

**UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF TEXAS  
SAN ANTONIO DIVISION**

**In re**

**Case No. 16-50355G**

**Jeffrey Herrmann Jaffe**

**Chapter 11**

**Debtor**

**JEFFREY HERRMANN JAFFE'S FIRST AMENDED DISCLOSURE STATEMENT, DATED 8/23/2016**

**I. INTRODUCTION**

This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of Jeffrey Herrmann Jaffe (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the Amended Homestead Sale Plan (the "Plan") filed by the Debtor on 8/23/16. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

The proposed distributions under the Plan are discussed at pages 4-8 of this Disclosure Statement. General unsecured creditors are classified in Class 8, and will receive a distribution of 100% of their allowed claims, to be distributed as follows: upon the sale of the home at 300 Alameda Circle, Olmos Park, TX 78212.

**A. Purpose of This Document**

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
- Why Jeffrey Herrmann Jaffe believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

**B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. *Time and Place of the Hearing to Confirm the Plan*

The hearing at which the Court will determine whether to confirm the Plan will take place on October 5, 2016 at 9:00 a.m., in Courtroom No. 3 at the Hipolito F. Garcia Federal Building and United States Courthouse 615 East Houston Street, San Antonio, Texas 78205

2. *Deadline for Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to

Steven G. Cennamo  
Malaise Law Firm  
909 N.E. Loop 410, Suite 300  
San Antonio, TX 78209.

See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by September 26, 2016 or it will not be counted.

3. *Deadline for Objecting to the Confirmation of the Plan*

Objections to the confirmation of the Plan must be filed with the Court and served upon

Steven G. Cennamo  
Malaise Law Firm  
909 N.E. Loop 410, Suite 300  
San Antonio, TX 78209

by September 26, 2016.

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact

Steven G. Cennamo  
Malaise Law Firm  
909 N.E. Loop 410, Suite 300  
San Antonio, TX 78209.

C. **Disclaimer**

***The Court has approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted.***

II. **BACKGROUND**

A. **Description and History of the Debtor's Business**

The Debtor is an individual and does not currently operate any businesses

**B. Insiders of the Debtor**

Insider Name: <b>Morris Douglas Jaffe Jr.</b>	Relationship to the Debtor: <b>Brother</b>
Compensation paid by the Debtor or its affiliates to this insider during the two years prior to the commencement of the Debtor's bankruptcy case: <b>None</b>	
Compensation paid during the pendency of this chapter 11 case: <b>None</b>	

**C. Management of the Debtor Before and During the Bankruptcy**

During the two years prior to the date on which the bankruptcy petition was filed, the officers, directors, managers or other persons in control of the Debtor (collectively the "Managers") were:

Jeffrey Herrmann Jaffe

The Managers of the Debtor during the Debtor's Chapter 11 case have been:

Jeffrey Herrmann Jaffe

After the effective date of the order confirming the Plan, the directors, officers, and voting trustees of the Debtor, any affiliate of the Debtor participating in a joint Plan with the Debtor, or successor of the Debtor under the Plan (collectively the "Post Confirmation Managers"), will be:

Jeffrey Herrmann Jaffe

The responsibilities and compensation of these Post Confirmation Managers are described in section III (D) of this Disclosure Statement.

**D. Events Leading to Chapter 11 Filing**

Sometime in late 2007 or 2008 Jeffrey Jaffe was seeking an "asset" loan on 300 Alameda Circle. Greg Rubio a real estate broker and his attorney were working on a loan for him with Weinritter Realty. Jeffrey Jaffe had tremendous equity in his home and wanted to pull some out because of prior obligations. Jeffrey Jaffe asked for 2.5 million dollars because he wanted enough to pay any obligations he had, plus have enough cash to service the loan, pay taxes, insurance and any up keep. Jeffrey Jaffe would keep enough escrowed to meet these obligations until he made a decision remodeling the home. Jeffrey Jaffe had dealt with the Ritter family before on a shopping center Jeffrey Jaffe owned. They had loaned him approximately 2 million dollars and Jeffrey Jaffe eventually sold the center and paid them off. Since they had such a good relationship Jeffrey Jaffe thought they would be a good prospect for his home.

Greg Rubiola had originally obtained the loan for his shopping center so Jeffrey Jaffe thought he would be a good choice to get the paperwork done. The Ritters were very excited to do this loan because of the substantial equity in the home. They knew at 2.5 million they knew there was no risk to them. The Ritters were a long time client of IBC and were apparently talking to IBC about the loan. Apparently it got to the president of the bank who worked with Jeff's brother at the time and who also was a large client at the bank. Jeffrey Jaffe had been estranged from his brother for several years and Jeffrey Jaffe was surprised when Douglas called him in the beginning of January 2008.

Douglas Jaffe said he wanted to resolve our prior dealings that landed in litigation. His brother told him the president of IBC called him and told him Jeffrey Jaffe was seeking a loan with some very good clients of his bank. His brother told him they wanted to know what his house was worth. His brother said he told them it was worth 7.5 million even if we had "Armageddon" These were the words he used. Douglas said he had a 100 million dollar credit line with the bank. Douglas offered to get it financed for Jeff at good rate of interest. Douglas said he bank will do whatever Douglas wanted because Douglas was one of their largest customers. Jeffrey Jaffe felt he was sincere so we met and Douglas drove them to IBC downtown to meet with the President, Jeffrey Jaffe believes his name was Steve Edlund.

In the meeting was the president, his brother and his personal assistant Maggie Ortiz. They discussed the loan and Jeff ended up getting a loan for 2.5 million from his brother Douglas. I do not know the details between my brother and the bank. After the loan closed Jeffrey Jaffe ended up with approximately 1.2 million dollars. This would be used to service the note while Jeffrey Jaffe decided what to do with the house. Jeffrey Jaffe did not have the cash flow to service the debt, which is why he borrowed the excess. His brother knew this and the Ritters knew this. If one looks at the loan application, one will see this was strictly an asset loan. His brother knew one reason Jeffrey Jaffe was applying for the loan was to buy a ranch in Laredo that his wife's family owned. Douglas knew Jeffrey Jaffe had the potential to make millions off of it. Douglas said when he got his deal done, would Jeffrey help Douglas down the road if Douglas ever needed it. Jeffrey Jaffe told him he would give him whatever he needed.

When the loan closed Jeffrey Jaffe began making payments on the loan to Douglas from 2008-2009. During this time Jeffrey Jaffe asked his brother if he could continue renovation to the house as it is a 1920s mansion that needed to be completely restored. Jeffrey Jaffe told Douglas he did not want to run short on money for the note and Douglas said "It's your money, do whatever you want with it." Jeffrey Jaffe determined he had plenty and he would figure out something later down the road.

In 2009 Jeffrey Jaffe told Douglas he was running low on funds. Douglas said to not worry about it and that Douglas would take care of any obligations Jeffrey had on the home. Douglas said Jeffrey did not need to pay anymore on the note. Douglas said Jeff potentially had millions worth of assets with his ranch deal, his home, and other assets. Douglas said just help him if Douglas ever needed it and Douglas would forget the obligations on the note.

As time went on Douglas got in difficult financial shape and asked if Jeffrey Jaffe could help him since Douglas forgave the note. Jeffrey Jaffe told him that he would do whatever he needed to help Douglas. Douglas said he would just keep the payments Douglas made on the books as an account receivable. It will never be collected, but Douglas needed it to show on his books because of creditors. If there is any tax consequences, Douglas would take care of them and deal with them later. Jeffrey Jaffe didn't know at the time that Douglas was going to use these receivables against him. Douglas knew if Jeffrey Jaffe sold anything Jeffrey Jaffe would help him, but he used the receivables that Douglas had forgiven to try and foreclose on Jeffrey's home in case Jeffrey didn't get the windfall he was expecting. I

In 2011 his brother sent a foreclosure notice but told Jeff not worry there will be no action taken, that it was just for his files. Jeffrey Jaffe believed him because there was not action taken for over three years.

In December of 2014 Douglas told Jeff he was in financial trouble and sent another foreclosure but Douglas said this time was going to act on it because he need to save himself. Douglas filed to accelerate the note in 2015 so Jeff sued Douglas and IBC to stop the foreclosure. Jeff was in litigation until he filed for Chapter 11 on February 12 2016.

Douglas disputes substantially all of the Debtor's statement regarding the background leading up to the loan and specifically denies that he ever agreed to forgive the loan.

**E. Significant Events During the Bankruptcy Case**

Describe significant events during the Debtor's bankruptcy case: Morris D. Jaffe filed a Motion to lift stay seeking to proceed with the litigation in state court to foreclose his alleged lien on the property at 300 Alameda Circle, Olmos Park, Tx. The parties reached an agreement that Debtor would have until December 31, 2016 to close a sale on the property. If the sale closes and funds by December 31, 2016, then Morris. D. Jaffe and IBC would accept \$3,500,000 in full satisfaction of their claims. . If the sale does not close by that date, then an order would be entered in the state court litigation allowing Morris D. Jaffe and IBC to proceed with litigation and dismissing with prejudice all claims of Debtor against Morris D. Jaffe and IBC.

Describe any asset sales outside the ordinary course of business, debtor in possession financing, or cash collateral orders: None

Identify the professionals approved by the court: Steven G. Cennamo. Attorney and Judy Dalrymple, Real Estate Agent.

Describe any adversary proceedings that have been filed or other significant litigation that has occurred (including contested claim disallowance proceedings), and any other significant legal or administrative proceedings that are pending or have been pending during the case in a forum other than the Court: There was pending before the case was filed a lawsuit in Bexar County District Court, 2015-CI-09593, Jeffrey & Eugenia Jaffe vs. Douglas Jaffe & IBC relating to the validity and extent of the alleges liens on the home at 300 Alameda Circle, Olmos Park, TX 78212.

**F. Projected Recovery of Avoidable Transfers**

The Debtor has not yet completed its investigation with regard to prepetition transactions. If you received a payment or other transfer within 90 days of the bankruptcy, or other transfer avoidable under the Code, the Debtor may seek to avoid such transfer.

**G. Claims Objections**

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

**H. Current and Historical Financial Conditions**

The identity and fair market value of the estate's assets are listed in Exhibit B.

The Debtor's most recent financial statements, if any, issued before bankruptcy, each of which was filed with the Court, are set forth in Exhibit C.

The most recent post-petition operating report filed since the commencement of the Debtor's bankruptcy case is set forth in Exhibit D.

**III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS**

**A. What is the Purpose of the Plan of Reorganization?**

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

**B. Unclassified Claims**

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

**1. Administrative Expenses**

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
Malaise Law Firm	\$20,000	Paid upon Sale of Home
<b>TOTAL</b>	<b>\$20,000.00</b>	

**2. Priority Tax Claims**

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

<b>Description (name and type of tax)</b>	<b>Estimated Amount Owed</b>	<b>Date of Assessment</b>	<b>Treatment</b>
<b>None</b>			

**C. Classes of Claims and Equity Interests**

The following are the classes set forth in the Plan, and the proposed treatment that they will

receive under the Plan:

1. *Classes of Secured Claims*

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim.

The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

<b>Class #</b>	<b>Description</b>	<b>Insider? (Yes or No)</b>	<b>Impairment</b>	<b>Treatment</b>
1	<p><i>Secured claim of:</i> Name = Bexar County</p> <p>Collateral Description = 300 Alameda Circle, San Antonio, TX 78212</p> <p>Allowed Secured Amount = \$338,439.72</p> <p>Priority of Lien = 1</p> <p>Principal owed = \$338,439.72</p> <p>Total claim = \$338,439.72</p>	No	Impaired	The claim will be paid in full with statutory interest upon the sale of the home at 300 Alameda Circle, Olmos Park, TX 78212
2	<p><i>Secured claim of:</i> Name = Bexar County District Clerk</p> <p>Collateral Description = 300 Alameda Circle, San Antonio, TX 78212</p> <p>Allowed Secured Amount = \$707.00</p> <p>Priority of Lien = 6</p> <p>Principal owed = \$707.00</p> <p>Pre-pet. arrearage = \$707.00</p> <p>Total claim = \$707.00</p>	No	Impaired	The claim will be paid in full with statutory interest upon the sale of the home at 300 Alameda Circle, Olmos Park, TX 78212
3	<p><i>Secured claim of:</i> Name = City of San Antonio</p>	No	Impaired	The claim will be paid in full with statutory interest upon the sale of the home at 300 Alameda Circle, Olmos

	<p>Collateral Description = 300 Alameda Circle, San Antonio, TX 78212</p> <p>Allowed Secured Amount = \$707.00</p> <p>Priority of Lien = 5</p> <p>Principal owed = \$707</p> <p>Pre-pet. arrearage = \$707.00]</p> <p>Total claim = \$707.00</p>			<p>Park, TX 78212</p> <p>Debtor asserts this claims duplicates the claim of the Bexar County District Clerk in Class 2</p>
4	<p><i>Secured claim of:</i> Name = Edwards Aquifer Authority</p> <p>Collateral Description = 300 Alameda Circle, San Antonio, TX 78212</p> <p>Allowed Secured Amount = \$96,632.40</p> <p>Priority of Lien = 7</p> <p>Principal owed = \$93,632.40</p> <p>Pre-pet. arrearage = \$93,632.40</p> <p>Total claim = \$96,632.40</p>	No	Impaired	<p>The claim will be paid in full with statutory interest upon the sale of the home at 300 Alameda Circle, Olmos Park, TX 78212</p>
5	<p><i>Secured claim of:</i> Name = IBC Bank</p> <p>Collateral Description = 300 Alameda Circle, San Antonio, TX 78212</p> <p>Allowed Secured Amount = \$2,500,000.00</p> <p>Priority of Lien = 2</p> <p>Principal owed = \$2,500,000.00</p> <p>Pre-pet. arrearage = \$2,157,443.83</p> <p>Total claim = \$2,500,000.00</p>	No	Impaired	<p>The claim will be paid in full with contractual interest upon the sale of the home at 300 Alameda Circle, Olmos Park, TX 78212</p> <p>Debtor asserts this claim in a duplicate of the class 7 claim and is not a valid claim in that the creditor has a lien on the alleged note to the Class 7 creditor which lien has not yet been foreclosed and as such is not the owner and holder of the note.</p>
6	<p><i>Secured claim of:</i> Name = Internal Revenue</p>	No	Impaired	<p>The claim will be paid in full with statutory interest upon the sale of the</p>



	Service  Collateral Description = Homestead & Household goods  Allowed Secured Amount = \$266,064.27  Priority of Lien = 8 Principal owed = \$266,064.27 Pre-pet. arrearage = \$266,064.27  Total claim = \$266,064.27			home at 300 Alameda Circle, Olmos Park, TX 78212
7	Secured claim of. Name = Morris Douglas Jaffe Jr.  Collateral Description = 300 Alameda Circle, San Antonio, TX 78212  Allowed Secured Amount = \$3,667,073.39  Priority of Lien = 4  Principal owed = 3,667,073.39  Pre-pet. arrearage = \$1,410,940.83  Total claim = \$3,492,224.00	Yes	Impaired	The claim will be paid the full with contractual interest upon the sale of the home at 300 Alameda Circle, Olmos Park, TX 78212.

2. Classes of Priority Unsecured Claims

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept a different treatment.

The following chart lists all classes containing claims under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Code and their proposed treatment under the Plan:

Class #	Description	Impairment	Treatment
N/A	None		

3. Class of General Unsecured Claims

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Class 8 which contains general unsecured claims against the Debtor:

General Unsecured Classes: 8  
 General Unsecured Impaired Classes: 8

Class #	Description	Impairment	Treatment
8	General Unsecured Class	Impaired	The claims will be paid the full with contractual interest upon the sale of the home at 300 Alameda Circle, Olmos Park, TX 78212. . If the home does not sell it is expected that Debtor will dismiss his case with no payments to unsecured creditors.

4. *Class of Equity Interest Holders*

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

The following chart sets forth the Plan's proposed treatment of the class of equity interest holders:

Class #	Description	Impairment	Treatment
9	Equity Interest Holders	Unimpaired	Debtor will retain his interest

D. **Means of Implementing the Plan**

1. *Source of Payments*

Payments and distributions under the Plan will be funded by the following:

Sale of the home at 300 Alameda Circle, Olmos Park, Tm 78212. The Listing price is currently \$6,950,000 and is listed with Judy Dalrymple pursuant to court order. Debtor has December 31, 2016 deadline to sell the property or the automatic stay will lift as to Morris D. Jaffe and IBC allowing them to proceed with litigation foreclose his lien. There is no fixed minimum price and Debtor has the option to adjust the listing price as would any other seller. The final sales price is subject to approval by the U.S. Bankruptcy Court with creditors, lienholders and parties in interest having the right to object.

There is historic water well on the property. In 2008 the Edward Aquifer Authority sued Debtor relating to the water well being unplugged and in June 2010, obtained a \$80,650 monetary judgment and a permanent injunction requiring debtor to plug the abandoned well by June 30, 2010. The well remained unplugged and uncapped. Debtor will have the well logged by a company

approved by EAA. If the casing is deteriorated, then Debtor will plug the well. If the casing is not deteriorated, Debtor will cap the well subject to the right of any buyer within 5 years to put the well on line by attaching proper pumps and other apparatus required by EAA to use the well. If the well is not logged or capped prior to any sale, any buyer will be subject to the permanent injunction requiring the well to be capped and otherwise comply with the EAA regulations.

Debtor has filed a Motion to Avoid the Judicial Lien of the EAA as impairing the exemption.

If the property does not sell before lenders foreclose their liens there will be no way to fund the plan unless the property sells for more than all the liens on the property. If a foreclosure occurs, the Debtor will dismiss this Chapter 11 case.

**2. Post-confirmation Management**

The Post-Confirmation Managers of the Debtor, and their compensation, shall be as follows:

Name	Affiliations	Insider (yes or no)?	Position	Compensation
Jeffrey Herrmann Jaffe	Debtor	Yes	Debtor	None

**E. Risk Factors**

The proposed Plan has the following risks:

1. The length of time it will take to sell the property at 300 Alameda Circle
2. The possibility that the property at 300 Alameda Circle will not sell
3. The possibility that the property at 300 Alameda Circle will sell for far less than the current asking price.
4. The incurrence of ongoing ad valorem property taxes on 300 Alameda Circle, San Antonio, TX
5. The lack of insurance on 300 Alameda Circle.
6. The lender(s) with a lien on 300 Alameda Circle foreclosing their lien(s) on 300 Alameda Circle.

**F. Executory Contracts and Unexpired Leases**

The Plan, in Exhibit 5.1, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. Exhibit 5.1 also lists how the Debtor will cure and compensate the other party to such contract or lease for any such defaults.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed in Exhibit 5.1 will be rejected under the Plan. Consult your advisor or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

**G. Tax Consequences of Plan**

***Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.***

The following are the anticipated tax consequences of the Plan: None

**IV. CONFIRMATION REQUIREMENTS AND PROCEDURES**

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

**A. Who May Vote or Object**

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that no classes are impaired and therefore no creditors are entitled to vote to accept or reject the Plan. The Plan Proponent believes that classes 1-8 are unimpaired and that holders of claims in each of these classes, therefore, have the right to vote to accept or reject the Plan.

**1. *What Is an Allowed Claim or an Allowed Equity Interest?***

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

***The deadline for filing a proof of claim in this case was June 13, 2016.***

**The deadline for filing objections to claims is January 16, 2017.**

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is **Not** Entitled to Vote*

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;
- holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and
- holders of claims or equity interest in classes that do not receive or retain any value under the Plan;
- administrative expenses.

***Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan.***

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

**B. Votes Necessary to Confirm the Plan**

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed later in Section [B.2].

1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

***You should consult your own attorney if a "cramdown" confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.***

C. **Liquidation Analysis**

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in Chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as Exhibit E.

D. **Feasibility**

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

1. *Ability to Initially Fund Plan*

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

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

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments. Debtor believes that the sale of the property at 300 Alameda Circle, Olmos Park, Texas will generate enough cash to pay all creditors in full.

***You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.***

V. **EFFECT OF CONFIRMATION OF PLAN**

A. **DISCHARGE OF DEBTOR**

Discharge. Confirmation of the Plan does not discharge any debt provided for in the Plan until the court grants a discharge on completion of all payments under the Plan, or as otherwise provided in § 1141(d)(5) of the Code. Debtor will not be discharged from any debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

B. **Modification of Plan**

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan.

Upon request of the Debtor, the United States trustee, or the holder of an allowed unsecured claim, the Plan may be modified at any time after confirmation of the Plan but before completion of payments under the Plan, to (1) increase or reduce the amount of payments under the Plan on claims of a particular class, (2) extend or reduce the time period for such payments, or (3) alter the amount of distribution to a creditor whose claim is provided for by the Plan to the extent necessary to take account of any payment of the claim made other than under the Plan.

### C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

## VI. PRESERVED LITIGATION CLAIMS

In accordance with Fifth Circuit case law, the Debtor is required to preserve all litigation claims by specifically and unequivocally identifying all claims and causes of action. The Debtor preserves the following claims:

(a) Claims against those entities listed in response to Statement of Financial Affairs question (3b) under 11 U.S.C. §§ 547 and 548 shall be preserved. Pursuant to section 547 of the Bankruptcy Code, a debtor may recover certain preferential transfers of property, including cash, made while insolvent during the ninety days immediately prior to the filing of its bankruptcy petition with respect to preexisting debts a debtor owes a transferee to the extent the transferee received more than it would have if the transfer had not been made and the debtor been liquidated under chapter 7 of the Bankruptcy Code. In the case of "insiders," the Bankruptcy Code provides for a one-year preference period. Transfers made in the ordinary course of the debtor's and the transferee's business and transfers made according to ordinary business terms are generally not recoverable. Furthermore, if the transferee extended credit subsequent to the transfer (and prior to the commencement of the bankruptcy case), such extension may constitute a defense to a preference lawsuit. If a preferential transfer were recovered by the debtor, the transferee would have a general unsecured claim against the debtor to the extent of the debtor's recovery. Further, the Debtor has not analyzed whether the recipients of such payments would have a defense to a preference action. **Under the Plan, all Avoidance Actions of the Debtor against any potential preference defendant shall be preserved and Debtor will have the authority as a representative of the Estate to investigate and prosecute all such Avoidance Actions in accordance with section 1123(b)(3) of the Bankruptcy Code.**

Under section 548 of the Bankruptcy Code and various state laws, a debtor may recover certain prepetition transfers of property, including the grant of a security interest in property, made while insolvent to the extent the debtor receives less than fair value for such property. In addition, Avoidance Actions exist under sections 544, 545, 549 and 553(b) of the Bankruptcy Code that allow a debtor to avoid and/or recover certain property. As of the date hereof, the Debtor has not yet estimated the potential recovery

from the prosecution of Avoidance Actions. Under the Plan, all such Avoidance Actions shall be preserved the Debtor will have the authority as a representative of the Estate to investigate and prosecute all such Avoidance Actions in accordance with section 1123(b)(3) of the Bankruptcy Code. The Debtor will pursue<sup>1</sup> all Avoidance Actions, to the extent they do not constitute Released Estate Causes of Action.

**HOLDERS OF UNSECURED CLAIMS SHOULD REALIZE THAT, PURSUANT TO SECTION 502(D) OF THE BANKRUPTCY CODE, THE DEBTOR MAY WITHHOLD DISTRIBUTION ON THEIR CLAIMS TO THE EXTENT THE HOLDERS OF SUCH CLAIMS RECEIVED PAYMENTS FROM THE DEBTOR DURING THE 90 DAY PERIOD (OR 1 YEAR IN THE CASE OF INSIDERS) PRIOR TO FEBRUARY 12, 2016, THE PETITION DATE.**

(c) The claims, causes of action and litigation that are listed in response to Statement of Financial Affairs question 4.

(d) Any lawsuits for, or in any way involving, the collection of accounts receivable or any matter related to the Plan.

(e) Any and all Causes of Action against any customer or vendor who has improperly asserted or taken action through setoff or recoupment.

(f) Any and all actions, whether legal, equitable, or statutory in nature, arising out of, or in connection with, the Debtor's business operations.

(g) Any lien avoidance actions relating to any lien on 300 Alameda Circle, Olmos Park, TX 78212 except for the liens of Morris D. Jaffe and IBC.

In addition, there may be numerous other causes of action which currently exist or may subsequently arise that are not set forth in the Plan or Disclosure Statement because the facts upon which such causes of action are based are not fully or currently known by the Debtor and, as a result, cannot be raised during the pendency of the Case (collectively, "Unknown Causes of Action"). The failure to list any such Unknown Cause of Action in the Plan or the Disclosure Statement is not intended to limit the rights of the Liquidating Trust to pursue any Unknown Cause of Action to the extent the facts underlying such Unknown Cause of Action become fully known to the Debtor. The Debtor will pursue<sup>2</sup> Unknown Causes of Action to the extent they become known.

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<sup>1</sup>Pursuit of an Avoidance Action may include, but not be limited to, service of a demand letter, settlement negotiation, pursuit of litigation, and any other means available to the Liquidating Trustee to obtain a resolution of such Avoidance Action.

<sup>2</sup>Pursuit of such claim or cause of action may include, but not be limited to, service of a demand letter, settlement negotiation, pursuit of litigation, and any other means available to obtain a resolution of such claim or cause of action.



The Debtor has attempted to disclose herein certain material causes of action to include Avoidance Actions and other actions that it may hold against third parties. However, the Debtor has not concluded the investigation and analysis of all potential claims and causes of action against third parties. Under the Plan, such investigation and analysis will continue post-Confirmation by the Debtor.

YOU SHOULD NOT RELY ON THE OMISSION OF THE DISCLOSURE OF A CLAIM OR CAUSE OF ACTION TO ASSUME THAT THE DEBTOR HOLDS NO CLAIM OR CAUSE OF ACTION AGAINST ANY THIRD-PARTY, INCLUDING ANY CREDITOR THAT MAY BE READING THIS DISCLOSURE STATEMENT AND/OR CASTING A BALLOT.

  
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JEFFREY HERRMANN JAFFE