the  
16 Bankruptcy Case, or subsequent amendments thereto, this Disclosure Statement shall supersede  
17 such Statements and Schedules (as amended).

18 This Disclosure Statement describes the background and operating history of the Debtors before  
19 filing of the case. It also summarizes certain significant events that have taken place during the  
20 case and described the terms of the Plan, which divides creditor claims and the interests of  
21 shareholders into classes and provides for the satisfaction of allowed claims and interests.

22 The Court will set a time and date as the last day to file acceptances or rejections of the Plan.  
23 Thereafter, a hearing on confirmation of the Plan will be held in the United States Bankruptcy  
24 Court for the District of Nevada, located at the U.S. Foley Federal Building & Courthouse, 3<sup>rd</sup>  
25 Floor, Courtroom 1, 300 Las Vegas Boulevard South, Las Vegas, Nevada 89101. Creditors may  
26 vote on the Plan by filling out and mailing a special form of ballot. The form of ballot and special  
27 instructions for voting will be forthcoming upon conditional approval of the Disclosure Statement

1 by the Court. Creditors are urged to carefully read the contents of this Disclosure Statement before  
2 making a decision to accept or reject the Plan.

### 3 **2.2 Acceptance and Confirmation**

4 Debtors Plan Impairs the Allowed Claim Holders and Equity Interest Holders. As a result, all  
5 Allowed Claim Holders are entitled to vote to accept or reject the Plan with the exception of certain  
6 tax creditors, whose claims are unimpaired, and the Equity Interest Holders, who, as insiders, are  
7 not entitled to vote. Consequently, balloting and voting is required under 11 U.S.C. §1126. A  
8 class is “impaired” if the legal, equitable, or contractual rights attaching to the claims or interests  
9 of that class are modified, other than by curing defaults and reinstating maturities, or by payment  
10 in full in cash on the Effective Date.

11 In the event an Allowed Claim Holder is deemed Impaired and votes to reject the plan, then  
12 Debtors may seek to ‘cram down’ the Plan under 11 U.S.C. §1129(b). Acceptances of the Plan  
13 are being solicited only from those persons who hold Allowed Claims or Interests in Impaired  
14 classes.

### 15 **2.3 Confirmation Without Acceptance by All Impaired Classes**

16 The Bankruptcy Code allows for confirmation of a Plan even if the Plan is not accepted by all  
17 impaired classes, as long as at least one impaired class of claims has accepted the Plan. These  
18 “cram-down” provisions for the confirmation of a Plan, despite non-acceptance of one or more  
19 impaired classes of claims or interest, are set forth in 11 U.S.C. § 1129(b).

20 If a class of unsecured claims rejects the Plan, it may still be confirmed so long as the Plan provides  
21 that (i) each holder of a claim included in the rejecting class receives or retains on account of that  
22 claim, property which has a value as of the Effective Date equal to the allowed amount of such  
23 claim; or that (ii) the holder of any claim or interest that is junior to the claims of such class will  
24 not receive or retain on account of such junior claim or interest any property at all.

25 If a class of secured claims rejects the Plan, it may still be confirmed so long as the Plan provides  
26 (i) the holders of such claims retain the lien securing such claims; (ii) the holders of such claims  
27 receive on account of such claims deferred cash payments totaling at least the allowed amount of

1 such claims, of a value, as of the Effective Date of the Plan, of at least the value of such claimant's  
2 interest in the estate's interest in such property; (iii) for the sale of the property in accordance with  
3 11 U.S.C. § 1129(b)(2)(A)(ii); or (iv) for the realization by such claims of the indubitable  
4 equivalent of the claim.

#### 5 **2.4 Disclaimer**

6 No representations concerning the Debtors are authorized by the Debtors except as set forth in this  
7 Disclosure Statement. Any representations or inducements made to secure your acceptance or  
8 rejection of the Plan other than as contained herein have not been authorized and should not be  
9 relied upon by you in making your decision, and such additional representations and inducements  
10 should be reported to counsel(s) for the Debtors, who in turn should deliver such information to  
11 the Court for such action as may be deemed appropriate. The information contained herein has  
12 not been subjected to a certified audit. The records kept by the Debtors and other information  
13 relied on herein are dependent upon investigations and accounting performed by the Debtors and  
14 others employed by the Debtors. The Debtors are unable to warrant that the information contained  
15 herein is without inaccuracy, although a great effort has been made to be accurate, and the Debtors  
16 believe that the information contained herein is, in fact, accurate.

#### 17 **2.5 Summary of Classification and Treatment of Claims and Equity Interests Under the Plan**

18 As described more fully herein, the Plan proposes to divide Claims into ten (10) classes.  
19 Administrative Claims and Priority Tax Claims are not classified pursuant to 11 U.S.C. §  
20 1123(a)(1) and the Holders of such Claims will receive the full amount they are entitled to under  
21 the Bankruptcy Code and their legal and equitable rights are unaltered by the Plan.

22 **Class 1** addresses the claims of ReadyCap Lending, LLC. ReadyCap's claim is secured by  
23 the Debtor's Warehouse and by equipment and related collateral. ReadyCap has filed a proof of  
24 claim in the amount of \$673,809.79 as of June 2017. ReadyCap has obtained an appraisal of the  
25 Debtor's Warehouse, valuing the Debtor's Warehouse at \$860,000.00. Valuation of the Warehouse  
26 is disputed, however, since damage to Debtor's Warehouse was discovered. Specifically, the wall  
27 on the North side of the Debtor's building has separated from the roof, causing a separation from

1 the roof and the North wall, which needs to be repaired. This may negatively impact the value of  
2 the Debtor's Warehouse. ReadyCap's claim may be reduced to the extent that the Debtor has been  
3 making adequate protection payments, which have been \$6,024.10 per month since the inception  
4 of the Debtor's bankruptcy filing.

5 Impairment. This class is impaired.

6 Treatment. In accordance with ReadyCap and Debtor's forthcoming Second Stipulation  
7 Regarding Purported Cash Collateral and Adequate Protection and Stipulation for Conditional  
8 Termination of Automatic Stay as to Warehouse, the Debtor shall continue to make monthly  
9 payments to ReadyCap in the amount of \$6,024.10, until the earlier of (1) ReadyCap's filing of a  
10 Notice of Default and Termination of the Automatic Stay as to the Warehouse due to Debtor's  
11 failure to cure an Event of Default as set forth in the Second Stipulation Regarding Purported  
12 Cash Collateral and Adequate Protection, (2) payment of ReadyCap's claim in full, or (3) one  
13 year from the Effective Date of the Plan (as defined in Section 10.2).

14 Debtor shall list the Warehouse for sale with a licensed real estate broker.

15 In the event there are insufficient proceeds from the sale of the Warehouse to satisfy ReadyCap's  
16 claim in full, ReadyCap shall retain its claim against the Debtor and may proceed against any  
17 other collateral or guarantor for any amount still owed to ReadyCap.

18 In the event that the Warehouse is not sold within one year of the Effective Date of the Plan, the  
19 automatic stay shall be terminated immediately in accordance with the Stipulation for Conditional  
20 Termination of Automatic Stay as to Warehouse and ReadyCap may, in its sole discretion,  
21 exercise any and all rights and pursue all remedies, including, but not limited to, foreclosure on its  
22 deed of trust against the Warehouse, foreclosure of its security interest against any other  
23 collateral, and/or prosecution of claims against guarantors for any amount still owed to  
24 ReadyCap.

25 At the option of Debtor, Debtor may pre-pay any payment without penalty.

26 Class 2 addresses the claims of City of Las Vegas Sewer Services, which, as of the petition  
27 date, was owed approximately \$592.12. This claim is secured by the Debtor's real property.

1           Impairment. This class is impaired.

2           Treatment. The Debtor shall pay the claims of Class 2 in full within 90 days of the  
3 Effective Date of the Plan. At the option of Debtor, Debtor may pre-pay any payment without  
4 penalty.

5           **Class 3** addresses the claims of Clark County Sanitation, which, as of the petition date, was  
6 owed approximately \$2,339.77. This claim is secured by the Debtor's real property.

7           Impairment. This class is impaired.

8           Treatment. The Debtor shall pay the claims of Class 3 in full within 90 days of the  
9 Effective Date of the Plan. At the option of Debtor, Debtor may pre-pay any payment without  
10 penalty.

11           **Class 4** addresses the claims of the Las Vegas Valley Water District, which, as of the date  
12 of the petition, was owed approximately \$2,209.26. This claim is secured by the Debtor's real  
13 property.

14           Impairment. This class is impaired.

15           Treatment. The Debtor shall pay the claims of Class 4 in full within 90 days of the  
16 Effective Date of the Plan. At the option of Debtor, Debtor may pre-pay any payment without  
17 penalty.

18           **Class 5** addresses the claims of Republic Services, which, as of the date of the petition,  
19 held a judgment against the Debtor in the principal amount of \$38,268.69, plus \$963.00 in interest,  
20 plus \$4,070.00 in attorney's fees, plus \$609.00, plus interest and costs of collection. This judgment  
21 was entered by the Eighth Judicial District Court on July 1, 2016. This judgment creates a  
22 judgment lien against the Debtor's real property. Republic Services has filed a proof of claim,  
23 alleging that it is owed \$97,015.33. Of that amount, Republic Services claims that \$75,764.04 is  
24 secured, and \$21,251.29 is unsecured.

25           Impairment. This class is impaired.

26           Treatment. The Debtor shall make payments of \$1,000.00 per month until the claims of  
27 Class 5 are paid in full, beginning 90 days after the Effective Date of the Plan. Republic Services

1 shall retain its lien against the Warehouse, which lien shall remain in the same priority as if the  
2 bankruptcy case had not been filed. If the Warehouse is sold or transferred, the amount of its  
3 remaining claims shall be paid in full upon the sale or transfer of the Warehouse to a third party.  
4 At the option of Debtor, Debtor may pre-pay any payment without penalty.

5 **Class 6** addresses the claims of the Internal Revenue Service for payroll taxes. The IRS  
6 has filed a proof of claim, claiming that the amount of their claim is \$129,373.63, and that of that  
7 amount, \$64,403.24 is secured by all of Debtor's right, title and interest to property under 26  
8 U.S.C. §6321, and that \$64,920.39 is unsecured.

9 **Impairment.** This class is impaired.

10 **Treatment.** The Debtor shall pay the claims of Class 6 in equal quarterly installments of  
11 \$4541.46 (\$2683.47 towards the IRS Secured Claim, and \$1,857.99 towards the IRS Unsecured  
12 Priority Claim) so that the claims are paid in full within five (5) years of the date of filing of the  
13 Debtor's petition, or such other time as agreed between the IRS and the Debtor. The IRS shall  
14 retain any pre-petition liens it had on any of the Debtor's Property, if any. At the option of Debtor,  
15 Debtor may pre-pay any payment without penalty.

16 **Class 7** addresses the claims of the State of Nevada Department of Taxation, which has  
17 filed a claim in the amount of \$39,378.30. The State of Nevada claims that of that amount,  
18 \$35,261.70 is secured, \$3,873.09 is a priority claim, and that \$243.51 is unsecured. The State of  
19 Nevada has recorded liens as of 3/27/2017 in the Clark County Recorder's Office at instrument  
20 number 201703270001204.

21 **Impairment.** This class is impaired.

22 **Treatment.** The Debtor shall pay the claims of Class 7 in equal quarterly installments so  
23 that the claims are paid in full within five (5) years of the date of filing of the Debtor's petition, or  
24 such other time as agreed between the State of Nevada and the Debtor. The State of Nevada shall  
25 retain any pre-petition liens it had on any of the Debtor's Property, if any. At the option of Debtor,  
26 Debtor may pre-pay any payment without penalty.

27

1           **Class 8** addresses the claims of the Clark County Treasurer, which has filed a proof of  
2 claim in the amount of \$17,522.22, for real property taxes on the Debtor's Warehouse. This claim  
3 is secured by the Debtor's real property.

4           Impairment. This class is impaired.

5           Treatment. Clark County Treasurer shall retain its lien on the Debtor's Warehouse.  
6 Upon the sale or transfer of the Warehouse to a third party, the Clark County Treasurer shall be  
7 paid in full, with interest, including any post-petition taxes due and owing at the time of the sale  
8 and the lien shall remain until all taxes, including penalties and interest, are paid in full. In the  
9 event that the Warehouse is neither transferred nor sold within one year of the Effective Date,  
10 Debtor will pay Class 8's claim in full within 5 years of the Effective Date. Furthermore, Debtor  
11 will remain current on all post-petition real property taxes owed Clark County Treasurer. At the  
12 option of Debtor, Debtor may pre-pay any payment without penalty.

13           **Class 9** addresses the claim of the Clark County Assessor, which has filed a claim in the  
14 amount of \$88.37 asserting a secured claim.

15           Impairment. This class is not impaired.

16           Treatment. Debtor shall pay claims of Class 9 in full within 90 days of the Effective  
17 Date. The Clark County Assessor shall retain any pre-petition liens it had on any of the Debtor's  
18 Property, if any. At the option of Debtor, Debtor may pre-pay any payment without penalty.

19           **Class 10** addresses the claim of the State of Nevada Department of Employment, Training  
20 and Rehabilitation ("State of Nevada DETR"), which has filed a claim in the amount of \$11,636.41  
21 asserting an unsecured priority claim.

22           Impairment. This class is not impaired.

23           Treatment. Debtor shall pay claims of Class 10 in equal quarterly installments so that  
24 the claims are paid in full within five (5) years of the date of filing of the Debtor's petition, or  
25 such other time as agreed between the State of Nevada DETR and the Debtor. At the option of  
26 Debtor, Debtor may pre-pay any payment without penalty.

27

1            **Class 11** addresses the claims of the general unsecured creditors, which were owed, as of  
2 the petition date, approximately \$89,405.70.

3            **Impairment.** This class is impaired.

4            **Treatment.** The holders of allowed unsecured claims shall be paid a pro-rata share of  
5 \$40,000.00, which shall be paid, in part, from proceeds of the Debtor's operations, in quarterly  
6 payments of \$1,000.00 over a five year period, and in part, from the equity infusion made by the  
7 Debtor's principal, Richard Jahn, in the amount of \$20,000.00, as set forth below. At the Debtor's  
8 Option, Debtor may pre-pay any payment due without penalty.

9            **Class 12** addresses the claim of Richard Jahn, who holds the Equity Interest in the Debtor.

10           **Impairment.** This class is impaired.

11           **Treatment.** Richard Jahn's equity interest in the Debtor will be cancelled, and new equity  
12 interest will be issued to Richard Jahn, who shall infuse new value in the amount of \$20,000.00,  
13 which shall be paid in 48 equal monthly payments commencing on the first day of the month  
14 following the anniversary of the Effective Date. At the option of Jahn, Jahn may pre-pay any  
15 payment without penalty.

16           **2.6 Distributions and Impairment.** Distributions will be made to creditors as funds are  
17 available with payments made pursuant to specific agreements between the respective  
18 Reorganized Debtor and recipients after the Debtor or Reorganized Debtor and the Claimant  
19 agree upon the amount of the Claim or the Claim is allowed by the Court.

20           **2.7 Miscellaneous Plan Provisions.** The Reorganized Debtor will, from and after  
21 confirmation of the Plan, be indebted for and obligated to pay those obligations and 1 liabilities  
22 as set forth herein. The Bankruptcy Court shall retain jurisdiction post-confirmation.

23           The Plan distributions will be in various amounts and will take various forms, depending  
24 on the classification and treatment of any particular Claim. The following tables summarize the  
25 classification and treatment of Claims and Equity Interests under the Plan. For a more detailed  
26 description of the classification and treatment of Claims and Equity Interests under the Plan.

27

1 The following chart is a summary of the classification and treatment of claims and equity  
2 interests and the potential distributions under the plan.

3 **THE FOLLOWING CHART IS A SUMMARY OF THE CLASSIFICATION AND**  
4 **TREATMENT OF CLAIMS AND EQUITY INTERESTS AND THE POTENTIAL**  
5 **DISTRIBUTIONS UNDER THE PLAN. THE AMOUNTS SET FORTH BELOW ARE**  
6 **ESTIMATES ONLY. ANY ESTIMATES OF CLAIMS OR EQUITY INTERESTS IN THIS**  
7 **DISCLOSURE STATEMENT MAY VARY FROM THE FINAL AMOUNTS ALLOWED**  
8 **BY THE BANKRUPTCY COURT. AS A RESULT OF THE FOREGOING AND OTHER**  
9 **UNCERTAINTIES WHICH ARE INHERENT IN THE ESTIMATES, THE ESTIMATED**  
10 **RECOVERIES IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE**  
11 **ACTUAL RECOVERIES RECEIVED. IN ADDITION, THE ABILITY TO RECEIVE**  
12 **DISTRIBUTIONS UNDER THE PLAN DEPENDS UPON THE ABILITY OF THE**  
13 **DEBTOR TO OBTAIN CONFIRMATION OF THE PLAN AND MEET THE**  
14 **CONDITIONS TO CONFIRMATION AND EFFECTIVENESS OF THE PLAN, AS**  
15 **DISCUSSED IN THIS DISCLOSURE STATEMENT. THE RECOVERIES SET FORTH**  
16 **BELOW ARE PROJECTED RECOVERIES ONLY AND MAY CHANGE BASED UPON**  
17 **CHANGES IN THE AMOUNT OF ALLOWED CLAIMS AS WELL AS OTHER**  
18 **FACTORS RELATED TO THE DEBTOR'S BUSINESS OPERATIONS AND GENERAL**  
19 **ECONOMIC CONDITIONS. REFERENCE SHOULD BE MADE TO THE ENTIRE**  
20 **DISCLOSURE STATEMENT AND THE PLAN FOR A COMPLETE DESCRIPTION OF**  
21 **THE CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS AGAINST AND**  
22 **EQUITY INTERESTS IN THE DEBTOR.**

23 **Summary of Classification and Treatment of Classified Claims and Equity Interests**

Class	Claimholder	Status & Voting Rights	Projected Recovery
Class 1	ReadyCap	Secured -Impaired	100%
Class 2	Las Vegas -Sewer	Secured - Unimpaired	100%
Class 3	Clark County Sanitation	Secured - Unimpaired	100%
Class 4	Las Vegas - Water	Secured - Unimpaired	100%
Class 5	Republic Services	Secured - Impaired	100%
Class 6	IRS	Secured - Unimpaired	100%
Class 7	Nevada - Taxes	Secured - Unimpaired	100%
Class 8	Clark County Treasurer	Secured - Impaired	100%
Class 9	Clark County Assessor	Secured – Unimpaired	100%
Class 10	State of Nevada DETR	Unsecured - Unimpaired	100%
Class 11	Unsecured Creditors	Unsecured - Impaired	approx. 45%
Class 12	Richard Jahn	Unsecured - Impaired	0%

1           **3.1 Hearings on Confirmation and Objections**

2           The Debtors are seeking conditional approval of this Disclosure Statement. At a hearing  
3 that will take place on \_\_\_\_\_ at \_\_\_\_:\_\_\_\_.m., or an earlier date to be set by the  
4 Court, the Court will entertain final approval of the Disclosure Statement (subject to certain  
5 revisions), and will simultaneously hold a hearing to confirm the Debtor’s Plan (the “Confirmation  
6 Hearing”), which will also be held on \_\_\_\_\_ at \_\_\_\_:\_\_\_\_.m., or on an earlier  
7 date to be set by the Court, which hearing may be continued from time to time without further  
8 notice other than an adjournment announced in open court at the Confirmation Hearing or at any  
9 subsequent adjourned Confirmation Hearing. The following deadlines will apply:

10           1. The deadline for creditors to vote to accept or reject the Plan is \_\_\_\_\_, **2018**.

11           2. The deadline for creditors and parties in interest to object to confirmation of the Plan  
12 and to serve and file any supporting declarations is \_\_\_\_\_, **2018**.

13           3. The deadline for the Debtor to file replies to objections to the adequacy of the Disclosure  
14 Statement and/or confirmation of the Plan and submit its points and authorities and declarations in  
15 support of confirmation of the plan is \_\_\_\_\_, **2018**.

16           4. Any objections to the confirmation of the Plan must be filed by the deadline set forth  
17 above and must: (a) be in writing; (b) conform to the Bankruptcy Rules; (c) state the name and  
18 address of the objecting party and the amount and nature of the Claim of such Person; (d) state  
19 with particularity the basis and nature of any objection to the Plan and, if practicable, a proposed  
20 modification to the Plan that would resolve such objection; and (e) be filed with the Court,  
21 contemporaneously with proof of service, and served so that it is actually received by the Debtor  
22 no later than such deadline. Any objections to the Plan that fail to satisfy these conditions shall  
23 not be valid. All objections must be served on counsel for the Debtor, **Matthew L. Johnson, Esq.**,  
24 Lakes Business Park, 8831 West Sahara Avenue, Las Vegas, Nevada 89117.

25           The above hearings may be adjourned from time to time by the Bankruptcy Court without  
26 further notice except for the announcement of the adjournment date made at the hearing.

27

1 With respect to the Confirmation Hearing, the Bankruptcy Court will: (a) determine  
2 whether the Plan has been accepted by the requisite majorities of each Voting Class; (b) resolve  
3 all objections to the Plan and to Confirmation of the Plan; (c) determine whether the Plan meets  
4 the requirements for Confirmation of the Plan; (d) determine whether the Plan meets the  
5 requirements of the Bankruptcy Code and has been proposed in good faith; and (e) order the Plan  
6 confirmed or deny confirmation of the Plan. Separate notices will be served which reflect the dates  
7 and deadlines set forth above, or any change in the dates.

## 8 **HISTORY OF THE DEBTORS AND EVENTS LEADING TO THE FILING**

### 9 **OF THE CHAPTER 11 CASE**

#### 10 **4.1 Description of the Business and Events Leading to the Chapter 11 Filing Significant Developments During the Course of the Chapter 11 Case**

11 During the course of this case, the City of Las Vegas learned that one of the outside walls  
12 of the Debtor's Warehouse has become unstable. As a result, the City has ordered the Debtor to  
13 retain a structural engineer to determine what will need to be done to repair this wall. Due to the  
14 Debtor's financial status, the Debtor has elected to turn over possession and title of the Warehouse  
15 to the lender, ReadyCap, in exchange for full satisfaction of its claim. The Reorganized Debtor will  
16 then either rent space back from ReadyCap, operate at its other location, or find additional rental  
17 space from which to operate its business.

18 The business of the Debtor has increased significantly during the case due to additional  
19 contracts with Boyd Gaming, which is refurbishing much of its casino furniture and has requested  
20 that the Debtor perform these services.

#### 21 **5.1 Ongoing Business**

22 The Debtor anticipates that its business will continue to perform as it has done during the pendency  
23 of the case.

#### 24 **5.2 Meeting of Creditors**

25 The United States Trustee conducted its Initial Debtor Interview (the "IDI") on June 8, 2017 for  
26 Debtor and the meeting of creditors of the Debtor pursuant to 11 U.S.C. § 341 of the Bankruptcy  
27 Code on June 8, 2017 and concluded the meeting on June 8, 2017.

1           **5.3 Schedules and Statement of Affairs**

2       On May 3, 2017 the Debtor filed for Chapter 11 bankruptcy protection. The Debtor filed its  
3       schedules, Statement of Financial Affairs (the “SOFA”), and any amendments thereto which lists  
4       all the Debtors’ respective assets and liabilities. Those schedules and statements have been  
5       amended from time to time, and may be viewed online at [www.nvb.uscourts.gov](http://www.nvb.uscourts.gov) or may be  
6       obtained from the Bankruptcy Clerk.

7           **6.1 Monthly Operating Reports**

8       During the pendency of the case, the Debtors have filed monthly operating reports  
9       which reflect its ongoing financial status. Those reports along with the other important  
10      documents and Bankruptcy Court Filings concerning this Chapter 11 Case may be viewed online  
11      at [www.nvb.uscourts.gov](http://www.nvb.uscourts.gov) or may be obtained from the Bankruptcy Clerk. To comply with the  
12      U.S. Trustee’s guidelines and Bankruptcy Code, the Debtor may file amendments to its operating  
13      reports from time to time.

14          **7.1 Employment and Payment of Professionals**

15          General Counsel:     Matthew L. Johnson, Esq. for Debtor.

16      The Debtor filed an application for each to employ Matthew L. Johnson, Esq. as general  
17      bankruptcy and reorganization counsel in this case. The estimated total fees incurred by counsel,  
18      less the retainers received, is estimated to be approximately \$20,000-\$30,000.

19      On information and belief, no other professionals have been proposed or retained.

20          **7.2 Employment of Principals**

21      Richard Jahn will continue to act as Debtor’s President and Manager. Debtor pays Jahn \$900  
22      every other week as compensation for Jahn’s services as Manager.

23                                    **DESCRIPTION OF DEBTOR’S ASSETS**

24          **8.1 Real Property.**

25      The Debtor owns commercial real property located at 112 W. Wyoming, Las Vegas,  
26      Nevada 89102, APN 162-04-608-008 (the “Wyoming Property” or the “Warehouse”). The  
27      Wyoming Property is the Debtor’s principal place of business and is encumbered by a deed of trust

1 in favor of ReadyCap Lending, LLC and by liens in favor of local utility companies. This Property  
2 will be listed for sale with a licensed real estate broker, and the Debtor shall attempt to sell the  
3 Warehouse withing one year of the Effective Date of the Plan. In the event that the Property is not  
4 sold within such one year period, the automatic stay shall be terminated immediately in accordance  
5 with the Stipulation for Conditional Termination of Automatic Stay as to Warehouse and  
6 ReadyCap may, in its sole discretion, exercise any and all rights and pursue all remedies, including,  
7 but not limited to, foreclosure on its deed of trust against the Warehouse. The utilities, taxing  
8 authorities, and any other entities that hold liens against the Wyoming Property shall retain their  
9 liens until they are paid in full.

## 10 **8.2 Personal Property.**

11 The Debtor owns personal property relating to the operation of its' upholstery business  
12 including office furniture, upholstery tools, sewing machines and supplies, and accounts  
13 receivable. The Debtor's personal property is outlined in greater detail on the Debtor's Schedules  
14 and Statements filed with the Debtor's Voluntary Petition as Docket No. 1.

## 15 **DESCRIPTION OF DEBTOR'S LIABILITIES**

16 The following is intended to provide a summary of the Debtor's liabilities. The Debtor's use and  
17 reference to the claims filed by various creditors in describing its liabilities is for estimation  
18 purposes, and does not constitute a waiver of any dispute.

## 19 **9.1 Administrative Claims**

20 It is expected upon confirmation followed by distributions under the plan, the Debtor will have  
21 incurred unpaid administrative claims, under 28 U.S.C. §1930, of approximately \$30,000.00,  
22 consisting of unpaid third quarter federal employment taxes, penalties, and interest, and unpaid  
23 fees to counsel of approximately \$25,000.00. Administrative claims include all post-petition  
24 unpaid expenses incurred by the Debtor. As of the filing of this Plan, the estimated post-petition  
25 administrative expenses of Debtor, include (1) unpaid third quarter taxes, and (2) attorney's fees  
26 for the JOHNSON & GUBLER, P.C. Law Firm that are estimated at \$25,000.00.

27

1 At the time of confirmation, the Debtors are estimated to have incurred unpaid attorney fees and  
2 costs of approximately \$25,000 associated with their counsel.

3 It is anticipated the Debtors will remain current on all remaining post-petition obligations and as  
4 such, the Debtors do not anticipate any additional administrative claims.

5 **9.2 Taxes – Priority Unsecured Creditors**

6 The Debtor has unpaid third quarter employment taxes that shall be paid in full on  
7 the Effective Date. Any priority taxes not incurred during the pendency of the case shall be paid  
8 within 5-years of the date that the petition was filed, consistent with 11 U.S.C. 1129(a)(9).

9 **9.3 Real and Personal Property**

10 Any personal property taxes shall be paid in full on the Effective Date.

11 **9.4 Unsecured Creditors**

12 Unsecured Creditors shall be paid a pro rata share of \$40,000.00 over a five year period.  
13 \$20,000.00 of this amount shall be paid from earnings of the Debtor, and \$20,000 shall be paid  
14 from the Debtor's principal, Richard Jahn.

15 **9.5 Claims Bar Dates**

16 March 17, 2018, is the Claims bar date for creditors. The Administrative Claims Bar Date is as  
17 set forth in the Plan.

18 **OVERVIEW OF THE PLAN**

19 THE AMOUNTS SET FORTH BELOW ARE ESTIMATES ONLY. ANY ESTIMATES OF  
20 CLAIMS OR EQUITY INTERESTS IN THIS DISCLOSURE STATEMENT MAY VARY  
21 FROM THE FINAL AMOUNTS ALLOWED BY THE BANKRUPTCY COURT. AS A  
22 RESULT OF THE FOREGOING AND OTHER UNCERTAINTIES WHICH ARE INHERENT  
23 IN THE ESTIMATES, THE ESTIMATED RECOVERIES IN THIS DISCLOSURE  
24 STATEMENT MAY VARY FROM THE ACTUAL RECOVERIES RECEIVED. IN  
25 ADDITION, THE ABILITY TO RECEIVE DISTRIBUTIONS UNDER THE PLAN DEPENDS  
26 UPON THE ABILITY OF REORGANIZED DEBTOR TO OBTAIN CONFIRMATION OF THE  
27 PLAN AND MEET THE CONDITIONS TO CONFIRMATION AND EFFECTIVENESS OF

1 THE PLAN, AS DISCUSSED IN THIS DISCLOSURE STATEMENT. THE RECOVERIES  
2 SET FORTH BELOW ARE PROJECTED RECOVERIES ONLY AND MAY CHANGE BASED  
3 UPON CHANGES IN THE AMOUNT OF ALLOWED CLAIMS AS WELL AS OTHER  
4 FACTORS, SUCH AS GENERAL ECONOMIC CONDITIONS. REFERENCE SHOULD BE  
5 MADE TO THE ENTIRE DISCLOSURE STATEMENT AND THE PLAN FOR A COMPLETE  
6 DESCRIPTION OF THE CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS  
7 AGAINST AND EQUITY INTERESTS IN THE DEBTOR.

8 **10.1 Unclassified Claims**

9 **a) Administrative Claims**

10 *Deadline to File Administrative Claims.* The Holder of an Administrative Claim, must file  
11 with the Bankruptcy Court and serve notice of such Administrative Claim on or before the  
12 Administrative Claim Bar Date. Such notice must include, at minimum, (i) the name of the Holder  
13 of such Claim, (ii) the basis of the Claim, and (iii) the amount of the Claim. Failure to file such  
14 notice timely and properly shall result in the Administrative Expense Claim being forever barred  
15 and discharged.

16 *Payment Provisions.* Subject to the provisions of Bankruptcy Code sections 330(a), 331 and  
17 503(b) and any objection to any Administrative Claim, each Holder of an Administrative Claim  
18 shall be paid, either: (i) the Allowed amount of any such Claim, on, or as soon as reasonably  
19 practicable after, the later of, (A) the Effective Date, (B) the date upon which such Administrative  
20 Claim becomes Allowed, or (C) such date as is otherwise agreed by Reorganized Debtor and the  
21 Holder of such Claim; or (ii) if Allowed, receive such other treatment as is agreed to by the Holder  
22 of an Administrative Claim and Reorganized Debtor.

23 *Voting:* An administrative claim arises under 11 U.S.C. §503, consequently, Administrative  
24 Claimants are barred from voting under 11 U.S.C. §1126(a).

25 **b) United States Trustee Fees.**

26 Notwithstanding the foregoing or anything to the contrary in the Plan, QUALITY UPHOLSTERY  
27 INC., shall pay, or cause to be paid, all its respective accrued U.S. Trustee Fees on or before the

1 Effective Date of the Plan. All U.S. Trustee Fees have been paid to date. Following the Effective  
2 Date, Reorganized Debtor shall be responsible for timely payment of all U.S. Trustee Fees until  
3 such time as the Final Decree closing this Chapter 11 Case are entered and all U.S. Trustee Fees  
4 due are paid in full.

5 The Debtor shall file with the Bankruptcy Court and serve on the U.S. Trustee a quarterly  
6 financial report for each quarter (or portion thereof) that the Chapter 11 Case remains open, in  
7 such format as reasonably may be required by the U.S. Trustee.

8 *Voting:* U.S. Trustee's fees arise under 28 U.S.C. §1930, therefore they may not vote under 11  
9 U.S.C. §1126(a).

### 10 (c) Priority Tax Claims.

11 *Deadline to File Tax Claims.* The Holder Holders of Priority Tax Claims must be filed  
12 before the claims filing bar date.

13 *Payment Provisions.* The legal and equitable rights of the Holders of Priority Tax Claims  
14 will be altered and paid out over time. The Holders of Priority Tax Claims are entitled to a priority  
15 under 11 U.S.C. 507(a)(8) and the claim will be paid in full the Allowed amount of any such Claim  
16 within 5-years of the date that the petition was filed, consistent with 11 U.S.C. 1129(a)(9).

17 Under the Plan, Holders of Allowed Priority Tax Claims against Reorganized Debtor shall not be  
18 entitled to any payments on account of any post-Petition Date interest or penalty with respect to  
19 or in connection with an Allowed Priority Tax Claim. Any such Claim or demand for any post-  
20 Petition Date interest or penalty will be discharged upon the entry of the Confirmation Order by  
21 Bankruptcy Code section 1141(d)(1), and the Allowed Priority Tax Claim Holder shall not assess  
22 or attempt to collect such accrued interest or penalty from the Debtor, Reorganized Debtor, or by  
23 lien on Reorganized Debtor's Property.

### 24 10.2 Executory Contracts and Unexpired Leases

25 The Debtors have listed their executory contracts and leases in their respective Schedules.  
26 Those executory contracts consist of contracts with customers for which the Debtor is performing  
27 upholstery work. To ensure confidentiality and to protect its customers from competitors, they are

1 not independently listed in the schedules. Any upholstery work contracts will be assumed. All  
2 other executory contracts, if any, shall be rejected unless otherwise accepted, in writing, by the  
3 Debtor.

4 **Rejection of Executory Contracts and Unexpired Leases.**

5 The entry of the Confirmation Order shall constitute the rejection of the executory contracts  
6 and unexpired leases as described in Section 4.1 above, (except those for upholstery work) as of  
7 the Effective Date, pursuant to Bankruptcy Code sections 365(a) and 1123(b)(2), and thus a timely  
8 Proof of Claim or Administrative Claim, as the case may be, may be filed. Any such claim(s) shall  
9 be filed no later than 30 days from the Effective Date or such claim(s) shall be forever barred.

10 Any holder of a Claim whose Claim arises from the rejection of an executory contract or  
11 unexpired lease with the Debtor shall have the rights of a holder of a General Unsecured Claim  
12 and shall receive the treatment provided to Holders of Class 4 General Unsecured Claims as set  
13 forth in this Plan.

14 **Filing of Rejection Claims.**

15 Any Person or Entity who believes they are entitled to assert a Claim against Reorganized  
16 Debtors by virtue of the rejection of an executory contract or unexpired lease may File a Claim  
17 with the Clerk of the Bankruptcy Court by the Claims Bar Date or the Administrative Claims Bar  
18 Date, as applicable.

19 **10.5 Objections to Claims**

20 Any Claim set forth on a Proof of Claim that was filed with the Bankruptcy Court prior to  
21 the Bar Date shall be deemed to be an Allowed Claim unless the Debtor, the Committee, or any  
22 Creditor or other party in interest files an Objection to the allowance of such Claim, the amount of  
23 such Claim, or the classification of such Claim. All Objections to Claims under this Plan, including  
24 Objections as to whether a Claim is an Allowed Claim, the amount of any Allowed Claim, and the  
25 Class to which any Allowed Claim belongs, shall be determined by the Bankruptcy Court. Unless  
26 extended by the Bankruptcy Court, all Objections to Claims in this Plan shall be filed within sixty  
27 (60) days after the Effective Date.

1           **10.6 Vesting of Assets**

2           Except as otherwise expressly provided in the Plan or in the Confirmation Order, on the  
3 Effective Date, but retroactive to the Confirmation Date, without any further action, the  
4 Reorganized Debtor will be vested with all of the property of the Estate, wherever situate, free and  
5 clear of all Claims, Liens and Equity Interests (except for Liens provided or authorized pursuant  
6 to the Plan and Permitted Encumbrances).

7           **10.7 Discharge**

8           In conjunction with Bankruptcy Code Section 1141, except as otherwise provided for in  
9 the Plan, the rights afforded in the Plan and the treatment of all claims and equity interests in the  
10 Plan shall be in exchange for and in complete satisfaction, discharge and release of Claims and  
11 Equity Interests of any nature whatsoever against the Debtor, and of the assets or properties of the  
12 Estate.

13           Without limiting the generality of the foregoing, except as provided in the Confirmation  
14 Order, confirmation will discharge the debtor and the reorganized debtor from all claims, or other  
15 debts that arose before the Effective Date, and all debts of the kind specified in sections 502(g),  
16 502(h) or 502(i) of the bankruptcy code, whether or not: (x) a proof of claim based on such a debt  
17 has been filed, or deemed to have been filed, under bankruptcy code sections 501 or 1111(a); (y)  
18 a claim based on such debt is allowed under bankruptcy code section 502 of the bankruptcy code;  
19 or (z) the holder of a claim based on such debt has accepted the plan.

20           **10.8 Injunctions**

21           **(a) Injunction Against Releasors.** All of the Releasors, along with any of their  
22 successors or assigns, are permanently enjoined, from and after the Effective Date, from (1)  
23 commencing or continuing in any manner any action or other proceeding of any kind against the  
24 Releasees (which are specifically identified as Mats and Stephen Costa) or any of their respective  
25 Representatives in respect of any Released Liabilities; (2) enforcing, attaching, collecting or  
26 recovering by any manner or means of any judgment, award, decree or order against the Releasees  
27 or any of their respective Representatives in respect of any Released Liabilities; (3) creating,

1 perfecting, or enforcing any encumbrance of any kind against any property in the possession,  
2 custody or control of the Releasees or any of their respective Representatives with respect to any  
3 Released Liabilities; or (4) asserting any right of setoff, subrogation or recoupment of any kind  
4 against any obligation due from the Releasees or any of their respective Representatives or against  
5 the property or interests in property of the Releasees or any of their respective Representatives,  
6 with respect to any Released Liabilities; provided, however, that nothing contained herein shall  
7 preclude such Releasors from exercising their rights pursuant to and consistent with the terms  
8 hereof and the contracts, instruments, releases and other agreements and documents delivered  
9 under or in connection with this Plan; provided, further, that nothing contained herein shall be  
10 deemed to enjoin any Releasor from taking any action against any Releasee or any of its  
11 Representatives based on the release exceptions contained in this Plan. This Release shall not be  
12 effective as to any non-debtor guarantor.

13           **(b) Injunction Protecting Exculpation of Debtor.** All Claimholders and any  
14 other parties-in-interest, along with any of their Representatives and any of their successors or  
15 assigns are permanently enjoined, from and after the Effective Date, from (1) commencing or  
16 continuing in any manner any action or other proceeding of any kind against Releasees in respect  
17 of any potential liability for which exculpation is granted pursuant to this Plan; (2) enforcing,  
18 attaching, collecting or recovering by any manner or means of any judgment, award, decree or  
19 order against Releasees in respect of any potential liability for which exculpation is granted  
20 pursuant to this Plan; (3) creating, perfecting, or enforcing any encumbrance of any kind against  
21 Releasees in respect of any potential liability for which exculpation is granted pursuant to this  
22 Plan; or (4) asserting any right of setoff, subrogation or recoupment of any kind against any  
23 Releasees or against the property or interests in property any Releasees, in respect of any potential  
24 liability for which exculpation is granted pursuant to this Plan; provided, however, that nothing  
25 contained herein shall preclude any Claimholder or other party-in-interest from exercising its  
26 rights pursuant to and consistent with the terms hereof and the contracts, instruments, releases and  
27 other agreements and documents delivered under or in connection with this Plan.

1                   (c)     **Injunction Against Interference With Plan.** Upon the Effective Date, all  
2 Claim Holders and their respective Representatives and any of their successors or assigns shall be  
3 enjoined from taking any actions to interfere with the implementation or consummation of the  
4 Plan.

5                   **10.9 Exculpation.**

6                   None of the Releasees, nor any of their respective Representatives shall have or incur any  
7 liability to any Claim Holder, or any other party-in-interest, or any of their Representatives, or any  
8 of their successors or assigns, for any act, omission, transaction or other occurrence in connection  
9 with, relating to, or arising out of the Chapter 11 Case, the pursuit of confirmation of this Plan, or  
10 the consummation of this Plan, except and solely to the extent such liability is based on fraud,  
11 gross negligence or willful misconduct. The Releasees shall be entitled to reasonably rely upon  
12 the advice of counsel with respect to any of their duties and responsibilities under this Plan or in  
13 the context of the Chapter 11 Case. No Claim Holder, or any other party-in-interest, including  
14 their respective Representatives, shall have any right of action against the Releasees or any of their  
15 Representatives, for any act, omission, transaction or other occurrence in connection with, relating  
16 to, or arising out of, the Chapter 11 Case, the pursuit of confirmation of this Plan, the  
17 consummation of this Plan or the administration of this Plan, except to the extent arising from  
18 fraud, gross negligence and willful misconduct. Nothing herein shall be deemed an exculpation  
19 by any Claim Holder, or any other party-in-interest, including their respective Representatives, of  
20 any Releasee or any of its Representatives for any acts, omissions, transactions, events or other  
21 occurrences taking place after the Effective Date or unrelated to this Plan and/or Chapter 11 Case.

22                   **10.10 Releases.**

23                   As of the Effective Date, for good and valuable consideration, the adequacy of which is  
24 hereby confirmed, each Releasor will be deemed to release, waive and forever discharge all  
25 Released Liabilities against each Releasee; provided, however, that, the releases provided herein  
26 shall not constitute a release of any liability based on willful misconduct, gross negligence or fraud;  
27 provided, further, that nothing herein shall be deemed to constitute a release by any Releasor of

1 any Releasee or any of its Representatives for any acts, omissions, transactions, events or other  
2 occurrences taking place after the Effective Date or unrelated to this Plan and/or Chapter 11 Case.

3 Except as otherwise provided in the Plan or Confirmation Order, as of the Effective Date,  
4 the Debtor and the Reorganized Debtor, in their respective capacity as such, any of such parties'  
5 respective present or former members, officers, directors, employees, advisors, attorneys,  
6 representatives, financial advisors, and agents, and any such parties' successors and assigns  
7 (collectively, the "Released Parties") shall be released by the Debtor and any successors in interest  
8 of the Debtor from any and all Claims, debts, obligations, rights, suits, damages, actions, causes  
9 of action, remedies, and liabilities whatsoever, whether known or unknown, foreseen or  
10 unforeseen, existing as of the Effective Date or thereafter arising, at law, in equity, or otherwise,  
11 that the Debtor would have been legally entitled to assert in its own right (whether individually or  
12 collectively) or that any holder of a Claim, Interest, or other person or entity would have been  
13 legally entitled to assert on behalf of the Debtor or its estate, based in whole or in part upon any  
14 act or omission, transaction, agreement, event, or other occurrence taking place before or on the  
15 Effective Date but occurring during the Chapter 11 cases, except for acts constituting willful  
16 misconduct, gross negligence, or bad faith and, in all respects such parties shall be entitled to rely  
17 upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without  
18 limiting the generality of the foregoing, to the extent permitted by law, the Debtor and any  
19 successors in interest of the Debtor shall waive all rights under any statutory provision purporting  
20 to limit the scope or effect of a general release, whether due to lack of knowledge or otherwise.

21 The Debtor and the Released Parties, and any property of or professionals retained by such  
22 parties, or direct or indirect predecessor in interest to any of the foregoing persons, shall not have  
23 or incur any liability to any Person or Entity for any act taken or omission, after the Petition Date,  
24 in connection with or related to these cases, including but not limited to (i) formulating, preparing,  
25 disseminating, implementing, confirming, consummating or administrating the Plan (including  
26 soliciting acceptances or rejections thereof); (ii) the Disclosure Statement or any contract,  
27 instrument, release or other agreement or document entered into or any action taken or omitted to

1 be taken in connection with the Plan; or (iii) any distributions or transfers made pursuant to the  
2 Plan, except for acts constituting willful misconduct, gross negligence, or bad faith occurring  
3 during the Chapter 11 Cases, and in all respects such parties shall be entitled to rely upon the  
4 advice of counsel with respect to their duties and responsibilities under the Plan.

5 The satisfaction, releases and discharge pursuant to Article 9 of the Plan will also act as an  
6 injunction against any Person or Entity commencing or continuing any action, employment of  
7 process or act to collect, offset, recoup or recover any Claim or Cause of Action satisfied, released  
8 or discharged under the Plan to the fullest extent authorized or provided by the Bankruptcy Code.

9 **10.11 Adequate Protection Liens; Cash Collateral Orders.**

10 (a) As of the Effective Date, all replacement Liens, granted as adequate  
11 protection pursuant to the terms of any Cash Collateral Orders shall be deemed to be terminated,  
12 discharged, eliminated, and of no further force and effect;

13 (b) As of the Effective Date, the Debtor's obligations, if any, under all Cash  
14 Collateral Orders shall be deemed to be fully satisfied, released, discharged, and terminated, and  
15 such Cash Collateral Orders shall be of no further force and effect.

16 (c) All equipment purchased post-petition through confirmation with Bank of  
17 America's cash collateral shall be part of the section 363 sale.

18 **MISCELLANEOUS**

19 **A. Retention of Jurisdiction.**

20 The Court shall retain jurisdiction of this case for the following purposes:

- 21 (1) allowance of compensation and other administrative expenses;  
22 (2) resolution of objections to claims;  
23 (3) resolution of all objections, conflicts, controversies or disputes arising out of the  
24 sale of assets of the estate and to provide for additional time for sale of any assets  
25 if necessary;  
26  
27

- 1 (4) correction of any defect, omission or inconsistency in the Plan, or the order  
2 confirming the Plan as may be necessary to carry out the purposes and intent of the  
3 Plan;
- 4 (5) modification of the Plan in accordance with the provisions of 11 U.S.C. § 1127;
- 5 (6) resolution of all questions and disputes regarding title to property and resolution of  
6 all causes of action, controversies, disputes or conflicts arising out of the Plan, the  
7 order confirming the Plan, or any other order issued with respect to the Plan,  
8 including, without limitation, disputes arising out of the failure of the Debtors, any  
9 creditor, or other party in interest to perform obligations required under the Plan;
- 10 (7) resolution of requests to close or reopen this case; and,
- 11 (8) assumption or rejection of Executory Contracts which are not discovered or proved  
12 to be valid as against the Debtor prior to the Confirmation Date, and allowance of  
13 claims for damages as to rejection of such Executory Contracts.

14 **B. Effect of Confirmation**

15 The Plan provides that the entry of the confirmation order discharges and terminates, as of  
16 the Effective Date, all Claims against Quality that arose at any time before the confirmation order  
17 was entered. The discharge of Quality under the Plan will be effective as to any claims against  
18 Quality, regardless of whether a proof of claim thereof was scheduled or filed, whether the claim  
19 is an Allowed Claim or whether the holder thereof has voted to accept or reject the Plan.

20 **C. Effective Date**

21 The Effective Date is defined in the Plan. Many important events under the Plan occur on  
22 or after the Effective Date.

23 **D. Substantial Confirmation**

24 The Plan will be deemed to be substantially consummated upon the Effective Date.

25 **E. Reservation of Rights**

26 The filing of the Plan, any statement or provision contained in the Plan, or any action by  
27 any party with respect to the Plan, shall not be considered an admission against interest or a waiver

1 of any rights, except as stated in the Plan as finally confirmed. In the event the Plan is not  
2 confirmed, the Plan, any statement or provision contained in the Plan may not be used or relied  
3 upon in any suit, action, controversy or other proceeding.

4 **F. Right to Withhold Confirmation Order or Not to Proceed**

5 If there are any impediments or delays in confirming the Plan, the Debtor reserves the right  
6 to withhold the order confirming the Plan or proceed under the Plan until such time as the Plan has  
7 been confirmed by the Court and the Effective Date under the Plan has passed.

8 **RISK FACTORS**

9 In addition to other matters addressed elsewhere in this Disclosure Statement, the Plan  
10 involves certain significant risks that should be taken into consideration, including those material  
11 risk factors set forth below.

12 **A. Risk of Non-Payment**

13 Upon the effectiveness of the Plan, the Debtor will have substantial debt. While the  
14 projections included herein anticipate that the Debtor will be able to meet its debt service  
15 obligations, any forecast of future financial results must be based upon a number of assumptions  
16 that are subject to inherent uncertainties and contingencies, many of which are beyond the control  
17 of the Debtor. Accordingly, there can be no assurance in this regard that the Debtor will be able  
18 to satisfy its debt obligations.

19 **B. Tax Risks**

20 The federal, state, local and foreign tax consequences of the Plan are complex, and in many  
21 areas, uncertain. Holders of Claims are strongly urged to consult their tax advisers for specified  
22 reference to the federal, state, local and foreign tax consequences of the Plan with respect to their  
23 Claim. The Debtors makes no assurances regarding the federal, state, local and foreign tax  
24 consequences of the Plan with respect to any Claim.

25 **C. Risk of Non-Confirmation of the Plan**

26 Even if the requisite acceptances are received, the Plan may not be confirmed by the  
27 Bankruptcy Court, which sits as a court of equity and may exercise substantial discretion.

1 Confirmation of the Plan requires, among other things, a finding by the Bankruptcy Court that  
2 there will not be a need for further financial reorganization, and that the value of distributions to  
3 Classes of dissenting Creditors not be less than the value of distributions such creditors would  
4 receive if the Debtor was liquidated under chapter 7 of the Bankruptcy Code. Although the Debtor  
5 believes that the Plan will not be followed by a further need for financial reorganization and that  
6 dissenting Creditors will receive distributions at least as great as they would receive in a liquidation  
7 under chapter 7 of the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will  
8 conclude that these tests have been met. Furthermore, the effectiveness of the Plan is subject to  
9 certain conditions and there can be no assurance that such conditions will be satisfied.

### 10 **ACCEPTANCE AND CONFIRMATION**

#### 11 **A. Voting Procedures**

##### 12 (1) Generally.

13 Only those Classes that are impaired under the Plan are entitled to vote to accept or reject  
14 the Plan. In that regard, the following classes are impaired under the Plan and are entitled to vote:

15 Classes 5, 8, and 11 are impaired under the Plan and are entitled to vote. Class 12  
16 is also impaired, but as an insider, Richard Jahn is not entitled to vote. Classes entitled to Priority  
17 Tax Claims and Administrative Claims, as well as Disputed Claims are not impaired under the  
18 Plan and are deemed to have accepted the Plan without voting. The Debtor reserve the rights to  
19 supplement this Disclosure Statement (if necessary) and to solicit any of the Classes which may  
20 prove to be impaired, as the Reorganization Case develops further.

21 Ballots will be sent to the known holders of Claims whether or not such Claims are  
22 disputed. However, only the holders of Allowed Claims (or Claims that have been temporarily  
23 allowed or have been estimated by the Bankruptcy Court), who are impaired are entitled to vote  
24 on the Plan. A Claim to which an objection has been filed is not an Allowed Claim unless and  
25 until the Bankruptcy Court rules on the objection and any appeals are determined. The holders of  
26 such Disputed Claims are not entitled to vote on the Plan unless they request that the Bankruptcy  
27 Court, pursuant to Bankruptcy Rule 3018, temporarily allow the Claims in appropriate amount

1 solely for the purpose of enabling the holders of such Disputed Claims to vote on the Plan; and the  
2 Bankruptcy Court does so.

3 (2) Incomplete Ballots.

4 Ballots that are signed, dated, and timely received, but on which a vote to accept or reject  
5 the Plan has not been indicated, will be regarded as a vote for acceptance of the Plan. In addition,  
6 unless otherwise indicated, a vote cast by a Person will constitute an acceptance or rejection of the  
7 Plan with respect to each Allowed Claim held, directly or indirectly, by such Person.

8 (3) Waivers of Defects, Irregularities, etc.

9 Unless otherwise directed by the Bankruptcy Court, all questions as to validity, form,  
10 eligibility (including time of receipt), acceptance and revocation or withdrawal of Ballots will be  
11 determined by the Debtors in their sole discretion, whose determination will be final and binding.  
12 As indicated below under “Withdrawal of Ballots”, effective withdrawals of Ballots must be  
13 delivered to the Debtors prior to the voting deadline. The Debtor reserves the absolute right to  
14 contest the validity of such withdrawal. The Debtors also reserves the right to reject any and all  
15 Ballots not in proper form, the acceptance of which would, in the opinion of the Debtor or its  
16 counsel, be unlawful. The Debtor further reserves the right to waive any defects or irregularities  
17 or conditions of delivery as to any particular Ballot. The interpretation (including the Ballot and  
18 instructions thereto) by the Debtor, unless otherwise directed by the Bankruptcy Court, will be  
19 final and binding on all parties. Unless waived, any defects or irregularities have not theretofore  
20 been cured or waived) will be invalidated.

21 (4) Withdrawal of Ballots; Revocation.

22 Any creditor holding an Allowed Claim which is impaired who has delivered a Ballot for  
23 or against the acceptance of the Plan may withdraw such acceptance or rejection by delivering a  
24 written notice of withdrawal to the Debtor at any time prior to the voting deadline.

25 A notice of withdrawal, to be valid, must: (i) contain the description of the Claim to which  
26 it relates and the amount of such Claim; (ii) be signed by the voting Creditor, in the same manner  
27 as the Ballot; and (iii) be received by the Debtor’s counsel in a timely manner at the address et

1 forth below. As indicated above, the Debtor expressly reserves the right to contest the validity of  
2 any such withdrawals of Ballots.

3 Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of  
4 Ballots which is not received in a timely manner will not be effective to withdraw a previously  
5 furnished Ballot.

6 (5) Liquidation Analysis.

7 To confirm the Plan, the Court must find that all creditors and equity interest holders who do not  
8 accept the Plan will receive at least as much under the Plan as such claim and equity interest holders  
9 would receive in a chapter 7 liquidation.

10

Non-Exempt Assets Administered through the Plan			
Property	Estimated Value	Secured Debt	Equity
Warehouse	\$760,000 <sup>1</sup>	\$673,809.70 -ReadyCap (est) \$ 592.12 - LV Sewer \$ 2,339.77- CC Sanitation \$ 2,209.26 - LV Water \$ 97,015.33 - Republic \$775,955.18	\$0
Cash	\$5,000 est.	\$5,000 ReadyCap (on liquidation)	\$5000
Misc. Fabrics/Equipment	\$5,000 (est. liquidation value)	\$5,000 ReadyCap (on liquidation)	\$5000
Vehicles	\$1500 (est. liquidation value)	\$0	\$1500.00
Goodwill/domain name/customer lists/business license	\$0	\$0	\$0
Accounts Receivable	\$10,000 (est. after costs of collection)	\$10,000 ReadyCap (on liquidation)	\$10,000
Office Furniture	\$500 (est. liquidation value)	\$500 ReadyCap (on liquidation)	\$500
TOTAL	\$782,000.00	\$774,955.18	\$22,000.00

26

27 <sup>1</sup> Valuation of Debtor's Warehouse is estimated based on an \$860,000 appraisal, reduced by \$100,000 for estimated costs to repair damage to the Warehouse.

1  
2 The Debtor estimates that in Chapter 7, a Trustee may be able to recover a total of  
3 approximately \$22,000.00, and that from that amount, Chapter 7 administrative expenses would  
4 need to be paid, leaving a significantly reduced amount for recovery. The Debtor believes that it  
5 is highly likely that unsecured creditors would receive nothing in a Chapter 7 case. Under the  
6 Debtor's proposed Plan, unsecured creditors will receive a pro-rata share of \$40,000.00, or an  
7 estimated 45% of their claims.

8 **(6) Feasibility.**

9 The Court must find that confirmation of the Plan is not likely to be followed by the  
10 liquidation, or the need for further financial reorganization, of the Debtor or any successor to the  
11 Debtor, unless such liquidation or reorganization is proposed in the Plan.

12 *Ability to Fund Plan*

13 The Debtor believes that it will have enough cash on hand on the effective date of the Plan  
14 to pay all the claims and expenses that are entitled to be paid on that date.

15 *Ability to Make Future Plan Payments and Operate Without Further Reorganization*

16 The Plan Proponent must also show that it will have enough cash over the life of the Plan  
17 to make the required Plan payments. Debtors believes that it will have sufficient cash generated  
18 through operations to make the payments under the Plan.

19 You Should Consult with Your Accountant or other Financial Advisor if You Have Any  
20 Questions Pertaining to These Projections.

21 **(7) Submission of Ballots.**

22 The forms of Ballot for each of the Classes entitled to vote on the Plan will be sent to all  
23 Creditors with a copy of the Disclosure Statement approved by the Bankruptcy Court, the Plan,  
24 and the Appendix of Exhibits. Creditors should read the Ballot carefully. If any Creditor has any  
25 questions concerning voting procedures, that Creditor may contact:  
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Matthew L. Johnson, Esq.  
JOHNSON & GUBLER, P.C.  
8831 W. Sahara Avenue  
Las Vegas, Nevada 89117  
(702) 471-0065  
E-Mail: mjohnson@mjohnsonlaw.com

Ballot(s) must be returned to:

Matthew L. Johnson, Esq.  
JOHNSON & GUBLER, P.C.  
8831 W. Sahara Avenue  
Las Vegas, Nevada 89117  
Fax: (702) 471-0075  
E-Mail: mjohnson@mjohnsonlaw.com

Ballots must be received by no later than 5:00 p.m. on \_\_\_\_\_, 2018.

DATED: June 5, 2018.

By:       /s/ Richard Jahn        
President of Quality Upholstery Inc.

Reviewed by:

JOHNSON & GUBLER, P.C.

      /s/ Matthew L. Johnson        
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*Attorneys for Debtor*